

INTUIT INC
Form 10-K
September 12, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended July 31, 2008
OR
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number 0-21180
INTUIT INC.
(Exact name of registrant as specified in its charter)

Delaware **77-0034661**
(State of incorporation) *(IRS Employer Identification No.)*
2700 Coast Avenue, Mountain View, CA 94043
(Address of principal executive offices, including zip code)
(650) 944-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, \$0.01 par value	NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2008, based on the closing price of \$30.69 reported by the NASDAQ Global Select Market on that date, was \$9.33 billion. Shares of Intuit common stock held by each executive officer and director and by each entity or person that, to our knowledge, owned 5% or more of Intuit's outstanding common stock as of January 31, 2008 have been excluded in that such persons may be deemed to be affiliates of Intuit. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 323,962,762 shares of Intuit voting common stock outstanding as of August 31, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Stockholders to be held on December 16, 2008 are incorporated by reference in Parts II and III of this Annual Report on Form 10-K.

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FISCAL 2008 FORM 10-K
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Intuit, QuickBooks, TurboTax, Lacerte, ProSeries, Digital Insight, and Quicken, among others, are registered trademarks and/or registered service marks of Intuit Inc., or one of its subsidiaries, in the United States and other countries. Other parties' marks are the property of their respective owners.

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This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Please see the section entitled *Forward-Looking Statements and Risk Factors* in Item 1A of this Report for important information to consider when evaluating these statements.

PART I

ITEM 1

BUSINESS

CORPORATE BACKGROUND

General

Intuit Inc. is a leading provider of business and financial management solutions for small and medium sized businesses, financial institutions, consumers, and accounting professionals. Our flagship products and services, including QuickBooks, Quicken and TurboTax, simplify small business management and payroll processing, personal finance, and tax preparation and filing. ProSeries and Lacerte are Intuit's leading tax preparation offerings for professional accountants. Our financial institutions division, anchored by Digital Insight, provides on-demand banking services that help banks and credit unions serve businesses and consumers with innovative solutions. Founded in 1983 and based in Mountain View, California, we had revenue of \$3.1 billion in our fiscal year ended July 31, 2008. We had approximately 8,200 employees in major offices in the United States, Canada, India, the United Kingdom and other locations as of July 31, 2008.

Intuit was incorporated in California in March 1984. In March 1993 we reincorporated in Delaware and completed our initial public offering. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our telephone number at that location is 650-944-6000. We maintain our corporate Web site at www.intuit.com. On our Web site we publish information for investors and information relating to Intuit's corporate governance. The content on any Web site referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise. When we refer to we, our or Intuit in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports, required of public companies with the Securities and Exchange Commission (SEC). The public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 202-551-8090. The SEC also maintains a Web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Through a link to the SEC Web site, we make available free of charge on the Investor Relations section of our corporate Web site all of the reports we file with the SEC as soon as reasonably practicable after the reports are filed. Copies of Intuit's fiscal 2008 Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000.

BUSINESS OVERVIEW

Intuit's Mission

For 25 years, Intuit's mission has been to revolutionize people's lives by solving their important business and financial management problems. Whether helping to balance a checkbook, run a small business or pay income taxes, we believe our innovative solutions have simplified millions of people's lives.

Solving important business and financial management problems is still our goal. We are finding new ways to solve them in an Internet-connected world, where emerging technology and market trends are changing the way people live and work. As a result, we are acquiring new customers, connecting them to our solutions, and helping them

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communicate in new ways with each other and with us. We are doing this in a global environment, where our customers' personal and professional lives often transcend geographic borders.

As we begin this new chapter, our mission is simple: We seek to be a premier innovative growth company that empowers individuals and businesses to achieve their dreams.

Our Business Portfolio

We organize our portfolio of businesses into four principal categories: Small Business, Tax, Financial Institutions and Other Businesses. These categories include six financial reporting segments.

Small Business: This category includes two segments: QuickBooks, and Payroll and Payments.

Our QuickBooks segment includes QuickBooks financial and business management software and services, technical support, financial supplies, and Web site design and hosting services for small businesses.

Our Payroll and Payments segment includes small business payroll products and services. This segment also includes merchant services provided by our Innovative Merchant Solutions business that include credit and debit card processing, electronic check conversion and automated clearing house services.

Tax: This category also includes two segments: Consumer Tax and Accounting Professionals.

Our Consumer Tax segment includes TurboTax income tax preparation products and services for consumers and small business owners.

Our Accounting Professionals segment includes Lacerte and ProSeries professional tax products and services.

This segment also includes QuickBooks Premier Accountant Edition and the QuickBooks ProAdvisor Program for accounting professionals.

Financial Institutions: This segment consists primarily of outsourced online banking services for banks and credit unions provided by our Digital Insight business.

Other Businesses: This segment includes Quicken personal finance products and services, Intuit Real Estate Solutions, and our businesses in Canada and the United Kingdom.

Our Growth Strategy

Our core growth strategy remains unchanged: To be in growth businesses, high-profit businesses and attractive new markets with large unmet or underserved needs that we can solve well.

In an evolving world, we are adapting our approach to meet changing demographics, technology and market trends. In fiscal 2008 we announced our new Connected Services strategy. This strategy reflects a world where people and businesses are increasingly connected, whether through desktop, laptop or handheld devices. With this expanded connectivity, people increasingly expect access to services any time, any place. By implementing this strategy, we intend to create customer delight by offering easy-to-use connected services that solve customers' problems while building durable competitive advantage.

Nearly 50 million people use our QuickBooks, Payroll, Payments, TurboTax, Digital Insight and Quicken products and services. This positions us to succeed in this environment by connecting these people to our services and to each other. We do this in three different ways:

Connecting customers directly to our online services: We host services such as QuickBooks Online, QuickBooks Online Payroll, Web site services for small businesses, TurboTax Online and outsourced banking services for financial institutions. Sometimes referred to as Software as a Service, or SaaS, these offerings are designed to deliver clear benefits and value to customers.

Connecting our services to our software: We offer services, such as small business payroll and merchant services, that can be connected with software, such as QuickBooks. This can create powerful solutions that we believe give us a competitive advantage.

Connecting people to people: We are increasingly using our products as a platform to connect people to each other and to us, allowing them to share information and solve problems together. For example, our TurboTax Live Community allows participants to submit and answer each other's questions while preparing their income

tax returns.

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We have already made progress in this connected services environment. Over half of our \$3 billion in fiscal 2008 revenue came from connected services.

To compete in this connected world, our strategy is to take advantage of three emerging technology and market trends:

Social: Linked by a connected world to businesses and each other, people are able to shape product development, share their expertise and influence opinion like never before. Through our TaxAlmanac service, for example, tax professionals can research tax laws and create and share knowledge. In a social world, people are connecting and contributing to our product offerings.

Mobile: As technology moves from the desktop to the palmtop, we are focusing on mobile services that deliver in the pocket any place at any time that is convenient for customers. For example, QuickBooks Online is now available for the iPhone.

Global: As geographic borders become less important to businesses, we are working to help customers take advantage of a global marketplace and find new customers in new markets.

Summary

As our strategy evolves, we remain committed to developing innovative products and services that are so convenient and easy to use that customers actively recommend them to others. We call these customers promoters people who create positive word-of-mouth by promoting our brand to others. For 25 years we've worked to solve their important business and financial management problems. As we begin this new chapter, we will increasingly work to help them solve each other's problems, connecting people to people and to solutions.

PRODUCTS AND SERVICES

We offer our products and services in the six business segments discussed in Business Overview above. The following table shows the classes of similar products or services that accounted for 10% or more of total net revenue in fiscal 2008, 2007 and 2006.

	Fiscal 2008	Fiscal 2007	Fiscal 2006
QuickBooks	20%	22%	23%
Payroll and Payments	18%	19%	20%
Consumer Tax	30%	30%	31%
Accounting Professionals	11%	12%	13%
Financial Institutions	10%	6%	1%

Our products and services are sold mainly in the United States and are described below. International total net revenue was less than 5% of consolidated total net revenue for fiscal 2008, 2007 and 2006. For financial information about these segments, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Item 7 and Note 8 to the financial statements in Item 8.

QuickBooks

QuickBooks Software. Our QuickBooks product line brings bookkeeping capabilities and business management tools to small business users in an easy-to-use design that does not require them to be familiar with debit and credit accounting. We offer a range of products to suit the needs of different types of small businesses. Our desktop software products include QuickBooks Simple Start, which provides accounting functionality suitable for very small, less complex businesses and is offered in both free and paid versions; QuickBooks Pro, which provides accounting functionality suitable for slightly larger businesses, including those with payroll needs; QuickBooks Pro for Mac; QuickBooks Premier, which provides small businesses with advanced accounting functionality and business planning tools; and QuickBooks Enterprise Solutions, designed for larger businesses. Our Premier and Enterprise products also come in a range of industry-specific editions, including Manufacturing, Wholesale and

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Distribution, Retail, Non-Profit, Contractors, and Professional Services. In addition, we offer a Web-based version of QuickBooks called QuickBooks Online that is suitable for multiple users working in various locations.

QuickBooks Technical Support. We offer several technical support options to our QuickBooks customers. These include support plans that are sold separately and priced based on the length of the plan. QuickBooks customers may choose one-time support or support plans that last for one month, three months, six months or one year. We also offer a free self-help information section on our QuickBooks.com Web site and free access to the QuickBooks Community, an online forum where QuickBooks users can share information with each other.

Web Services for Small Businesses. With our December 2007 acquisition of Homestead, we offer services to small businesses that help them establish a presence on the Web, maintain and promote their Web sites, and sell or market their products online.

Financial Supplies. We offer a range of financial supplies designed for small businesses and individuals for use with QuickBooks. These include paper checks, envelopes, invoices and deposit slips. In addition, we offer business identity services that include business cards and stationery. We also offer tax forms, tax return presentation folders and other supplies for professional tax preparers. Our customers can personalize many products to incorporate their logos and use a variety of color, font and design options.

QuickBooks Point of Sale Solutions. Our QuickBooks Point of Sale offering helps retailers manage customer transactions and inventories. The Basic version is suitable for single stores that want to process sales using barcodes and track inventory and customer purchases. The Pro version offers more advanced functionality such as serial number tracking and the ability to process layaways and special orders. The Pro Multi-Store version allows the transfer of information between stores. We sell this software with or without the accompanying hardware.

QuickBase. Our QuickBase offering is a Software as a Service (SaaS) platform based on a robust database that allows business users to select ready-made online workgroup applications or create custom solutions for their businesses. The most common solutions include project collaboration, sales team management and employee management. QuickBase customers pay a monthly or yearly subscription fee that varies based on the number of users and the amount of data and file storage they need.

Intuit Developer Network. The Intuit Developer Network is an initiative that encourages third-party software developers to build applications that exchange data with QuickBooks and other Intuit products by giving them access to certain application programming interfaces. In addition, the Intuit Developer Network has launched in closed beta testing the QuickBase Developer Program, which allows developers to create SaaS applications without the need to host the applications, manage billing, or build connections to QuickBooks. Developers who register with the Intuit Developer Network have access to the latest QuickBooks software development kit, the QuickBase Web development platform, QuickBooks software downloads, and member benefits such as marketing tools, developer forums and one-on-one engineering support. At the end of fiscal 2008, approximately 300 third-party applications were available for QuickBooks and other Intuit products at www.marketplace.intuit.com.

Payroll and Payments

Payroll. QuickBooks Payroll is a family of products sold on a subscription basis to small businesses that use QuickBooks and prepare their own payroll or want some assistance with preparing their payroll. It is also sold to accountants who use QuickBooks and help their clients manage their payrolls. The product family includes QuickBooks Basic Payroll, which provides payroll tax tables and payroll reports; QuickBooks Enhanced Payroll, which provides payroll tax tables, payroll reports, federal and state payroll tax forms, workers' compensation tracking, and eFile & Pay for federal and state payroll taxes; QuickBooks Enhanced Payroll for Accountants, which has several accountant-specific features in addition to the features in QuickBooks Enhanced Payroll; and QuickBooks Online Payroll, for use with QuickBooks Online. We also offer QuickBooks Assisted Payroll, through which we provide the back-end aspects of payroll processing, including tax payments and filings, for customers who process their payrolls using QuickBooks. Direct deposit is available with all of these offerings for additional fees. Intuit Online Payroll provides small business payroll services on a subscription basis that do not require customers to use QuickBooks. This offering includes online payroll tax calculation, payroll reports, direct deposit, electronic payment of federal and state payroll taxes, and federal and state payroll tax forms.

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Payments. Our Innovative Merchant Solutions business and our recently acquired Electronic Clearing House business offer a full range of merchant services to small businesses. These include credit card, debit card, electronic benefits, check guarantee and gift card processing services; electronic check conversion and automated clearing house (ACH) capabilities; and Web-based transaction processing services for online merchants. In addition to processing services, we provide a full range of support for our merchants that includes customer service, charge-back retrieval and support, and fraud and loss prevention screening.

Consumer Tax

Our Consumer Tax business offers a number of tax return preparation products and services for customers whose returns have varying levels of complexity. Our current solutions include:

Tax Return Preparation Offerings. Our TurboTax products and services are designed to enable individuals and small business owners to prepare their own federal and state personal and small business income tax returns easily, quickly and accurately. They are designed to be easy to use, yet sophisticated enough for complex tax returns. For the 2007 tax season we offered a range of software products and services that included desktop and online versions of TurboTax Basic, TurboTax Deluxe, TurboTax Premier, and TurboTax Home and Business. We also offered TurboTax Business desktop software and TurboTax Free Edition online. These offerings are subject to change for the 2008 tax season. Our online offerings are interactive tax preparation services that enable individual taxpayers to prepare and electronically file their federal and state income tax returns entirely online. In addition, our Instant Data Entry feature enables taxpayers to import data directly into their tax returns from Form W-2 (wages) and Form 1099 (interest, dividends and stock transactions) from participating financial institutions and payroll service companies. This feature saves TurboTax users time and increases accuracy. TurboTax Live Community is an online forum where participants can learn from and share information with other users while preparing their income tax returns.

Electronic Filing and Other Services. Through our electronic filing center, our desktop and online tax preparation customers can electronically file their federal income tax returns, as well as state returns in all states that support electronic filing. For the 2007 tax year our online tax services were offered through the Web sites of approximately 1,100 financial institutions, electronic retailers and other merchants and on Yahoo!® Finance Tax Center. We also offer services that enable taxpayers to pay for their tax products and services from their anticipated refund.

Intuit Tax Freedom Project. Under the Intuit Tax Freedom Project, we provide online federal and state income tax return preparation and electronic filing services at no charge to eligible taxpayers. In fiscal 2008 we provided approximately 1.6 million free federal returns under this initiative. We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government to provide free online federal tax preparation and filing services to eligible taxpayers. The agreement is scheduled to expire in October 2009. See also *Competition Consumer Tax* later in this Item 1.

Accounting Professionals

Our Accounting Professionals segment provides software and services for accountants and tax preparers in public practice. These include offerings that help professional accountants and tax preparers provide accounting, payroll, tax planning and tax compliance services to their individual and business clients, and that help them manage their own practices more effectively.

Tax Offerings. Our tax software product lines for accounting professionals are Lacerte and ProSeries. Lacerte software is designed for full-service accounting firms that prepare the most complex returns. We offer two versions of our ProSeries software: ProSeries Professional Edition, designed for year-round tax practices that prepare moderately complex tax returns; and ProSeries Basic Edition, designed for the needs of smaller and seasonal tax practices. Accounting professionals license these tax products for a flat fee for unlimited use, or use them to print or electronically file tax returns on a pay-per-return basis. Accountants and tax preparers using Lacerte and ProSeries can file their clients' tax returns using our electronic filing services.

Accounting Offerings. Our accounting offering for professionals, QuickBooks Premier Accountant Edition, provides the tools and file-sharing capabilities needed to efficiently complete bookkeeping, trial balance, write-up, and financial reporting tasks. Our QuickBooks ProAdvisor Program is a subscription-based membership that provides

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QuickBooks and QuickBooks Payroll software for professional accountants, technical support, training, product certification, access to marketing tools and discounts on products purchased on behalf of clients.

Financial Institutions

Our Digital Insight business provides outsourced online banking software products that are hosted in our data centers and delivered as an on-demand service offering to small and medium sized financial institutions. No single financial institution accounted for more than 10% of this business revenue in fiscal 2008 or 2007.

Consumer Banking. We offer Internet banking applications that financial institutions make available to their retail customers. These applications include the ability to view transaction history, account balances, check images and statements; funds transfer between accounts; inter-institutional transfers; bill payment and bill presentment; and interfaces to personal financial management software such as Quicken.

Business Banking. We also offer business banking software products and services that financial institutions make available to their business customers. These offerings include features similar to those of our consumer product as well as lockbox reporting, payroll direct deposit, wire and inter-account fund transfers, account reconciliations, foreign exchange trade and interfaces to business financial management software such as QuickBooks.

Other Businesses

Quicken. Our Quicken line of desktop software products helps users organize, understand and manage their personal finances. Quicken allows customers to reconcile bank accounts, pay bills, record credit card and other transactions, and track investments, mortgages and other assets and liabilities. Quicken also allows customers to flag their tax-related financial transactions and download that information into our TurboTax consumer tax return preparation software. We offer Quicken Starter Edition and Quicken Deluxe as well as Quicken Premier, which offers more robust investment and tax planning tools; Quicken Home and Business, which allows customers to manage both personal and small business finances in one application; and Quicken for Mac. We also offer Quicken Online, which brings customer bank account, credit card and bill payment information together on the Internet under a single password.

Intuit Real Estate Solutions. Our Intuit Real Estate Solutions business offers software and related technical support, consulting and training services for residential, commercial and corporate property managers. In addition to its domestic operations, this business has operations in several international locations.

Canada and the United Kingdom. In Canada, we offer versions of QuickBooks that we have localized, that is, customized to meet the unique needs of customers in that specific international location. These include QuickBooks software offerings, payroll offerings and service plans. We also offer QuickTax consumer tax return preparation software, professional tax preparation products and services, and localized versions of Quicken in Canada. In the United Kingdom, we offer localized versions of QuickBooks and QuickBooks Payroll, including products and services sold in partnership with banks.

PRODUCT DEVELOPMENT

Since the markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements, a continuous high level of investment is required to innovate and develop new products and services and to enhance existing offerings. We develop the majority of our products and services internally. We also supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships that enable us to enhance or expand our offerings more rapidly. We have a number of United States patents and pending applications that relate to various aspects of our products and technology.

Our traditional core desktop software products QuickBooks, TurboTax, Lacerte, ProSeries and Quicken tend to have predictable annual development and product release cycles. We also develop new products for which development cycles are less predictable. Developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate tax law and tax

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form changes within a rigid timetable. The development timing for our other small business and financial institutions offerings varies with business needs and regulatory requirements and the length of the development cycle depends on the scope and complexity of each particular project.

In our Financial Institutions business, we have developed interfaces with the systems of many of the major providers of core processing software and services to financial institutions. These system interfaces allow us to access a financial institution's host system to provide end users access to their account data. In addition to developing new interfaces, we continue to enhance our many existing interfaces in order to deliver more robust connectivity and increase operating efficiencies.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services and on developing new products and services that will offer increased ease of use, be customized for specific customer categories, be Web-integrated or Web-based, and feature improved integration with other Intuit and third party products and services and with our internal information systems. We also expect to continue to focus significant research and development efforts on multi-year projects to update the technology platforms for several of our products. Our research and development expenses were \$605.8 million or 20% of total net revenue in fiscal 2008, \$472.5 million or 17% of total net revenue in fiscal 2007, and \$385.8 million or 17% of total net revenue in fiscal 2006.

SEASONALITY

Our QuickBooks, Consumer Tax and Accounting Professionals businesses are highly seasonal. Some of our other offerings are also seasonal, but to a lesser extent. Revenue from our QuickBooks software products tends to be highest during our second and third fiscal quarters, although the timing of new product releases or changes in our offerings can materially shift revenue between quarters. Sales of income tax preparation products and services are heavily concentrated in the period from November through April. In our Consumer Tax business, a greater proportion of our revenue has been occurring later in this seasonal period due in part to the growth in sales of TurboTax Online, for which revenue is recognized upon printing or electronic filing of a tax return. The seasonality of our Consumer Tax and Accounting Professionals revenue is also affected by the timing of the availability of tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions. Delays in the availability of tax forms or the ability of taxing agencies to receive submissions can cause revenue to shift from our second fiscal quarter to our third fiscal quarter. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31, when revenue from our tax businesses is minimal while operating expenses continue at relatively consistent levels. We believe the seasonality of our revenue is likely to continue in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary target customers are small and medium sized businesses, consumers, accounting professionals, and small and medium sized financial institutions. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past few years the Internet has accelerated the pace of change and revolutionized the way that customers learn about and purchase products and services. Real-time, personalized online shopping experiences are rapidly becoming the standard. Many customers now begin their shopping process online and make their purchase either online or at a retail location. This drives the need to create integrated, multi-channel shop and buy experiences. Market and industry changes are quickly rendering existing products and services obsolete, so our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods and other changes in the way we do business. Our target customers for online banking services are small and medium sized financial institutions seeking an outsourced solution that allows them to compete with the larger national banks in their market.

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To sell our products and services to small businesses, consumers and accounting professionals, we use a variety of marketing programs to generate software orders, stimulate demand and generally maintain and increase customer awareness of our products and services. These programs include Web marketing, including purchasing key words from major search engine companies; direct-response mail and email campaigns; telephone solicitations; newspaper, magazine, billboard, radio and television advertising; and promotional offers that we coordinate with major retailers and computer original equipment manufacturers, or OEMs. We also use workflow-integrated in-product discovery in some of our software products to market other related products and services, including third-party products and services. In our Financial Institutions business, our marketing efforts are primarily focused on identifying potential financial institution clients and marketing our services to consumer end users in cooperation with our financial institution clients.

Sales and Distribution Channels

Multi-Channel Shop and Buy Experiences. Our consumer and small business customers increasingly use the Internet to research both online and desktop products and services. Some customers buy and use our products and services entirely online. Others purchase desktop products and services using the Internet. Still others prefer to make their final decision at a retail location. We coordinate our Web sites, promotions and retail displays in support of this integrated multi-channel shop and buy model.

Direct Sales Channel. We sell many of our products and services for small businesses, consumers and accounting professionals directly to our customers through our Web sites and call centers. Telesales continues to be an effective channel for serving customers that want live help selecting the products and services that are right for their needs. In our Financial Institutions business, we sell our products and services to financial institutions using a direct sales model and, to a lesser extent, in cooperation with core processing partners. Our typical sales cycle is approximately six to twelve months for new financial institutions and four to six months for add-on sales to existing customers.

Retail Channel. We sell our QuickBooks, TurboTax and Quicken desktop software as well as our QuickBooks Payroll and Intuit Online Payroll services and merchant credit card payment processing services at retail in the United States. We sell these products and services directly and through distributors to office supply superstores, warehouse clubs, consumer electronics retailers, general mass merchandisers, online retailers, and catalogers. In Canada and other international markets we also rely on distributors and other third parties who sell products into the retail channel. The retail channel provides broad customer reach through retailer-sponsored advertising and exposure to retail foot traffic. This channel also gives us the opportunity to communicate our product and service lineup and messages through multiple touch points and allows us to serve our customers at relatively modest cost.

OEM, Alliance Partner and Solution Provider Channels. We have strategies to address the original equipment manufacturer (OEM), alliance partner, and solution provider channels. Revenue from these channels is currently less significant than revenue from our direct and retail channels, but it is growing. Relationships with selected personal computer OEMs help us attract new customers and generate sales of our core desktop software products. We also sell our consumer and small business products and services through selected alliance partners, primarily banks, credit unions, and savings and investment firms. These alliance partners help us reach new customers at the point of transaction and drive growth and market share by extending our online reach. Solution providers combine our products and services with value-added marketing, sales and technical expertise to deliver a complete solution at the local level.

In our Financial Institutions business, we have joint marketing arrangements with several core processing vendors. They include Fiserv, Inc., Open Solutions, Inc., Fidelity Information Services, Inc., Metavante Corporation and Computer Services Inc. To deliver bill payment and bill presentment services to our financial institution customers, we also maintain value-added reseller relationships with major providers such as Metavante Corporation and CheckFree Corporation (part of Fiserv).

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COMPETITION

Overview

We face intense competition in all of our businesses, both domestically and internationally. Competitive interest and expertise in many of the markets we serve, particularly small business, consumer tax and online banking, has grown markedly over the past few years and we expect this trend to continue. Some of our existing competitors have significantly greater financial, technical and marketing resources than we do. In addition, the competitive landscape can shift rapidly as new companies enter markets in which we compete. This is particularly true for online products and services, where the barriers to entry are lower than they are for desktop software products and services. To attract customers, many new online competitors are offering free or low-priced entry-level products which we must take into account in our pricing strategies.

Our most obvious competition comes from other companies that offer technology solutions similar to ours. However, for many of our products and services, other important competitive alternatives for customers are third party service providers such as professional accountants and seasonal assisted tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives. Many of our new customers previously used pencil and paper or software such as word processors and spreadsheets, rather than competitors software and services, to perform financial tasks. We believe that there is a long-term trend away from manual methods and toward the use of both desktop and online software to accomplish these tasks that will provide future growth opportunities.

Competition Specific to Business Segments

Small Business. QuickBooks is the leading product in the retail sales channel for its category. We face competitive challenges in our QuickBooks business and our Payroll and Payments business from Microsoft Corporation, which offers accounting software and associated services that directly target small business customers. Increasingly, our small business products and services also face competition from free or low cost online accounting offerings as well as free online banking and bill payment services offered by financial institutions and others. In our merchant services business, we also compete directly with a number of independent sales organizations, none of which dominates the market.

Consumer Tax. In the private sector we face intense competition primarily from H&R Block, the makers of TaxCut software, and from 2nd Story Software's TaxACT, an online offering that subjects us to significant price pressure. We also compete for customers with assisted tax preparation businesses such as H&R Block.

We face potential competitive challenges in our Consumer Tax business from publicly funded government entities that offer electronic tax preparation and filing services at no cost to individual taxpayers. We are a member of the Free File Alliance, a consortium of private sector companies that entered into an agreement with the federal government that is scheduled to expire in October 2009. Under this agreement, a number of private sector companies, rather than the federal government, have been providing online federal tax preparation and filing services at no cost to eligible federal taxpayers through initiatives such as our Intuit Tax Freedom Project. Approximately 20 states have also adopted Free File Alliance public-private agreements while approximately 20 other states offer some form of direct government tax preparation and filing services free to qualified taxpayers. We continue to actively work with others in the private and public sectors to advance the goals of the Free File Alliance policy initiative and to support successful public-private partnerships. However, future administrative, regulatory or legislative activity in this area could harm our Consumer Tax business.

Accounting Professionals. Our ProSeries professional tax offerings face pricing pressure from competitors who may offer deep product discounts or lower prices. Our Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. We also face growing competition from online offerings, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Financial Institutions. The market for Internet banking services is highly competitive. In the area of consumer Internet banking, we primarily compete with other companies that provide outsourced online banking services to financial institutions, including Online Resources, S1 Corporation and FundsXpress (a subsidiary of First Data Corporation). Also, vendors such as Corillian (part of Fiserv) that primarily target the largest financial institutions

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occasionally compete with us in our market segment. In addition, Fiserv, Open Solutions, Inc., Fidelity Information Services, Inc., Jack Henry, Metavante Corporation and several other vendors of core processing services to financial institutions offer their own online banking products, although many of these firms also offer our products through a referral or reseller arrangement with us.

The following table shows the significant competitors for each of our major products and services.

Segment	Intuit		Significant Competitors	
	Product or Service	Name	Product or Service	
QuickBooks	QuickBooks	Microsoft Corporation	Microsoft Office Accounting	
	Financial supplies	Deluxe Corporation FedEx Kinko's, Office Depot, Staples	Business forms and checks Business forms and business identity services	
Payroll and Payments	Small business payroll	ADP	Payroll solutions for businesses of any size	
		Paychex	Payroll solutions for small and medium sized businesses	
		PayCycle	Online self-service payroll solutions for small businesses	
	Merchant services	Wells Fargo, JP Morgan Chase, First Data Corporation, Elavon	Merchant processing services	
Consumer Tax	TurboTax	H&R Block 2nd Story Software, Inc.	TaxCut TaxACT	
Accounting Professionals	ProSeries	CCH	ATX and TaxWise offerings	
		Drake Software	Drake professional tax offerings	
		Lacerte	CCH Thomson Reuters	ProSystem fx Office Suite CS Professional Suite, GoSystems Tax
Financial Institutions	Online banking services	Online Resources, S1 Corporation, and FundsXpress	Online banking services	
		Fiserv, Open Solutions, Fidelity Information Services, Jack Henry and Metavante Corporation	Online banking services (core processors)	

Competitive Factors

We believe the most important competitive factors for our core software products QuickBooks, TurboTax, Lacerte, ProSeries and Quicken are ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, and product and support quality. Access to distribution channels is also important for our QuickBooks, TurboTax and Quicken products. In addition, support from accounting professionals and the ability for customers to upgrade within product families as their businesses grow are significant competitive factors for our QuickBooks products. Productivity is also an important competitive factor for the full-service accounting firms to which we market our Lacerte products. We believe we compete effectively on these factors as our QuickBooks, TurboTax, and Quicken products are the leading products in the retail sales channel for their respective categories.

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For our service offerings such as small business payroll, merchant payment processing services and outsourced online banking, features and ease of use, the integration of these products with related software, brand name recognition, effective distribution, quality of support, cost and scalability of operations are important competitive factors.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

We provide customer service and technical support by telephone, e-mail, online chat, online communities, and our customer service and technical support Web sites. We have full-time and outsourced customer service and technical support staffs. We supplement these staffs with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced consumer and small business customer service and technical support personnel are currently located in Canada and India.

We offer free self-help information through our technical support Web sites for our QuickBooks, TurboTax, Accounting Professionals and Quicken software products. Customers use our Web sites to find answers to commonly asked questions and check on the status of orders. Under certain support plans, customers can also use our Web sites to receive product updates electronically. Support alternatives and fees vary by product. We also sponsor online user communities, such as TurboTax Live Community, where customers can share knowledge and product advice with each other.

MANUFACTURING AND DISTRIBUTION

Desktop Software and Supplies

The main steps involved in manufacturing desktop software are manufacturing compact discs (CDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing, we have an agreement with Arvato Digital Services, Inc. (ADiS), a division of Bertelsmann AG, under which ADiS provides a large majority of the manufacturing volume for our launches of QuickBooks, TurboTax and Quicken, as well as for day-to-day replenishment after product launches. ADiS has operations in multiple locations that can provide redundancy if necessary. We also have an agreement with JVC America Inc. under which JVC provides secondary outsourced manufacturing volume for these launches and for day-to-day replenishment.

For retail distribution, we have an agreement with ADiS under which ADiS handles all logistics services. Our retail product launches are operationally complex. Our model for product delivery for retail launches and replenishment is a hybrid of direct to store deliveries and shipments to central warehouse locations. This allows improved inventory management by our retailers. We also ship products for many of our smaller retail customers through distributors. ADiS also provides most of the manufacturing volume and distribution services for our direct desktop software orders. We have an exclusive agreement with Harland Clarke, a division of M&F Worldwide Corporation, to fulfill orders for all of our printed checks and most other products for our financial supplies business.

We have multiple sources for all of our raw materials and availability has historically not been a significant problem for us.

Prior to major product releases for our core desktop software products we tend to have significant levels of backlog, but at other times backlog is minimal and we typically ship products within a few days of receiving an order. Because of this fluctuation in backlog, we believe that backlog is not a reliable predictor of our future core desktop software sales.

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Internet-Based Products and Services

Intuit's data centers house most of the systems, networks and databases required to operate and deliver our Internet-based products and services. These include QuickBooks Online, online payroll services, merchant payment processing services, Web site hosting services for small businesses, TurboTax Online, consumer and professional electronic tax filing services, Digital Insight outsourced online banking services, and Quicken Online. Through our data centers, we connect customers to products and services and we store the vast amount of data that represents the content on our Web sites. As our businesses continue to move toward delivering more online products and services, this infrastructure will become even more critical in the future. Our data centers consist of numerous servers and databases located in several sites across the United States. Due to our evolving business needs, we are building a new data center in Washington state to support our longer term hosting and system availability requirements. We expect to begin occupying this data center in the second half of fiscal 2009.

PRIVACY AND SECURITY OF CUSTOMER INFORMATION AND TRANSACTIONS

We are subject to various federal, state and international laws and regulations and to financial institution requirements relating to the privacy and security of customer and employee personal information. We are also subject to laws and regulations that apply to telemarketing, email activities and credit reporting. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which we can use or transmit the personal information of our customers or employees, communicate with our customers, and deliver products and services, or may significantly increase our compliance costs. If our business expands to new industry segments that are regulated for privacy and security, or to countries outside the United States that have strict data protections laws, our compliance requirements and costs will increase.

Through a Master Privacy Policy Framework designed to be consistent with globally recognized privacy principles, we comply with United States federal and other country guidelines and practices to help ensure that customers and employees are aware of, and can control, how we use information about them. Our primary Web sites, such as QuickBooks.com and TurboTax.com, have been certified by TRUSTe, an independent, non-profit organization that operates a Web site privacy certification program representing industry standard practices to address users' and regulators' concerns about online privacy. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to influence public policy and industry best practices for privacy and security.

To address security concerns, we use security safeguards to help protect the systems and the information customers give to us from loss, misuse and unauthorized alteration. Whenever customers transmit sensitive information, such as a credit card number or tax return data, to us through one of our Web sites, that information is stored on servers that allow encryption of the information as it is transmitted to us. We work to protect our systems from unauthorized internal or external access using numerous commercially available computer security products as well as internally developed security procedures and practices.

GOVERNMENT REGULATION

The financial services industry is subject to extensive and complex federal and state regulation. Our financial institution customers, which include commercial banks and credit unions, operate in markets that are subject to rigorous regulatory oversight and supervision. The compliance of our products and services with these requirements depends on a variety of factors including the particular functionality, the interactive design and the charter or license of the financial institution. Our financial services customers must independently assess and determine what is required of them under these regulations and are responsible for ensuring that our systems and the design of their Web sites conform to their regulatory obligations.

Our Digital Insight subsidiary is not directly subject to federal or state regulations specifically applicable to financial institutions such as banks and credit unions. However, as a provider of services to financial institutions, our Digital Insight subsidiary is examined by the Federal Financial Institution Examination Council under the Information

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Technology examination guidelines. Although we believe we are not subject to direct supervision by federal and state banking agencies with regard to other regulations, we have from time to time agreed to examinations of our business and operations by these agencies.

Our Consumer Tax and Accounting Professionals businesses are also subject to federal and state government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance and the use and disclosure of customer information. In addition, we offer certain other products and services, such as small business payroll, which are subject to special regulatory requirements. As we expand our financial institutions, tax and small business products and services, we may become subject to additional government regulation. New laws or regulations may be adopted in these areas that could impose significant limitations on our business and increase our cost of compliance. We continually analyze new business opportunities, and new businesses that we pursue may require additional costs for regulatory compliance.

We are subject to federal and state laws and government regulations concerning employee safety and health and environmental matters. The Occupational Safety and Health Administration, the Environmental Protection Agency, and other federal and state agencies have the authority to put regulations in place that may have an impact on our operations.

INTELLECTUAL PROPERTY

We regard our products as proprietary. We protect our intellectual property by relying on a combination of copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. In particular, we have a number of registered trademarks that include Intuit, QuickBooks, TurboTax, Lacerte, ProSeries, Digital Insight and Quicken. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also currently hold a small but growing patent portfolio. We regularly file applications for patents, copyrights and trademarks and service marks in order to protect proprietary intellectual property that we believe is important to our business. We also license intellectual property from third parties for use in our products.

We face a number of risks relating to our intellectual property, including unauthorized use and unauthorized copying, or piracy, of our products. Litigation may be necessary to protect our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. Furthermore, other parties have asserted and may, in the future, assert infringement claims against us. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement against us along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third party licenses may not continue to be available to us on commercially acceptable terms, or at all.

EMPLOYEES

As of July 31, 2008, we had approximately 8,200 employees in major offices in the United States, Canada, India, the United Kingdom and other locations. We believe our future success and growth will depend on our ability to attract and retain qualified employees in all areas of our business. We do not currently have any collective bargaining agreements with our employees, and we believe employee relations are generally good. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. We believe we offer competitive compensation and a good working environment. We were named one of *Fortune* magazine's 100 Best Companies to Work For in each of the last seven years. However, we face intense competition for qualified employees, and we expect to face continuing challenges in recruiting and retention.

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ITEM 1A

RISK FACTORS

Forward-Looking Statements and Risk Factors

This Annual Report on Form 10-K contains forward-looking statements. All statements in this report, other than statements that are purely historical, are forward-looking statements. Words such as expect, anticipate, intend, plan, believe, forecast, estimate, seek, and similar expressions also identify forward-looking statements. In this report, forward-looking statements include, without limitation, the following:

our expectations and beliefs regarding future conduct and growth of the business;

our expectations regarding competition and our ability to compete effectively;

our expectations regarding the development of future products, services and technology platforms and our research and development efforts;

our intention to create easy-to-use connected services that solve customer problems while building durable competitive advantage;

the assumptions underlying our critical accounting policies and estimates, including our estimates regarding product rebate and return reserves; stock volatility and other assumptions used to estimate the fair value of share-based compensation; and expected future amortization of purchased intangible assets;

our belief that the investments that we hold are not other-than-temporarily impaired;

our belief that the reduction in liquidity of the municipal auction rate securities we hold will not have a material impact on our overall ability to meet our liquidity needs;

our belief that our exposure to currency exchange fluctuation risk will not be significant in the future;

our assessments and estimates that determine our effective tax rate;

our belief that our income tax valuation allowance is sufficient;

our belief that our cash and cash equivalents, investments and cash generated from operations will be sufficient to meet our working capital, capital expenditure and other liquidity requirements for at least the next 12 months;

our belief that long-term trends toward the use of both desktop and online software will provide future growth opportunities;

our belief that the continuing trend among individual taxpayers toward the use of software to prepare their own income tax returns will continue to be important to the growth of our Consumer Tax business;

our expectations regarding capital expenditures;

our expectations regarding the timing of our occupation of the new data center we are building in Washington state;

our belief that our facilities are adequate for our near-term needs and that we will be able to locate additional facilities as needed; and

our assessments and beliefs regarding the future outcome of pending legal proceedings and the liability, if any, that Intuit may incur as a result of those proceedings.

We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this report and in our other filings with the SEC before deciding to invest in our stock or to maintain or change your investment. These forward-looking statements are based on information as of the filing date of this Annual Report, and we undertake no obligation to revise or update any forward-looking statement for any reason. Because forward-looking statements involve risks and uncertainties, there are important factors that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include the following:

We face intense competitive pressures in all of our businesses that may harm our operating results.

We face intense competition in all of our business units, and we expect competition to remain intense in the future. The number, resources and sophistication of the companies with whom we compete have increased as we continue to expand our product and service offerings. Our competitors, whether new or well-established, may introduce new

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and improved products and services, bundle new offerings with market-leading products, reduce prices, gain better access to distribution channels, advertise aggressively or beat us to market with new products and services. We also face intensified competition from providers of free online and desktop accounting, tax, banking and other financial services. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers or effectively monetize all of these offerings. These actions of our competitors, if successful, can diminish our revenue and profitability, capture market share, and harm our ability to acquire and retain customers.

QuickBooks; Payroll and Payments. Losing existing or potential QuickBooks customers to competitors causes us to lose potential revenue in the short-term and limits our opportunities to sell related products and services, including payroll and payments offerings, in the future. Many competitors provide accounting and business management products and services to small businesses. For example, Microsoft currently offers a version of its small business accounting software for no additional charge to users of its operating system, and offers, in partnership with third parties, several other competitive products and services for small businesses. Although we have successfully competed with Microsoft in the past, Microsoft's small business offerings may have a significant negative impact on our future revenue and profitability. As we continue to offer small business services beyond financial management, we are likely to come into competition with several other well-established companies that may have greater resources, market share and other advantages. In addition, as online services and business models grow in popularity, new competitors may face lower barriers to entry and can offer online services that compete directly with our desktop and online offerings.

We may also experience pricing pressure for our small business payroll offerings due to the larger size and economies of scale of certain competitors in that business.

Consumer Tax. Our consumer tax business faces significant competition from both the public and private sector. In the public sector we face the risk of federal and state taxing authorities developing or contracting to provide software or other systems to facilitate tax return preparation and electronic filing at no charge to taxpayers.

Government Encroachment. Although the Free File Alliance has kept the federal government from being a direct competitor to Intuit's tax offerings, it has fostered additional online competition and could cause us to lose significant revenue opportunities. Companies have used the Free File Alliance and its position on the Internal Revenue Service Web site as a marketing tool to grow brand awareness and attract customers to other paid services, which has intensified competition. In addition, taxpayers who formerly have paid for Intuit's products may elect to use Intuit's or our competitors' free federal service instead. The current agreement with the Free File Alliance is scheduled to expire in October 2009. However, the IRS often seeks to negotiate changes to the agreement in the fall prior to each new tax filing season based on the prior tax season's experience with the Free File program. If the IRS chose not to renew this agreement or terminated the agreement and elected to provide government software and electronic filing services to taxpayers at no charge, or if the federal government significantly altered the Free File Alliance or required the provision of government tax filing services directly to taxpayers, our revenue and profits could suffer. See the discussion on the Free File Alliance in Item 1, *Business Competition*.

In 2008, approximately 20 state governments had agreements with the private sector based on the federal Free File Alliance agreement and had agreed not to provide direct government tax preparation services. However, approximately 20 other states, including California, directly offered their own online tax preparation and filing services to taxpayers. California has tested a program under which a state-operated system automatically prepared and filed state income tax returns for approximately 11,000 taxpayers for tax year 2007 with no individual transaction charge to those taxpayers. These or similar programs could be introduced or expanded in the future, which could cause us to lose customers and revenue. We anticipate that governmental encroachment will present a continued competitive threat to our business for the foreseeable future.

Private Sector Competition. In the private sector we face intense competition primarily from H&R Block, which offers tax preparation services and software, and from online offerings from 2nd Story Software, which subject us to significant price pressure. In addition, the availability of free online tax preparation services,

whether through the Free File Alliance or otherwise, may reduce demand for our paid offerings which would harm our business and results of operations. Pricing pressure or other factors may cause us to bundle products and services for which we have previously charged separate fees, which could lead to a loss of market share or a decrease or deferral of revenue.

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Accounting Professionals. Our ProSeries professional tax offerings face pricing pressure from competitors who may offer deep product discounts or lower prices. Our Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. We also face growing competition from online offerings, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Financial Institutions. We compete with several companies that provide online banking services to financial institutions. We face intense competition from two main sources: other companies that primarily offer outsourced online banking services, and vendors of core processing services to financial institutions. Also, vendors that primarily target the largest financial institutions occasionally compete in our target market. In some instances, we compete with companies, including core processing vendors, with whom we also have significant business relationships. Some of our current and potential competitors have longer operating histories and may be in a better position to produce and market their services due to their greater technical, marketing and other resources, as well as their greater name recognition and larger installed bases of customers. Many of our competitors, including the core processors, may have well-established relationships with our current and potential financial institution customers, which may harm our ability to acquire and retain those customers.

As we negotiate service contract renewals with current customers, competitive pressures may require us to make concessions on pricing and other material terms to induce the customer to remain with us. If we are unable to compete effectively with other online banking service providers, our business results may suffer.

Future revenue growth for our core products depends upon our successful introduction of new and enhanced products and services.

A number of our businesses derive a significant amount of their revenue through one-time upfront license fees and rely on customer upgrades and service offerings to generate a significant portion of their revenues. In addition, our consumer tax business depends significantly on revenue from customers who return each year to use our updated tax preparation and filing software and services. As our existing products mature, encouraging customers to purchase product upgrades becomes more challenging.