SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 17, 2005

MACROMEDIA, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

000-22688
(Commission File Number)

94-3155026
(IRS Employer Identification No.)

600 Townsend Street,
San Francisco, California
(Address of principal executive offices)

(415) 252-2000
(Registrant’s telephone number, including area code)

94103
(Zip Code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2)

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Item 1.01: Entry into a Material Definitive Agreement.

(a) On January 21, 2005, Macromedia, Inc. and Robert Burgess amended and restated the employment agreement by and between Macromedia and Mr. Burgess, dated January 10, 2003 (the “Prior Agreement”). The new employment agreement, effective January 19, 2005 (the “Restated Agreement”), amends and restates the terms of the Prior Agreement to reflect Mr. Burgess’ resignation from his position as Chief Executive Officer of Macromedia and his agreement to continue to serve as Executive Chairman of the Board of Directors of Macromedia. The Restated Agreement also provides that Mr. Burgess’ annual base salary will be $400,000 and that he will receive target bonuses at the annualized rate of $400,000, and that commencing July 1, 2005, Macromedia’s Compensation Committee will review Mr. Burgess’ base salary and his annualized bonus rate, and may propose new amounts based on the judgment of the Committee. In addition, the Restated Agreement provides that Mr. Burgess will not be entitled to acceleration of his restricted stock awards (as described below) unless he remains in employment for the six months immediately following a Change in Control (as defined in the Restated Agreement) at the request of any successor. The remaining terms of the Prior Agreement have not materially changed and are as described below.

Mr. Burgess’ outstanding stock options will remain subject to and governed by the terms of his existing stock option agreements and the equity plans pursuant to which such options were granted, and he will otherwise continue to be eligible to receive new stock option grants. If Mr. Burgess’ employment is terminated for Cause, Good Reason or due to death or Disability (as such terms are defined in the Restated Agreement), he will be entitled to, among other things, a payment in an amount equal to two times the sum of his annual base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination, with such payment in no event to be less than $1,600,000. In addition, Mr. Burgess’ stock options will accelerate and become vested and exercisable with respect to a number of shares equal to the greater of (i) the number of shares that will vest over the next twenty-four months reduced by the number of months elapsed from the grant date of such option to the date of his termination, or (ii) twelve months of vesting. If a Change in Control occurs (as such term is defined in the Restated Agreement), Mr. Burgess will be entitled to receive, among other things, a payment in an amount equal to two times the sum of annual base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination or, if greater, at the level in effect immediately prior to the Change in Control, with such payment to be not less than $1,600,000. In addition, all of Mr. Burgess’ then outstanding stock options and restricted stock awards would accelerate and become vested and exercisable for shares of Macromedia common stock. Macromedia has also agreed to continue to provide for a term life insurance policy for Mr. Burgess in the amount of ten million dollars with the proceeds payable to Mr. Burgess’ designated beneficiary.

In connection with Mr. Burgess’ agreement to serve as Executive Chairman of the Board of Directors of Macromedia, he will also be granted a new restricted stock award for 75,000 shares of Macromedia common stock under Macromedia’s 2002 Equity Incentive Plan (the “Plan”). The vesting schedule for the new restricted stock award will be conditioned on Mr. Burgess’ employment with Macromedia and the shares will vest over four years, with twenty-five percent of the shares vesting on the first anniversary of the date of grant of the new restricted stock award and the remaining shares vesting over thirty-six monthly installments thereafter.
Upon a Change in Control, Mr. Burgess will have Good Reason for termination of employment and be entitled to accelerated vesting of his new restricted stock award, but only if he remains in employment for the six months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor. The other terms of the new restricted stock award will be as provided in the standard form of restricted stock agreement adopted for use under the Plan.

On January 21, 2005, Macromedia, Inc. and Stephen Elop entered into an employment agreement, effective January 19, 2005, which agreement supercedes all prior employment agreements by and between Macromedia and Mr. Elop. Under the agreement, Mr. Elop agreed to serve as Chief Executive Officer of Macromedia, and Macromedia agreed to provide an annual base salary in the amount of $400,000 and a target bonus payment in the amount of $100,000 for the three months ending March 31, 2005, and, effective with Macromedia’s fiscal year commencing April 1, 2005, a target bonus of $400,000 per year; in each case based on the attainment of objectives established under the Macromedia Executive Bonus Plan by Macromedia’s Compensation Committee. Mr. Elop’s target bonus for periods prior to January 1, 2005, will remain unchanged. Mr. Elop’s outstanding stock options will remain subject to and governed by the terms of his existing stock option agreements, the equity plans pursuant to which such options were granted and as provided in the resolution concerning stock option vesting acceleration adopted by the Board on February 26, 1997, and he will otherwise continue to remain eligible to receive new stock option grants. If Mr. Elop’s employment is terminated for Cause, Good Reason or due to death or Disability (as such terms are defined in the agreement), he will be entitled to, among other things, a payment in an amount equal to the sum of his annual base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination, with such payment in no event to be less than $800,000. Upon Mr. Elop’s voluntary termination (whether or not for Good Reason), termination due to death or Disability or termination by Macromedia without Cause, he will be entitled to an additional termination payment equal to $5,000,000, less (i) any gain Mr. Elop received from the sale, prior to his termination, of shares attributable to his outstanding stock options prior to the date of the agreement, the New Option (as described below), any other stock options or stock awards granted to Mr. Elop and the New Award (as described below); (ii) (A) the difference between the fair market value of then unexercised vested shares attributable to his outstanding stock options prior to the date of the agreement, the New Option and any other stock options granted Mr. Elop and (B) the exercise price of the applicable stock option; and (iii) the fair market value of vested shares still held by Mr. Elop that were issued under the New Award and any other stock awards granted Mr. Elop. If a Change in Control occurs (as such term is defined in the agreement), Mr. Elop will be entitled to receive, among other things, a payment in an amount equal to the sum of his annual base salary and 100% of his annual target bonus, both at the level in effect immediately prior to the date of his termination or, if greater, at the level in effect immediately prior to the Change in Control, with such payment to be not less than $800,000. In addition, the New Option and New Award (and any stock awards granted by Macromedia’s successor) would accelerate and remain exercisable until the earlier of (i) the first anniversary of Mr. Elop’s termination date, and (ii) the expiration date of such options as set forth in the applicable stock option agreement; provided, however, that Mr. Elop must remain in employment for the six months immediately following the Change in Control for his New Option and New Award to accelerate at the request of any successor.
In connection with Mr. Elop’s agreement to serve as Chief Executive Officer of Macromedia, he will also be granted a new stock option for 400,000 shares of Macromedia common stock (at a per share exercise price equal to fair market value) (the “New Option”) and a restricted stock award for 100,000 shares of Macromedia common stock (the “New Award”) under Macromedia’s 2002 Equity Incentive Plan (the “Plan”). The vesting schedules for the New Option and New Award will be conditioned on Mr. Elop’s employment with Macromedia and shares will vest over four years, with twenty-five percent of the shares vesting on the first anniversary of the date of grant of the New Option and the New Award, respectively, and the remaining shares vesting over thirty-six monthly installments thereafter. If Mr. Elop’s employment is terminated for Cause, Good Reason or due to death or Disability (as such terms are defined in the agreement), his New Option will accelerate and become vested and exercisable with respect to a number of shares that will vest over the twelve months following such termination and will remain exercisable until the earlier of (i) the date one year following the termination date, and (ii) the expiration date set forth in the stock option agreement. In addition, Mr. Elop will have Good Reason for termination of employment and be entitled to accelerated vesting of his New Option and New Award upon a Change in Control, but only if he remains in employment for the six months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor. The other terms of the New Option and New Award will be as provided in the standard form of option agreement and form of restricted stock agreement, as applicable, adopted for use under the Plan.

On January 21, 2005, Macromedia, Inc. and Betsey Nelson entered into an employment agreement, effective January 19, 2005, which agreement supercedes all prior employment agreements by and between Macromedia and Ms. Nelson. Under the agreement, Ms. Nelson agreed to continue to serve as Executive Vice President, Chief Financial Officer of Macromedia, and Macromedia agreed to provide an annual base salary in the amount of $300,000 and a target bonus payment in the amount of $150,000 based upon the attainment of objectives established under the Macromedia Executive Bonus Plan by Macromedia’s Compensation Committee. Ms. Nelson’s outstanding stock options will remain subject to and governed by the terms of her existing stock option agreements, the equity plans pursuant to which such options were granted and as provided in the resolution concerning her severance benefits adopted by the Compensation Committee of the Board on February 5, 1998, and she will otherwise continue to remain eligible to receive new stock option grants. If Ms. Nelson’s employment is terminated for Cause, Good Reason or due to death or Disability (as such terms are defined in the agreement), she will be entitled to, among other things, a payment in an amount equal to the sum of her annual base salary and 100% of her annual target bonus, both at the level in effect immediately prior to her termination, with such payment in no event to be less than $450,000. In addition, any stock options granted to Ms. Nelson after the date of the agreement will accelerate and become vested and exercisable with respect to a number of shares that will vest over the twelve months following her termination date. If a Change in Control occurs (as such term is defined in the agreement), Ms. Nelson will be entitled to receive, among other things, a payment in an amount equal to the sum of her annual base salary and 100% of her annual target bonus, both at the level in effect immediately prior to her termination date or, if greater, at the level in effect immediately prior to the Change in Control, with such payment to be not less than $450,000. In addition, any stock awards granted by Macromedia or its successor will vest in full on Ms. Nelson’s termination date, and any stock options (other than options that
were outstanding prior to the date of the agreement) (collectively, the “New Awards”) will remain exercisable until the earlier of (i) one year after Ms. Nelson’s termination date, and (ii) the expiration date of the New Awards as set forth in the applicable stock option or other equity compensation award agreement; provided that solely for purposes of determining whether Ms. Nelson will be entitled to accelerated vesting of the New Awards, she will have Good Reason (as such term is defined in the agreement) for termination of employment only if she remains in employment for the six months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor.

In connection with Ms. Nelson’s agreement to serve as Executive Vice President, Chief Financial Officer of Macromedia, she will also be granted a new restricted stock award for 75,000 shares of Macromedia common stock under Macromedia’s 2002 Equity Incentive Plan (the “Plan”). The vesting schedule for the new restricted stock award will be conditioned on Ms. Nelson’s employment with Macromedia and the shares will vest over four years, with twenty-five percent of the shares vesting on the first anniversary of the date of grant of the new restricted stock award and the remaining shares vesting over thirty-six monthly installments thereafter. Upon a Change in Control, Ms. Nelson will have Good Reason for termination of employment and be entitled to accelerated vesting of her new restricted stock award, but only if she remains in employment for the six months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor. The other terms of the new restricted stock award will be as provided in the standard form of restricted stock agreement adopted for use under the Plan.

**Item 5.02: Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

(b) Robert Burgess, the Company’s Chairman and Chief Executive Officer, resigned from his position as the Company’s Chief Executive Officer effective January 19, 2005. Mr. Burgess will continue in his role as the Company’s Chairman of the Company’s Board of Directors, a position he has held since July 1998.

(c) Stephen Elop, the Company’s Chief Operating Officer, was promoted to the position of Chief Executive Officer effective January 19, 2005. Since joining Macromedia in March 1998, Mr. Elop, 41, has held a number of positions with the Company, including Chief Operating Officer, where he was responsible for executing on Macromedia’s growth opportunities across its designer/developer, business user and consumer markets. As Executive Vice President of Worldwide Field Operations, Mr. Elop was responsible for Macromedia’s sales, operations and services functions. Prior to that, Mr. Elop served in various management roles in Macromedia’s Web/IT organization and was the General Manager of its eBusiness Solutions division. He previously worked as Senior Vice President, Systems/CIO for Boston Chicken, Inc. He also served as director of Lotus Development Corporation’s Consulting Services Group, with responsibility for Canada and the Midwestern United States.

Mr. Elop is not currently engaged and has not been engaged during the last fiscal year in any related transaction with the Company within the meaning of Section 404(a) of Regulation S-K.
Macromedia has entered into an employment agreement with Mr. Elop, the material terms of which are described above under Item 1.01, “Entry into a Material Definitive Agreement.” There is no arrangement or understanding between Mr. Elop and any other persons pursuant to which he was selected as Chief Executive Officer.

(d) The Board of Directors of Macromedia, Inc appointed Stephen Elop and Betsey Nelson as new directors of the Company effective, January 17, 2005, to serve as members of the Board until the next annual meeting or until their successors are elected and qualified. Mr. Elop and Ms. Nelson have not been appointed to serve on any committees of the Board.

Ms. Nelson joined Macromedia in 1996 to lead mergers and acquisitions and has served as the Company’s Chief Financial Officer since 1997. She is responsible for all of the Company’s administrative functions, including investor relations, finance, human resources, legal, information technology, operations and real estate. Prior to joining the Company, Ms. Nelson spent eight years at Hewlett-Packard, where she held a variety of positions in both finance and corporate development. Ms. Nelson currently serves on the board of CNET Networks, Inc.

Mr. Elop and Ms. Nelson are not currently engaged and have not been engaged during the last fiscal year in any related transaction with the Company within the meaning of Section 404(a) of Regulation S-K. There is no arrangement or understanding between Mr. Elop and Ms. Nelson and any other persons pursuant to which they were appointed as directors.

**Item 9.01: Financial Statements and Exhibits.**

(a) Not applicable.

(b) Not applicable.

(c) Exhibits.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MACROMEDIA, INC.

Date: January 21, 2005

By: /s/ Loren E. Hillberg

Loren E. Hillberg, Senior Vice President,
General Counsel and Secretary
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This Agreement is made effective this 19th day of January, 2005, (the “Effective Date”) between Macromedia, Inc., a Delaware corporation (“Macromedia”), and Robert K. Burgess (“Executive”).

WHEREAS, Macromedia is engaged in the business of developing and marketing certain computer software;

WHEREAS, Executive is currently Chairman of the Board of Directors and Chief Executive Officer of Macromedia pursuant to an employment agreement dated January 10, 2003 (the “Prior Agreement”); and

WHEREAS, Macromedia desires to secure the continued services of Executive as Executive Chairman of the Board of Directors, on the terms and conditions as set forth herein;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth below, it is mutually agreed to amend and restate the Prior Agreement in its entirety as follows:

1. Duties. Executive shall have such duties as the Board of Directors of Macromedia (the “Board”) may from time to time prescribe consistent with his position as Executive Chairman of the Board (“Executive Chairman”) of Macromedia. Macromedia shall use its best efforts to have Executive elected and re-elected to the Board at each Annual Stockholders Meeting held during his period of service as Executive Chairman. Executive shall report directly to the Board. Executive shall devote his full time, attention, energies and best efforts to the business of Macromedia based in San Francisco, California, and shall not during his period of employment as Executive Chairman engage in any other business activity, whether or not such business activity is pursued for gain, profit of other pecuniary advantage; provided, however, that this Section 1 shall not be construed as preventing Executive from (i) investing his assets in such form and manner as will not require any substantial services on his part in the operation of the affairs of the business entities in which such investments are made or (ii) serving as a member of the board of directors or similar governing body of one or more business enterprises or charitable organizations or foundations, provided such service does not interfere with the duties required of him hereunder and is approved by the Board.

2. Compensation. Macromedia shall pay and Executive shall accept as full consideration for the services to be rendered hereunder compensation consisting of the following:

   2.1 Base Salary. $400,000 per year in base salary payable in installments twice per month, with such deductions or withholdings as are required by law.

   2.2 Bonus. A $400,000 target bonus for Macromedia’s fiscal year, ending June 30, 2005. Effective with Macromedia’s fiscal second quarter commencing July 1, 2005, the Compensation Committee of the Board of Directors of Macromedia shall review Executive’s base salary and bonus and may propose new amounts based on the judgment of the Committee.
2.3 **Stock Options.** Executive’s outstanding stock option grants (the “Prior Options”) remain subject to and governed by the terms and provisions set forth in the applicable stock option agreement by and between Macromedia and Executive and the Macromedia equity incentive plan, if any, under which such grants were awarded, except to the extent otherwise provided in Subsection 7.1(b) and Subsection 8.2(b), below, in which event the terms set forth in the applicable of such Subsections shall govern. Following the Effective Date, Executive shall be eligible for the grant of equity compensation awards (the “New Options”) from time to time under the equity compensation plans and arrangements maintained by Macromedia; however, no New Options are being granted or promised by this Agreement.

3. **Indemnification.** The existing Indemnification Agreement between Macromedia and the Company dated September 5, 1996, in the form attached hereto as Exhibit A, shall continue in full force and effect.

4. **Benefits.** Executive shall be entitled to and shall receive such pension, profit sharing and fringe benefits such as hospitalization, medical, life and other insurance benefits, vacation, sick pay and short-term disability as the Board may, from time to time, determine to provide for the key executives of Macromedia.

5. **Executive Proprietary Information and Inventions Agreement.** As part of the consideration between the parties for this Agreement, Executive hereby agrees to remain bound by the terms of Macromedia’s Proprietary Information and Inventions Agreement entered into by and between Macromedia and Executive on August 25, 1996 and attached as Exhibit B hereto.

6. **Termination.** Executive’s employment shall terminate immediately upon Executive’s receipt of written notice by Macromedia, upon Macromedia’s receipt of written notice by Executive, or upon Executive’s death and Executive shall, upon request of the Board of Directors, resign as a director of Macromedia.

   6.1 **Surrender of Records and Property.** At the time of termination, Executive shall deliver promptly all equipment, records, manuals, books, data tables or copies thereof regardless of the underlying media upon which such materials are recorded which are property of Macromedia and which are under Executive’s possession and control.

7. **Benefits Upon Termination of Employment.** In the event that Executive’s employment is terminated, he shall be eligible for benefits as follows:

   7.1 **Termination without Cause, for Good Reason or Due to Death or Disability.** In the event that Executive’s employment is terminated (i) by Macromedia without Cause (as defined in Subsection 7.2), (ii) because of Executive’s death or Disability (as defined in Subsection 7.4), or (iii) voluntarily by Executive for Good Reason (as defined in Subsection 7.3), Macromedia shall provide Executive with termination benefits, as follows:
(a) Executive (or his estate) shall (i) receive a lump sum payment in an amount equal to two (2) times the sum of his annual rate of base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination, with such payment in no event to be less than $1,600,000, less applicable deductions or withholdings, (ii) reimburse Executive for any expenses of Executive and his dependents incurred by him, for the two (2)-year period following his termination date, for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1975, as amended (“COBRA”) or pay for comparable coverage in the event Executive is no longer eligible for COBRA and (iii) pay the full annual premium and related tax gross-up on the life insurance policy maintained on the Executive pursuant to Subsection 7.1(d) below for the contract year in which his termination of employment occurs, other than any premium which would otherwise first become due after his death. Executive shall also be entitled to participate in any plans or other employee benefit arrangements (or Macromedia shall make available comparable arrangements) which are generally available to employees or executives of Macromedia during such two (2) year period other than the Macromedia tax-qualified pension or profit-sharing plans or the employee stock purchase plan. Under no circumstances shall Macromedia be obligated to make any payments or continue benefits beyond the two (2) year period after the date of Executive’s termination of employment.

(b) The vesting of each of the Prior Options held by Executive shall accelerate with respect to a number of shares equal to the greater of (i) the number of shares that will vest over the next twenty-four (24) months reduced by the number of months elapsed from the grant date of that Prior Option to the date of Executive’s termination of employment, or (ii) twelve (12) months of vesting; provided that any Prior Options with an exercise price less than the fair market value of Macromedia Common Stock on the Effective Date shall have vesting accelerated by no less than twenty-four (24) months. In addition, the vesting of any New Options held by Executive shall have vesting accelerated by no less than twenty-four (24) months. Each of the Executive’s Prior Options shall remain exercisable until the end of the one hundred eighty (180) day period following the later of (i) the Executive’s termination date or (ii) the end of the period during which that Prior Option would have continued to vest following the Executive’s termination pursuant to the provisions of Section 7.1 of the Prior Agreement, but in no event may any Prior Option be exercised after the expiration date of such Prior Option as set forth in the applicable stock option agreement; provided that in no event shall the period during which Executive may exercise any Prior Options with an exercise price at or less than the fair market value of Macromedia Common Stock on the Effective Date expire prior to the earlier of (i) one (1) year following Executive’s termination date or (ii) the expiration date of the Prior Options as set forth in the applicable stock option agreement. Any New Options shall remain exercisable until the earlier of (i) the date one (1) year following Executive’s termination date, and (ii) the expiration date of such New Options as set forth in the applicable stock option agreement.

(c) Prior to the payment of any termination benefits under this Subsection 7.1 or Section 8 below, Executive and Macromedia will enter into a mutual general release; provided, however, that such release shall not extend to any subsequent claims Executive may have with respect to those termination benefits or continued option vesting.
(d) Macromedia will, as soon as practicable following the Effective Date, purchase a term life insurance policy on the life of Executive in the amount of ten million dollars ($10,000,000) with the proceeds payable to Executive’s designated beneficiary. Macromedia will, throughout the term of this Agreement, pay all premiums on such policy as they become due and gross-up Executive for any federal or state income taxes attributable to the payment of such premiums. Ownership of such policy shall be vested in the Executive or such person or entity as Executive shall direct in writing to Macromedia. In the event that Executive designates a person or entity other than himself as owner of such policy, the designated owner shall have the right to designate the beneficiary of such policy.

7.2 Circumstances Under Which Termination Benefits Will Not Be Paid. Macromedia shall not be obligated to provide Executive the termination benefits described in Subsection 7.1 above if Executive’s employment is terminated by Macromedia for Cause or if Executive voluntarily terminates his employment with Macromedia other than for Good Reason. Upon the termination of Executive’s employment by reason of his Disability or death, the termination benefits under Subsection 7.1 will be provided. For purposes of this Agreement, “Cause” shall mean (1) Executive’s conviction of any felony under federal or state law, or any fraud, misappropriation or embezzlement or (2) Executive’s commission of a material violation of the Executive’s Proprietary Information and Inventions Agreement. For purposes of this Agreement, “Good Reason” shall have the meaning set forth and be determined under Subsection 7.3.

7.3 Termination for Good Reason. Executive may voluntarily terminate his employment with Macromedia for Good Reason if there should occur:

(a) a material adverse change in Executive’s position causing it to be of materially less stature or responsibility without Executive’s written consent, and such a materially adverse change shall in all events be deemed to occur if Executive no longer serves as executive chairman of a publicly traded company, unless Executive consents in writing to such change,

(b) a reduction, without Executive’s written consent, in his level of compensation (including base salary and fringe benefits) by more than ten percent (10%) or a reduction by more than ten percent (10%) in his target bonus formula under any performance-based executive incentive plans; provided that a reduction in base salary and/or target bonus, shall not be considered Good Reason so long as his base salary is not reduced to less than $275,000 per year and his aggregate base salary and target bonus is not reduced below $550,000,

(c) a relocation of his principal place of employment by more than 50 miles, or

(d) a material breach by Macromedia (or its successor) of Subsection 7.1(d) of this Agreement or its obligations under the attached Indemnification Agreement and the failure to cure such breach within thirty (30) days after written notice from Executive identifying such breach.
Executive expressly acknowledges and agrees that the changes effected by this Agreement do not constitute “Good Reason” under the Prior Agreement or this Agreement.

7.4 Executive’s Disability. For purposes of this Agreement, “Disability” means Executive’s inability to perform the duties of Executive Chairman for a period of 180 consecutive days or a period of 180 days during any consecutive twelve-month period as a result of incapacity due to mental or physical illness as determined by the Board.

8. Change in Control Benefits. Should there occur a Change in Control (as defined below), then the following provisions shall become applicable:

  8.1 Period of Continued Employment. During the period (if any) following a Change in Control that Executive continues to be employed by Macromedia or any successor entity, then the terms and provisions of this Agreement shall continue in full force and effect, and Executive shall continue to vest in his outstanding stock awards pursuant to the terms and provisions set forth in the agreements governing such stock awards.

  8.2 Certain Terminations Following a Change in Control. Should Executive terminate his employment with Macromedia or any successor entity for any reason within one hundred eighty (180) days following a Change in Control or should any of the following events occur within the one (1) year period following a Change in Control: (i) the Executive’s voluntary termination of his employment for Good Reason, (ii) the termination of Executive’s employment without Cause by Macromedia or any successor or (iii) the termination of Executive’s employment by reason of his death or Disability, then in lieu of the benefits set forth in Section 7.1 above, the following benefits shall become due and payable:

    (a) Executive (or his estate) shall (i) receive a lump sum payment in an amount equal to two (2) times the sum of his annual rate of base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination or, if greater, at the level in effect immediately prior to the Change in Control, with such payment to be not less than $1,600,000, and (ii) be reimbursed for any expenses of Executive and his dependents incurred by him for COBRA coverage or pay for comparable coverage in the event he is no longer eligible for COBRA, during the two (2) year period following his termination date. In addition, Macromedia or its successor shall pay the full annual premium and related tax gross-up on the life insurance policy maintained on the Executive pursuant to Paragraph 7.1(d) above for the contract year in which his termination of employment occurs, other than any premium payment which would otherwise first become due after his death. Executive shall also be entitled to participate in any plans or other employee benefit arrangements (or Macromedia or its successor shall make available comparable arrangements) which are generally available to employees or executives of Macromedia or its successor during such two (2) year period other than the tax-qualified pension or profit-sharing plans or the employee stock purchase plan.

    (b) All of Executive’s then outstanding options (including the Prior Options, any New Options and any options granted by Macromedia’s successor) shall immediately become exercisable and vest in full and shall remain exercisable until the earlier of (i) the date two (2) years following Executive’s termination date, and (ii) the expiration date of such options as set forth in the applicable stock option agreement.
(c) All of Executive’s then outstanding restricted stock awards (including restricted stock awards granted by Macromedia’s successor) shall vest in full; provided that solely for purposes of determining whether Executive shall be entitled to accelerated vesting pursuant to this Subsection 8.2(c), Executive shall have Good Reason for termination of employment only if Executive remains in employment for the six (6) months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor.

For purposes of this Section 8, a Change in Control shall be deemed to occur upon:

(I) the sale, lease, conveyance or other disposition of all or substantially all of Macromedia’s assets as an entirety or substantially as an entirety to any person, entity or group of persons acting in concert,

(II) any transaction or series of transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in, or that is in connection with, any person, entity or group acting in concert, becoming the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 50% percent of the aggregate voting power of all classes of common equity stock of Macromedia,

(III) a liquidation and winding up of the business of Macromedia, or

(IV) a change in the composition of the Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period, or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (a) who were still in office at the time such election or nomination was approved by the Board of Directors.


9.1 Except for proceedings seeking injunctive relief, including, without limitation, allegations of misappropriation of trade secrets, copyright or patent infringements, any controversy or claim arising out of or in relation to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration rules of the American Arbitration Association (“AAA”), and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Arbitration of this Agreement shall include claims of fraud or fraud in the inducement relating to this Agreement. Arbitration further includes all claims, regardless of whether the dispute arises during the term of the Agreement, at the time of termination or thereafter.
9.2 Either party may initiate the arbitration proceedings, for which the provision is herein made, by notifying the opposing party, in writing, of its demand to arbitrate. In any such arbitration there shall be appointed one arbitrator who shall be selected in accordance with the AAA Commercial Arbitration Rules. The place of arbitration shall be San Francisco, California. The law applicable to the dispute shall be the laws of the State of California. Accordingly, the California Uniform Arbitration Act shall apply to the interpretation of the arbitration procedure; pursuant thereto, the arbitrator’s powers shall include, without limitation, the power to issue subpoenas for the attendance of witnesses for hearing or deposition, and for other production of books, records, documents or other evidence pursuant to California law.

9.3 The parties agree that the award of the arbitrator shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or accountings presented or plead to the arbitrator; that the arbitrator shall be the final judge of both law and fact in arbitration of disputes arising out of or relating to this Agreement, including the interpretation of the terms of this Agreement. The parties further agree it shall be the sole and exclusive duty of the arbitrator to determine the arbitrability of issues in dispute and that neither party shall have recourse to the court for such a determination.

10. General

10.1 Waiver. Neither party shall, by mere lapse of time, without giving notice or taking other action hereunder, be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed as, nor constitute a, continuing waiver of such breach or of other breaches by the same or any other provision of this Agreement.

10.2 Severability. If for any reason a court of competent jurisdiction or arbitrator finds any provision of this Agreement to be unenforceable, the provision shall be deemed amended as necessary to conform to applicable laws or regulations, or if it cannot be so amended without materially altering the intention of the parties, the remainder of the Agreement shall continue in full force and effect as if the offending provision were not contained herein.

10.3 Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be considered effective upon personal service or upon depositing such notice in the U.S. Mail, postage prepaid, return receipt requested and addressed to the General Counsel of Macromedia as its principal corporate address, and to Executive at his most recent address shown on Macromedia’s corporate records, or at any other address which he may specify in any appropriate notice to Macromedia.

10.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together constitutes one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.
10.5 Entire Agreement. The parties heretofore acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement, together with the stock option agreements for the Prior Options as modified hereby, the Indemnification Agreement attached hereto as Exhibit A and the Proprietary Information and Inventions Agreement attached as Exhibit B hereto, constitutes the complete and exclusive statement of the agreement between the parties concerning the subject of Executive’s employment and supersedes the Prior Agreement, any other prior employment agreement (and any amendments thereto) by and between Executive and Macromedia, and all proposals (oral or written), understandings, representations, conditions, covenants, and all other communications between the parties relating to the subject matter hereof.

10.6 Assignment and Successors. Macromedia shall have the right to assign its rights and obligations under this Agreement to an entity which acquires substantially all of the assets of Macromedia. The rights and obligation of Macromedia under this Agreement shall inure to the benefit and shall be binding upon the successors and assigns of Macromedia. Any payments or benefits which become due under this Agreement in connection with the Executive’s death shall be paid to his designated beneficiary(ies) or, in the absence of such designation, to the personal representative or administrator of his estate.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

MACROMEDIA, INC.                        ACCEPTED BY EXECUTIVE

By:  /s/ Loren E. Hillberg               /s/ Robert K. Burgess

Name:  Loren E. Hillberg
Title:  Senior Vice President,
        General Counsel and Secretary

Exhibits:
A – Indemnification Agreement dated September 5, 1996
B – Proprietary Information and Inventions Agreement dated August 25, 1996
This Agreement is made effective this 19th day of January, 2005, (the “Effective Date”) between Macromedia, Inc., a Delaware corporation ("Macromedia"), and Stephen Elop ("Executive").

WHEREAS, Macromedia is engaged in the business of developing and marketing certain computer software;

WHEREAS, Executive is currently Chief Operating Officer of Macromedia pursuant to an employment offer letter dated February 9, 1998 (the "Prior Agreement"); and

WHEREAS, Macromedia desires to secure the services of Executive as Chief Executive Officer of Macromedia, on the terms and conditions as set forth herein;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth below, it is mutually agreed as follows:

1. Duties. Executive shall have such duties as the Board of Directors of Macromedia (the “Board”) may from time to time prescribe consistent with his position as Chief Executive Officer ("CEO") of Macromedia. Macromedia shall use its best efforts to have Executive elected and re-elected to the Board at each Annual Stockholders Meeting held during his period of service as CEO of Macromedia. Executive shall report directly to the Board. Executive shall devote his full time, attention, energies and best efforts to the business of Macromedia based in San Francisco, California, and shall not during his period of employment as CEO of Macromedia engage in any other business activity, whether or not such business activity is pursued for gain, profit of other pecuniary advantage; provided, however, that this Section 1 shall not be construed as preventing Executive from (i) investing his assets in such form and manner as will not require any substantial services on his part in the operation of the affairs of the business entities in which such investments are made or (ii) serving as a member of the board of directors or similar governing body of one or more business enterprises or charitable organizations or foundations, provided such service does not interfere with the duties required of him hereunder and is approved by the Board.

2. Compensation. Macromedia shall pay and Executive shall accept as full consideration for the services to be rendered hereunder compensation consisting of the following:

2.1 Base Salary. $400,000 per year in base salary, payable in installments twice per month, with such deductions or withholdings as are required by law.

2.2 Bonus. $100,000 target bonus for the three (3) months ending March 31, 2005, and, effective with Macromedia’s fiscal year commencing April 1, 2005, a target bonus of $400,000 per year; in each case based on the attainment of the objectives established from time to time under the Macromedia Executive Bonus Plan by the Compensation Committee of the Board of Directors. Executive’s target bonus for periods prior to January 1, 2005, remains unchanged.
2.3 Prior Stock Awards. Executive’s outstanding stock option grants (the “Prior Options”) remain subject to and governed by the terms and provisions set forth in the applicable stock option agreement by and between Macromedia and Executive and the Macromedia equity incentive plan, if any, under which such grants were awarded and as provided in the resolution concerning stock option vesting acceleration adopted by the Board on February 26, 1997.

2.4 New Equity Awards.

(a) Stock Option. On or before January 31, 2005, the Compensation Committee of the Board shall approve the grant of a stock option (the “New Option”) covering four hundred thousand (400,000) shares under Macromedia’s 2002 Equity Incentive Plan (the “Plan”). The New Option’s per share exercise price shall be at fair market value as determined under the Plan; the vesting schedule shall be conditioned on Executive’s employment with Macromedia and shares shall vest over four (4) years, with twenty-five percent (25%) of the shares vesting on the first anniversary of the date of grant of the New Option and the remaining shares vesting over thirty-six (36) monthly installments thereafter. The other terms shall be as provided in the standard form of option agreement adopted for use under the Plan.

(b) Restricted Stock. On or before January 31, 2005 the Compensation Committee of the Board shall approve the grant of a restricted stock award (the “New Stock Award”) covering one hundred thousand (100,000) shares under the Plan. The vesting schedule shall be conditioned on Executive’s employment with Macromedia and shares shall vest over four (4) years, with twenty-five percent (25%) of the shares vesting on the first anniversary of their date of issue and the remaining shares vesting over thirty-six (36) monthly installments thereafter. The other terms shall be as provided in the standard form of restricted stock agreement adopted for use under the Plan. This grant shall be in lieu of any grant of restricted stock communicated to you prior to the Effective Date.

(c) Following the Effective Date, Executive shall be eligible for the grant of equity compensation awards from time to time under the equity compensation plans and arrangements maintained by Macromedia.

3. Indemnification. The existing Indemnification Agreement between Macromedia and Executive, in the form attached hereto as Exhibit A, shall continue in full force and effect.

4. Benefits. Executive shall be entitled to and shall receive such pension, profit sharing and fringe benefits such as hospitalization, medical, life and other insurance benefits, vacation, sick pay and short-term disability as the Board may, from time to time, determine to provide for the key executives of Macromedia.

5. Executive Proprietary Information and Inventions Agreement. As part of the consideration between the parties for this Agreement, Executive hereby agrees to remain bound by the terms of Macromedia’s Proprietary Information and Inventions Agreement entered into by and between Macromedia and Executive in the form attached hereto as Exhibit B.
6. **Termination.** Executive’s employment shall terminate immediately upon Executive’s receipt of written notice by Macromedia, upon Macromedia’s receipt of written notice by Executive, or upon Executive’s death and Executive shall, upon request of the Board, resign as a director of Macromedia.

6.1 **Surrender of Records and Property.** At the time of termination, Executive shall deliver promptly all equipment, records, manuals, books, data tables or copies thereof regardless of the underlying media upon which such materials are recorded which are property of Macromedia and which are under Executive’s possession and control.

7. **Benefits Upon Termination of Employment.** In the event that Executive’s employment is terminated, he shall be eligible for benefits as follows:

7.1 **Termination without Cause, for Good Reason or Due to Death or Disability.** In the event that Executive’s employment is terminated (i) by Macromedia without Cause (as defined in Subsection 7.2), (ii) because of Executive’s death or Disability (as defined in Subsection 7.4), or (iii) voluntarily by Executive for Good Reason (as defined in Subsection 7.3), Macromedia shall provide Executive with termination benefits, as follows:

(a) Executive (or his estate) shall (i) receive a lump sum payment in an amount equal to the sum of his annual rate of base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination, with such payment to be no less than $800,000, less applicable deductions or withholdings, and (ii) reimburse Executive for any expenses of Executive and his dependents incurred by him, for the one (1)-year period following his termination date, for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1975, as amended (“COBRA”) or pay for comparable coverage in the event Executive is no longer eligible for COBRA.

(b) The vesting of the New Option shall accelerate with respect to the number of shares that will vest over the next twelve (12) months and shall remain exercisable until the earlier of (i) the date one (1) year following Executive’s termination date, and (ii) the expiration date set forth in the stock option agreement.

(c) Prior to the payment of any termination benefits under this Subsection 7.1 or Section 8 below, Executive shall execute a general release of claims; provided, however, that such release shall not extend to any subsequent claims Executive may have with respect to those termination benefits or continued option vesting.

7.2 **Circumstances Under Which Termination Benefits Will Not Be Paid.** Macromedia shall not be obligated to provide Executive the termination benefits described in Subsection 7.1 above if Executive’s employment is terminated by Macromedia for Cause or if Executive voluntarily terminates his employment with Macromedia other than for Good Reason. Upon the termination of Executive’s employment by reason of his Disability or death, the
termination benefits under Subsection 7.1 will be provided. For purposes of this Agreement, “Cause” shall mean (1) Executive’s conviction of any felony under federal or state law, or any fraud, misappropriation or embezzlement or (2) Executive’s commission of a material violation of the Executive’s Proprietary Information and Inventions Agreement. For purposes of this Agreement, “Good Reason” shall have the meaning set forth and be determined under Subsection 7.3.

7.3 Termination for Good Reason. Executive may voluntarily terminate his employment with Macromedia for Good Reason if there should occur:

(a) a material adverse change in Executive’s position causing it to be of materially less stature or responsibility without Executive’s written consent, and such a materially adverse change shall in all events be deemed to occur if Executive no longer serves as CEO of a publicly traded company, unless Executive consents in writing to such change,

(b) a reduction, without Executive’s written consent, in his level of compensation (including base salary and fringe benefits) by more than ten percent (10%) or a reduction by more than ten percent (10%) in his target bonus formula under any performance-based executive incentive plans,

(c) a relocation of his principal place of employment by more than 50 miles, or

(d) a material breach by Macromedia (or its successor) of its obligations under the attached Indemnification Agreement and the failure to cure such breach within thirty (30) days after written notice from Executive identifying such breach.

7.4 Executive’s Disability. For purposes of this Agreement, “Disability” means Executive’s inability to perform the duties of CEO for a period of 180 consecutive days or a period of 180 days during any consecutive twelve-month period as a result of incapacity due to mental or physical illness as determined by the Board.

7.5 Additional Payment upon Certain Terminations. Upon Executive’s voluntary termination for Good Reason, termination for Disability, death or involuntary termination by Macromedia without Cause (as defined in Subsection 7.2) at any time after the Effective Date, or voluntary termination other than for Good Reason at any time after January 19, 2007, Executive shall be entitled to an additional termination payment (the “Additional Payment”). The Additional Payment shall be equal to five million dollars ($5,000,000), less (i) any gain Executive received from the sale, prior to Executive’s employment termination date, of shares attributable to the Prior Options, the New Option, any other stock options or stock awards granted Executive and the New Stock Award; (ii) (A) the difference between the fair market value of then unexercised vested (including vesting under this Section 7 or Section 8 as applicable) shares attributable to the Prior Options, the New Option and any other stock options granted Executive and (B) the exercise price of the applicable stock option; and (iii) the fair market value of vested (including vesting under this Section 7 or Section 8 as applicable) shares still held by Executive that were issued under the New Stock Award and any other stock awards granted Executive.
8. **Change in Control Benefits.** Should there occur a Change in Control (as defined below), then the following provisions shall become applicable:

8.1 **Period of Continued Employment.** During the period (if any) following a Change in Control that Executive continues to be employed by Macromedia or any successor entity, then the terms and provisions of this Agreement shall continue in full force and effect, and Executive shall continue to vest in his outstanding stock awards pursuant to the terms and provisions set forth in the agreements governing such stock awards.

8.2 **Certain Terminations Following a Change in Control.** Should any of the following events occur within the twelve (12) months following a Change in Control: (i) the Executive’s voluntary termination of his employment for Good Reason, (ii) the termination of Executive’s employment without Cause by Macromedia or any successor or (iii) the termination of Executive’s employment by reason of his death or Disability, then in lieu of the benefits set forth in Section 7.1 above, the following benefits shall become due and payable:

(a) Executive (or his estate) shall (i) receive a lump sum payment in an amount equal to the sum of his annual rate of base salary and 100% of his annual target bonus, both at the level in effect immediately prior to his termination or, if greater, at the level in effect immediately prior to the Change in Control, with such payment to be not less than $800,000, and (ii) be reimbursed for any expenses of Executive and his dependents incurred by him for COBRA coverage or pay for comparable coverage in the event he is no longer eligible for COBRA, during the one (1) year period following his termination date.

(b) The New Option and the New Stock Award, and any stock awards granted by Macromedia’s successor shall vest in full on Executive’s termination date, and shall remain exercisable until the earlier of (i) the first anniversary of Executive’s termination date, and (ii) the expiration date of such options as set forth in the applicable stock option agreement; provided that solely for purposes of determining whether Executive shall be entitled to accelerated vesting pursuant to this Subsection 8.2(b), Executive shall have Good Reason for termination of employment only if Executive remains in employment for the six (6) months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor.

(c) Upon Executive’s voluntary termination (whether or not for Good Reason), termination for Disability, death or termination by Macromedia without Cause (as defined in Subsection 7.2), Executive shall be entitled to the Additional Payment provided for in Section 7 of this Agreement.
For purposes of this Section 8, a Change in Control shall be deemed to occur upon:

(I) the sale, lease, conveyance or other disposition of all or substantially all of Macromedia’s assets as an entirety or substantially as an entirety to any person, entity or group of persons acting in concert,

(II) any transaction or series of transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in, or that is in connection with, any person, entity or group acting in concert, becoming the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 50% percent of the aggregate voting power of all classes of common equity stock of Macromedia,

(III) a liquidation and winding up of the business of Macromedia, or

(IV) a change in the composition of the Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period, or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (a) who were still in office at the time such election or nomination was approved by the Board of Directors.


9.1 Except for proceedings seeking injunctive relief, including, without limitation, allegations of misappropriation of trade secrets, copyright or patent infringements, any controversy or claim arising out of or in relation to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration rules of the American Arbitration Association (“AAA”), and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Arbitration of this Agreement shall include claims of fraud or fraud in the inducement relating to this Agreement. Arbitration further includes all claims, regardless of whether the dispute arises during the term of the Agreement, at the time of termination or thereafter.

9.2 Either party may initiate the arbitration proceedings, for which the provision is herein made, by notifying the opposing party, in writing, of its demand to arbitrate. In any such arbitration there shall be appointed one arbitrator who shall be selected in accordance with the AAA Commercial Arbitration Rules. The place of arbitration shall be San Francisco, California. The law applicable to the dispute shall be the laws of the State of California. Accordingly, the California Uniform Arbitration Act shall apply to the interpretation of the arbitration procedure; pursuant thereto, the arbitrator’s powers shall include, without limitation, the power to issue subpoenas for the attendance of witnesses for hearing or deposition, and for other production of books, records, documents or other evidence pursuant to California law.
9.3 The parties agree that the award of the arbitrator shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or accountings presented or plead to the arbitrator; that the arbitrator shall be the final judge of both law and fact in arbitration of disputes arising out of or relating to this Agreement, including the interpretation of the terms of this Agreement. The parties further agree it shall be the sole and exclusive duty of the arbitrator to determine the arbitrability of issues in dispute and that neither party shall have recourse to the court for such a determination.

10. General

10.1 Waiver. Neither party shall, by mere lapse of time, without giving notice or taking other action hereunder, be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed as, nor constitute a, continuing waiver of such breach or of other breaches by the same or any other provision of this Agreement.

10.2 Severability. If for any reason a court of competent jurisdiction or arbitrator finds any provision of this Agreement to be unenforceable, the provision shall be deemed amended as necessary to conform to applicable laws or regulations, or if it cannot be so amended without materially altering the intention of the parties, the remainder of the Agreement shall continue in full force and effect as if the offending provision were not contained herein.

10.3 Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be considered effective upon personal service or upon depositing such notice in the U.S. Mail, postage prepaid, return receipt requested and addressed to the General Counsel of Macromedia as its principal corporate address, and to Executive at his most recent address shown on Macromedia’s corporate records, or at any other address which he may specify in any appropriate notice to Macromedia.

10.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together constitutes one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

10.5 Entire Agreement. The parties hereto acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement, the Indemnification Agreement attached hereto as Exhibit A and the Proprietary Information and Inventions Agreement attached as Exhibit B hereto, constitutes the complete and exclusive statement of the agreement between the parties concerning the subject of Executive’s employment and supersedes the Prior Agreement, any other prior employment agreement (and any amendments thereto) by and between Executive and Macromedia, the resolution concerning stock option vesting acceleration (other than for Prior Options) adopted by the Board on February 26, 1997 and all proposals (oral or written), understandings, representations, conditions, covenants, and all other communications between the parties relating to the subject matter hereof.
10.6 **Assignment and Successors.** Macromedia shall have the right to assign its rights and obligations under this Agreement to an entity which acquires substantially all of the assets of Macromedia. The rights and obligation of Macromedia under this Agreement shall inure to the benefit and shall be binding upon the successors and assigns of Macromedia. Any payments or benefits which become due under this Agreement in connection with the Executive’s death shall be paid to his designated beneficiary(ies) or, in the absence of such designation, to the personal representative or administrator of his estate.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

MACROMEDIA, INC.

By:  /s/ Robert K. Burgess
Name: Robert K. Burgess
Title: Chairman of the Board of Directors and
Chief Executive Officer

ACCEPTED BY EXECUTIVE

/s/ Stephen Elop

Exhibits:
A – Indemnification Agreement
B – Proprietary Information and Inventions Agreement

8
This Agreement is made effective January 19th, 2005, (the “Effective Date”) between Macromedia, Inc., a Delaware corporation (“Macromedia”), and Elizabeth Nelson (“Executive”).

WHEREAS, Macromedia is engaged in the business of developing and marketing certain computer software;

WHEREAS, Executive is currently Executive Vice President, Chief Financial Officer and Secretary of Macromedia pursuant to an employment offer letter dated June 19, 1996 (the “Prior Agreement”); and

WHEREAS, Macromedia desires to retain the services of Executive as Executive Vice President, Chief Financial Officer and Secretary of Macromedia, on the terms and conditions as set forth herein;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth below, it is mutually agreed as follows:

1. **Duties.** Executive shall have such duties as the Board of Directors of Macromedia (the “Board”) may from time to time prescribe consistent with her position as Executive Vice President, Chief Financial Officer and Secretary (“CFO”) of Macromedia. Executive shall report directly to the Chief Executive Officer. Executive shall devote her full time, attention, energies and best efforts to the business of Macromedia based in San Francisco, California, and shall not during her period of employment as CFO of Macromedia engage in any other business activity, whether or not such business activity is pursued for gain, profit of other pecuniary advantage; provided, however, that this Section 1 shall not be construed as preventing Executive from (i) investing her assets in such form and manner as will not require any substantial services on her part in the operation of the affairs of the business entities in which such investments are made or (ii) serving as a member of the board of directors or similar governing body of one or more business enterprises or charitable organizations or foundations, provided such service does not interfere with the duties required of him hereunder and is approved by the Board.

2. **Compensation.** Macromedia shall pay and Executive shall accept as full consideration for the services to be rendered hereunder compensation consisting of the following:

   2.1 **Base Salary.** $300,000 per year in base salary, payable in installments twice per month, with such deductions or withholdings as are required by law.

   2.2 **Bonus.** A target bonus of $150,000 per year; in each case based on the attainment of the objectives established from time to time under the Macromedia Executive Bonus Plan by the Compensation Committee of the Board of Directors.
2.3 **Stock Awards**. Executive’s outstanding stock option grants (the “*Prior Options*”) remain subject to and governed by the terms and provisions set forth in the applicable stock option agreement by and between Macromedia and Executive, the Macromedia equity incentive plan, if any, under which such grants were awarded and as provided in the resolution concerning severance benefits adopted by the Compensation Committee of the Board on February 5, 1998. Following the Effective Date, Executive shall be eligible for the grant of equity compensation awards (the “*New Stock Awards*”) from time to time under the equity compensation plans and arrangements maintained by Macromedia; however, no New Stock Awards are being granted or promised by this Agreement.

3. **Indemnification**. The existing Indemnification Agreement between Macromedia and Executive in the form attached hereto as Exhibit A, shall continue in full force and effect.

4. **Benefits**. Executive shall be entitled to and shall receive such pension, profit sharing and fringe benefits such as hospitalization, medical, life and other insurance benefits, vacation, sick pay and short-term disability as the Board may, from time to time, determine to provide for the key executives of Macromedia.

5. **Executive Proprietary Information and Inventions Agreement**. As part of the consideration between the parties for this Agreement, Executive hereby agrees to remain bound by the terms of Macromedia’s Proprietary Information and Inventions Agreement entered into by and between Macromedia and Executive and attached as Exhibit B hereto.

6. **Termination**. Executive’s employment shall terminate immediately upon Executive’s receipt of written notice by Macromedia, upon Macromedia’s receipt of written notice by Executive, or upon Executive’s death and Executive shall, upon request of the Board, resign as a director of Macromedia.

6.1 **Surrender of Records and Property**. At the time of termination, Executive shall deliver promptly all equipment, records, manuals, books, data tables or copies thereof regardless of the underlying media upon which such materials are recorded which are property of Macromedia and which are under Executive’s possession and control.

7. **Benefits Upon Termination of Employment**. In the event that Executive’s employment is terminated, he shall be eligible for benefits as follows:

7.1 **Termination without Cause, for Good Reason or Due to Death or Disability**. In the event that Executive’s employment is terminated (i) by Macromedia without Cause (as defined in Subsection 7.2), (ii) because of Executive’s death or Disability (as defined in Subsection 7.4), or (iii) voluntarily by Executive for Good Reason (as defined in Subsection 7.3), Macromedia shall provide Executive with termination benefits, as follows:

(a) Executive (or her estate) shall (i) receive a lump sum payment in an amount equal to the sum of her annual rate of base salary and 100% of her annual target bonus, both at the level in effect immediately prior to her termination, with such payment to be no less than $450,000, less applicable deductions or withholdings, and (ii) reimburse Executive for any expenses of Executive and her dependents incurred by him, for the one (1)-year period
following her termination date, for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1975, as amended ("COBRA") or pay for comparable coverage in the event Executive is no longer eligible for COBRA.

(b) The vesting of any New Stock Award that is a stock option shall accelerate with respect to the number of shares that will vest over the next twelve (12) months and shall remain exercisable until the earlier of (i) the date one (1) year following Executive’s termination date, and (ii) the expiration date set forth in the stock option agreement.

(c) Prior to the payment of any termination benefits under this Subsection 7.1 or Section 8 below, Executive shall execute a general release of claims; provided, however, that such release shall not extend to any subsequent claims Executive may have with respect to those termination benefits or continued option vesting.

7.2 Circumstances Under Which Termination Benefits Will Not Be Paid. Macromedia shall not be obligated to provide Executive the termination benefits described in Subsection 7.1 above if Executive’s employment is terminated by Macromedia for Cause or if Executive voluntarily terminates her employment with Macromedia other than for Good Reason. Upon the termination of Executive’s employment by reason of her Disability or death, the termination benefits under Subsection 7.1 will be provided. For purposes of this Agreement, “Cause” shall mean (1) Executive’s conviction of any felony under federal or state law, or any fraud, misappropriation or embezzlement or (2) Executive’s commission of a material violation of the Executive’s Proprietary Information and Inventions Agreement. For purposes of this Agreement, “Good Reason” shall have the meaning set forth and be determined under Subsection 7.3.

7.3 Termination for Good Reason. Executive may voluntarily terminate her employment with Macromedia for Good Reason if there should occur:

(a) a material adverse change in Executive’s position causing it to be of materially less stature or responsibility without Executive’s written consent, and such a materially adverse change shall in all events be deemed to occur if Executive no longer serves as CFO of a publicly traded company, unless Executive consents in writing to such change,

(b) a reduction, without Executive’s written consent, in her level of compensation (including base salary and fringe benefits) by more than ten percent (10%) or a reduction by more than ten percent (10%) in her target bonus formula under any performance-based executive incentive plans,

(c) a relocation of her principal place of employment by more than 50 miles, or

(d) a material breach by Macromedia (or its successor) of its obligations under the attached Indemnification Agreement and the failure to cure such breach within thirty (30) days after written notice from Executive identifying such breach.
7.4 Executive’s Disability. For purposes of this Agreement, “Disability” means Executive’s inability to perform the duties of CFO for a period of 180 consecutive days or a period of 180 days during any consecutive twelve-month period as a result of incapacity due to mental or physical illness as determined by the Board.

8. Change in Control Benefits. Should there occur a Change in Control (as defined below), then the following provisions shall become applicable:

8.1 Period of Continued Employment. During the period (if any) following a Change in Control that Executive continues to be employed by Macromedia or any successor entity, then the terms and provisions of this Agreement shall continue in full force and effect, and Executive shall continue to vest in her outstanding stock awards pursuant to the terms and provisions set forth in the agreements governing such stock awards.

8.2 Certain Terminations Following a Change in Control. Should any of the following events occur within the twelve (12) months following a Change in Control: (i) the Executive’s voluntary termination of her employment for Good Reason, (ii) the termination of Executive’s employment without Cause by Macromedia or any successor or (iii) the termination of Executive’s employment by reason of her death or Disability, then in lieu of the benefits set forth in Section 7.1 above, the following benefits shall become due and payable:

(a) Executive (or her estate) shall (i) receive a lump sum payment in an amount equal to the sum of her annual rate of base salary and 100% of her annual target bonus, both at the level in effect immediately prior to her termination or, if greater, at the level in effect immediately prior to the Change in Control, with such payment to be not less than $450,000, and (ii) be reimbursed for any expenses of Executive and her dependents incurred by him for COBRA coverage or pay for comparable coverage in the event he is no longer eligible for COBRA, during the one (1) year period following her termination date.

(b) New Stock Awards, and any stock awards granted by Macromedia’s successor shall vest in full on Executive’s termination date, and with respect to stock options (other than Prior Options) shall remain exercisable until the earlier of (i) the one year after Executive’s termination date, and (ii) the expiration date of such stock options as set forth in the applicable stock option agreement; provided that solely for purposes of determining whether Executive shall be entitled to accelerated vesting pursuant to this Subsection 8.2(b), Executive shall have Good Reason for termination of employment only if Executive remains in employment for the six (6) months immediately following the Change in Control, upon written request by Macromedia and/or its successor, or such shorter period as may be determined by Macromedia and/or its successor.

For purposes of this Section 8, a Change in Control shall be deemed to occur upon:

(I) the sale, lease, conveyance or other disposition of all or substantially all of Macromedia’s assets as an entirety or substantially as an entirety to any person, entity or group of persons acting in concert,
(II) any transaction or series of transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in, or that is in connection with, any person, entity or group acting in concert, becoming the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 50% percent of the aggregate voting power of all classes of common equity stock of Macromedia,

(III) a liquidation and winding up of the business of Macromedia, or

(IV) a change in the composition of the Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period, or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (a) who were still in office at the time such election or nomination was approved by the Board of Directors.


9.1 Except for proceedings seeking injunctive relief, including, without limitation, allegations of misappropriation of trade secrets, copyright or patent infringements, any controversy or claim arising out of or in relation to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration rules of the American Arbitration Association (“AAA”), and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Arbitration of this Agreement shall include claims of fraud or fraud in the inducement relating to this Agreement. Arbitration further includes all claims, regardless of whether the dispute arises during the term of the Agreement, at the time of termination or thereafter.

9.2 Either party may initiate the arbitration proceedings, for which the provision is herein made, by notifying the opposing party, in writing, of its demand to arbitrate. In any such arbitration there shall be appointed one arbitrator who shall be selected in accordance with the AAA Commercial Arbitration Rules. The place of arbitration shall be San Francisco, California. The law applicable to the dispute shall be the laws of the State of California. Accordingly, the California Uniform Arbitration Act shall apply to the interpretation of the arbitration procedure; pursuant thereto, the arbitrator’s powers shall include, without limitation, the power to issue subpoenas for the attendance of witnesses for hearing or deposition, and for other production of books, records, documents or other evidence pursuant to California law.

9.3 The parties agree that the award of the arbitrator shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or accountings presented or plead to the arbitrator; that the arbitrator shall be the final judge of both law and fact in arbitration of disputes arising out of or relating to this Agreement, including the interpretation of the terms of this Agreement. The parties further agree it shall be the sole and exclusive duty of the arbitrator to determine the arbitrability of issues in dispute and that neither party shall have recourse to the court for such a determination.
10. General

10.1 Waiver. Neither party shall, by mere lapse of time, without giving notice or taking other action hereunder, be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed as, nor constitute a, continuing waiver of such breach or of other breaches by the same or any other provision of this Agreement.

10.2 Severability. If for any reason a court of competent jurisdiction or arbitrator finds any provision of this Agreement to be unenforceable, the provision shall be deemed amended as necessary to conform to applicable laws or regulations, or if it cannot be so amended without materially altering the intention of the parties, the remainder of the Agreement shall continue in full force and effect as if the offending provision were not contained herein.

10.3 Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be considered effective upon personal service or upon depositing such notice in the U.S. Mail, postage prepaid, return receipt requested and addressed to the General Counsel of Macromedia as its principal corporate address, and to Executive at her most recent address shown on Macromedia’s corporate records, or at any other address which he may specify in any appropriate notice to Macromedia.

10.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together constitutes one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

10.5 Entire Agreement. The parties hereto acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement, the Indemnification Agreement attached hereto as Exhibit A and the Proprietary Information and Inventions Agreement attached as Exhibit B hereto, constitutes the complete and exclusive statement of the agreement between the parties concerning the subject of Executive’s employment and supersedes the Prior Agreement, any other prior employment agreement (and any amendments thereto) by and between Executive and Macromedia, the resolution concerning severance benefits (other than for Prior Options) adopted by the Compensation Committee of the Board on February 2, 1998 and all proposals (oral or written), understandings, representations, conditions, covenants, and all other communications between the parties relating to the subject matter hereof.

10.6 Assignment and Successors. Macromedia shall have the right to assign its rights and obligations under this Agreement to an entity which acquires substantially all of the assets of Macromedia. The rights and obligation of Macromedia under this Agreement shall inure to the benefit and shall be binding upon the successors and assigns of Macromedia. Any payments or benefits which become due under this Agreement in connection with the Executive’s death shall be paid to her designated beneficiary(ies) or, in the absence of such designation, to the personal representative or administrator of her estate.
IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

MACROMEDIA, INC.

By: /s/ Robert K. Burgess

Name: Robert K. Burgess
Title: Chairman of the Board of Directors and Chief Executive Officer

Exhibits:
A – Indemnification Agreement
B – Proprietary Information and Inventions Agreement

ACCEPTED BY EXECUTIVE

/s/ Elizabeth Nelson

/s/ Robert K. Burgess