



**Adobe Systems Incorporated
345 Park Avenue
San Jose, California 95110-2704**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held April 11, 2013**

Dear Stockholders:

You are cordially invited to attend our 2013 Annual Meeting of Stockholders to be held on Thursday, April 11, 2013 at 9:00 a.m. local time at our East Tower building located at 321 Park Avenue, San Jose, California 95110. We are holding the meeting to:

1. Elect thirteen members of our Board of Directors named herein to serve for a one-year term;
2. Approve an amended and restated 2003 Equity Incentive Plan, which includes an increase to the available share reserve of 17.5 million shares, an increase of the aggregate stock award and performance share limits, approval of new performance measures and an adjustment, and certain other modifications as described herein;
3. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for our fiscal year ending on November 29, 2013;
4. Approve, on an advisory basis, the compensation of our named executive officers; and
5. Transact any other business that may properly come before the meeting.

If you owned our common stock at the close of business on February 14, 2013, you may attend and vote at the meeting. A list of stockholders eligible to vote at the meeting will be available for review during our regular business hours at our headquarters in San Jose, California for the ten days prior to the meeting for any purpose related to the meeting.

We are pleased to continue to take advantage of the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials to their stockholders over the internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of this proxy statement and our 2012 Annual Report. We believe that this process allows us to provide our stockholders with the information they need in a timelier manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. The Notice contains instructions on how to access those documents over the internet. The Notice also contains instructions on how to request a paper copy of our proxy materials, including this proxy statement, our 2012 Annual Report and a form of proxy card or voting instruction card. All stockholders who have previously requested a paper copy of our proxy materials will continue to receive a paper copy of the proxy materials by mail.

Your vote is important. Whether or not you plan to attend the meeting, we hope that you will vote as soon as possible. You may vote your shares via a toll-free telephone number or over the internet. If you received a proxy card or voting instruction card by mail, you may submit your proxy card or voting instruction card by completing, signing, dating and mailing your proxy card or voting instruction card in the envelope provided. Any stockholder attending the meeting may vote in person, even if you have already returned a proxy card or voting instruction card.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Dillon". The signature is fluid and cursive, with the first name "Michael" written in a larger, more prominent script than the last name "Dillon".

Michael Dillon
Senior Vice President, General Counsel &
Corporate Secretary

March 1, 2013
San Jose, California

ADOBE SYSTEMS INCORPORATED

Proxy Statement for the Annual Meeting of Stockholders To Be Held April 11, 2013

TABLE OF CONTENTS

	Page
Information Concerning Solicitation and Voting.....	1
Questions and Answers.....	1
Proposal 1—Election of Directors.....	5
Proposal 2—Approval of the Amended and Restated Adobe Systems Incorporated 2003 Equity Incentive Plan.....	18
Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm.....	32
Principal Accounting Fees and Services.....	33
Audit Committee Pre-Approval of Services Performed by Our Independent Registered Public Accounting Firm.....	33
Report of the Audit Committee.....	34
Proposal 4—Advisory Vote on Executive Compensation.....	35
Corporate Governance.....	40
Security Ownership of Certain Beneficial Owners and Management.....	41
Section 16(a) Beneficial Ownership Reporting Compliance.....	44
Equity Compensation Plan Information.....	45
Compensation Discussion and Analysis.....	48
Report of the Executive Compensation Committee.....	70
Executive Compensation.....	71
Summary Compensation Table.....	71
Grants of Plan-Based Awards in Fiscal Year 2012.....	73
Outstanding Equity Awards at 2012 Fiscal Year End.....	76
Option Exercises and Stock Vested in Fiscal Year 2012.....	80
Nonqualified Deferred Compensation.....	80
Change of Control.....	81
Director Compensation.....	86
Compensation Committee Interlocks and Insider Participation.....	91
Transactions with Related Persons.....	91
Householding of Proxy Materials.....	91
Annual Report.....	92
Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting to be Held on April 11, 2013.....	92
Stockholder Proposals to be Presented at Next Annual Meeting.....	93

ADOBE SYSTEMS INCORPORATED

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

Our Board of Directors (the “Board”) is soliciting proxies for our 2013 Annual Meeting of Stockholders (the “2013 Annual Meeting”) to be held on Thursday, April 11, 2013, at 9:00 a.m. local time at our East Tower building located at 321 Park Avenue, San Jose, California 95110. Our principal executive offices are located at 345 Park Avenue, San Jose, California 95110, and our telephone number is (408) 536-6000.

The proxy materials, including this proxy statement, proxy card or voting instruction card and our 2012 Annual Report, are being distributed and made available on or about March 1, 2013. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the “SEC”), we have elected to provide our stockholders access to our proxy materials over the internet. Accordingly, a Notice of Internet Availability of Proxy Materials (the “Notice”) will be mailed on or about March 1, 2013 to most of our stockholders who owned our common stock at the close of business on the record date, February 14, 2013. Stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request a printed set of the proxy materials be sent to them by following the instructions in the Notice.

The Notice will also provide instructions on how you can elect to receive future proxy materials electronically or in printed form by mail. If you choose to receive future proxy materials electronically, you will receive an email next year with instructions containing a link to the proxy materials and a link to the proxy voting site. Your election to receive proxy materials electronically or in printed form by mail will remain in effect until you terminate such election.

Choosing to receive future proxy materials electronically will allow us to provide you with the information you need in a timelier manner, will save us the cost of printing and mailing documents to you and will conserve natural resources.

We will bear the expense of soliciting proxies. In addition to these proxy materials, our directors and employees (who will receive no compensation in addition to their regular salaries) may solicit proxies in person, by telephone or email. We have also retained Innisfree M&A Incorporated to help us solicit proxies from brokers, bank nominees and other institutional owners. We expect to pay Innisfree a fee of \$12,500 for its services and will reimburse Innisfree for reasonable out-of-pocket expenses, estimated at \$20,000. We will reimburse banks, brokers and other custodians, nominees and fiduciaries for reasonable charges and expenses incurred in forwarding soliciting materials to their clients.

QUESTIONS AND ANSWERS

Q: Who may vote at the meeting?

A: Our Board set February 14, 2013 as the record date for the meeting. If you owned our common stock at the close of business on February 14, 2013, you may attend and vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted on. As of February 14, 2013, there were 501,548,019 shares of our common stock outstanding and entitled to vote at the meeting.

Q: What is the quorum requirement for the meeting?

A: A majority of our outstanding shares entitled to vote as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum.

Your shares will be counted as present at the meeting if you are entitled to vote and you:

- are present in person at the meeting; or
- have properly submitted a proxy card or voting instruction card, or voted by telephone or over the internet.

Both abstentions and broker non-votes (as described below) are counted for the purpose of determining the presence of a quorum.

Each proposal identifies the votes needed to approve or ratify the proposed action.

Q: What proposals will be voted on at the meeting?

A: There are four proposals scheduled to be voted on at the meeting:

- Election of thirteen members of our Board named herein to serve for a one-year term;
- Approval of the amended and restated 2003 Equity Incentive Plan;
- Ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending November 29, 2013; and
- Approval, on an advisory basis, of the compensation of our named executive officers.

We will also consider any other business that properly comes before the meeting. As of the record date, we are not aware of any other matters to be submitted for consideration at the meeting. If any other matters are properly brought before the meeting, the persons named in the enclosed proxy card or voter instruction card will vote the shares they represent using their best judgment.

Q: Why did I receive a Notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?

A: We are pleased to continue to take advantage of the SEC rule that allows companies to furnish their proxy materials over the internet. Accordingly, we have sent to most of our stockholders of record and beneficial owners a Notice regarding internet availability of proxy materials. Instructions on how to access the proxy materials over the internet or to request a paper copy may be found in the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically on an ongoing basis. A stockholder's election to receive proxy materials by mail or electronically by email will remain in effect until the stockholder terminates such election.

Q: Why did I receive a full set of proxy materials in the mail instead of a Notice regarding the internet availability of proxy materials?

A: We are providing stockholders who have previously requested to receive paper copies of the proxy materials with paper copies of the proxy materials instead of a Notice. If you would like to reduce the environmental impact and the costs incurred by us in mailing proxy materials, you may elect to receive all future proxy materials electronically via email or the internet. To sign up for electronic delivery, please follow the instructions provided with your proxy materials and on your proxy card or voting instruction card, to vote using the internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years. Alternatively, you can go to <https://www.icsdelivery.com/adobe/index.html> and enroll for online delivery of annual meeting and proxy voting materials.

Q: How can I get electronic access to the proxy materials?

A: You can view the proxy materials on the internet at www.proxyvote.com. Please have your 12 digit control number available. Your 12 digit control number can be found on your Notice. If you received a paper copy of your proxy materials, your 12 digit control number can be found on your proxy card or voting instruction card. Our proxy materials are also available on our Investor Relations website at www.adobe.com/adbe.

Q: Can I vote my shares by filling out and returning the Notice?

A: No. The Notice will, however, provide instructions on how to vote by internet, by telephone, by requesting and returning a paper proxy card or voting instruction card, or by submitting a ballot in person at the meeting.

Q: How may I vote my shares in person at the meeting?

A: If your shares are registered directly in your name with our transfer agent, Computershare Investor Services LLC, you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to vote in person at the meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you are also invited to attend the meeting. Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from your broker, nominee, or trustee that holds your shares, giving you the right to vote the shares at the meeting. The meeting will be held at our East Tower building located at 321 Park Avenue, San Jose, California 95110. If you need directions to the meeting, please visit http://www.adobe.com/aboutadobe/maps/sj_map.html.

Q: How can I vote my shares without attending the meeting?

A: Whether you hold shares directly as a registered stockholder of record or beneficially in street name, you may vote without attending the meeting. You may vote by granting a proxy or, for shares held beneficially in street name, by submitting voting instructions to your stockbroker, trustee or nominee. In most cases, you will be able to do this by telephone, by using the internet or by mail if you received a printed set of the proxy materials.

By Telephone or Internet. If you have telephone or internet access, you may submit your proxy by following the instructions provided in the Notice, or if you received a printed version of the proxy materials by mail, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card.

By Mail. If you received printed proxy materials, you may submit your proxy by mail by signing your proxy card if your shares are registered or, for shares held beneficially in street name, by following the voting instructions included by your stockbroker, trustee or nominee, and mailing it in the enclosed envelope. If you provide specific voting instructions, your shares will be voted as you have instructed.

Q: What happens if I do not give specific voting instructions?

A: *Registered Stockholder of Record.* If you are a registered stockholder of record and you indicate when voting on the internet or by telephone that you wish to vote as recommended by the Board, or sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, the organization that holds your shares may generally vote at its discretion on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a “broker non-vote.” In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained.

Q: Which ballot measures are considered “routine” or “non-routine?”

A: The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending November 29, 2013 (Proposal 3), is considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal 3. The election of directors (Proposal 1), the amendment of the 2003 Equity Incentive Plan (Proposal 2) and the advisory vote on executive compensation (Proposal 4) are matters considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and, therefore, there may be broker non-votes on Proposals 1, 2 and 4.

Q: How can I revoke my proxy and change my vote after I return my proxy card?

A: You may revoke your proxy and change your vote at any time before the final vote at the meeting. If you are a stockholder of record, you may do this by signing and submitting a new proxy card with a later date; by voting by telephone or by using the internet, either of which must be completed by 11:59 p.m. Eastern Time on April 10, 2013 (your latest telephone or internet proxy is counted); or by attending the meeting and voting in person. Attending the meeting alone will not revoke your proxy unless you specifically request your proxy to be revoked. If you hold shares through a bank or brokerage firm, you must contact that bank or firm directly to revoke any prior voting instructions.

Q: Where can I find the voting results of the meeting?

A: The preliminary voting results will be announced at the meeting. The final voting results will be reported in a current report on Form 8-K, which will be filed with the SEC within four business days after the meeting. If our final voting results are not available within four business days after the meeting, we will file a current report on Form 8-K reporting the preliminary voting results and subsequently file the final voting results in an amendment to the current report on Form 8-K within four business days after the final voting results are known to us.

**PROPOSAL 1
ELECTION OF DIRECTORS**

We currently have thirteen members of our Board, all of whose terms will expire at the 2013 Annual Meeting of Stockholders. Stockholders will vote for the thirteen nominees listed below to serve until our 2014 Annual Meeting of Stockholders and until such director's successor has been elected and qualified, or until such director's death, resignation or removal. Under the terms of our Restated Certificate of Incorporation, all directors of Adobe from and after the 2013 Annual Meeting of Stockholders will be elected to one-year terms and will stand for election annually.

Each of the nominees listed below is currently a director of Adobe, and all directors other than Ms. Banse, Mr. Barlow, Mr. Calderoni and Ms. Desmond have previously been elected by our stockholders. There are no family relationships among our directors or executive officers. If any nominee is unable or declines to serve as a director, the Board may designate another nominee to fill the vacancy and the proxy will be voted for that nominee.

Amy Banse, Frank Calderoni and Laura Desmond were appointed to our Board on May 14, 2012 to fill vacancies created by an increase in the size of the Board. The Nominating and Governance Committee has recommended to the Board that each of them be nominated for election at the 2013 Annual Meeting of Stockholders.

Kelly Barlow was appointed to our Board on December 4, 2012. Mr. Barlow is an executive officer of ValueAct Capital, a significant Adobe stockholder, and his appointment to the Board resulted from discussions between Adobe's management and Board and Mr. Barlow, in his capacity as a representative of ValueAct Capital. Adobe agreed to appoint Mr. Barlow to the Board in December 2012 and to nominate him for election at our 2013 Annual Meeting of Stockholders in accordance with a Nomination and Standstill Agreement, dated December 4, 2012 among Adobe, Mr. Barlow and the various members of the ValueAct group listed therein.

Vote Required and Board Recommendation

Our Bylaws require that each director be elected by the majority of votes cast with respect to such director in uncontested elections. Any nominee for director, in an uncontested election, who receives a greater number of votes "AGAINST" his or her election than votes "FOR" such election shall promptly tender his or her resignation to the Board, and the Board, after taking into consideration the recommendation of the Nominating and Governance Committee of the Board, will determine whether or not to accept the director's resignation. The election of directors pursuant to this Proposal is an uncontested election, and, therefore, the majority vote standard will apply. Abstentions and broker non-votes will not have any effect on the outcome of this Proposal. In tabulating the voting results for the election of directors, only "FOR" and "AGAINST" votes are counted.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" ALL NOMINEES

Our Board of Directors

The following tables set forth the biographical information listed below for each nominee, such as relevant experiences, qualifications, attributes and skills, and including other directorships held in public companies.

Nominees for Election for a One-Year Term Expiring in 2014

<u>Name</u>	<u>Principal Occupation During Last Five Years and Relevant Experiences, Qualifications, Attributes or Skills</u>	<u>Age</u>	<u>Director Since</u>
Amy L. Banse	<p>Ms. Banse serves as Managing Director and Head of Funds, Comcast Ventures and Senior Vice President, Comcast Corporation. Prior to this role, she was President of Comcast Interactive Media (CIM), a division of Comcast responsible for developing Comcast's online strategy and operating Comcast's digital properties, including Fandango, Xfinity.com and Xfinitytv.com. Banse joined Comcast in 1991 and spent the early part of her career at Comcast overseeing the development of Comcast's cable network portfolio. She received a B.A. from Harvard and a J.D. from Temple University School of Law.</p> <p>As the Managing Director and Head of Funds for Comcast Ventures and Senior Vice President, Comcast Corporation, as well as her prior executive positions, including President of CIM, Ms. Banse has extensive executive leadership experience, as well as extensive knowledge of operations, financial and strategic issues. She also brings to the Board a deep expertise in global media and technology organizations in online business.</p>	53	2012
Kelly J. Barlow	<p>Mr. Barlow has been a Partner of ValueAct Capital, an investment partnership engaged in public and private equity investing, since August 2003. Prior to joining ValueAct Capital, Mr. Barlow worked at EGM Capital from 1997 to 2003 where he served primarily as portfolio manager of the firm's long/short equity fund. Prior to EGM Capital, Mr. Barlow worked at Wells Capital Management, a wholly owned subsidiary of Wells Fargo Bank, in the small capitalization equity department from 1993 to 1997. Mr. Barlow has served as a director of KAR Auction Services, Inc. since December 2011 and previously served as a director of Allscripts Healthcare Solutions, Inc. from October 2008 to August 2010 and of SIRVA, Inc. from September 2006 to December 2007. Mr. Barlow holds a B.S. from California State University, Chico and is a CFA Charterholder.</p> <p>Mr. Barlow's years of experience as a seasoned investor with financial expertise and public company board experience brings significant value to our Board. He also provides the Board a unique perspective as an affiliate of a major stockholder.</p>	44	2012
Edward W. Barnholt....	<p>Mr. Barnholt served as President and Chief Executive Officer of Agilent Technologies, Inc., a measurement company, from March 1999 to March 2005 and as its Chairman of the Board from November 2002 until his retirement in March 2005. From 1990 to 1999, Mr. Barnholt served in several executive positions at Hewlett-Packard Company, a computer and electronics company, including serving as Executive Vice President and General Manager of its Measurements Organization. Mr. Barnholt currently serves on the board of directors of eBay Inc., a global online marketplace and as Chairman of the Board of KLA-Tencor Corporation, a provider of process control and yield management solutions. Mr. Barnholt holds a B.S. and a M.S. in Electrical Engineering from Stanford University.</p> <p>As the former President, Chief Executive Officer and Chairman of the Board of Agilent, as well as a former senior executive with Hewlett-Packard, Mr. Barnholt possesses significant leadership and operational experience, including on matters particularly relevant to companies with complex technology and international issues. As a board member of two other public companies, Mr. Barnholt also has strong corporate governance expertise and a global business perspective.</p>	69	2005

<u>Name</u>	<u>Principal Occupation During Last Five Years and Relevant Experiences, Qualifications, Attributes or Skills</u>	<u>Age</u>	<u>Director Since</u>
Robert K. Burgess.....	<p>Mr. Burgess has been an independent consultant since December 2005. He served as Chief Executive Officer of Macromedia, Inc., a provider of internet and multimedia software, from November 1996 to January 2005. He also served on the board of directors of Macromedia from November 1996 until December 2005, as Chairman of the Board of Macromedia from July 1998 until December 2005 and as Executive Chairman of Macromedia from January 2005 until December 2005, when Macromedia was acquired by Adobe. Prior to joining Macromedia, Mr. Burgess held key executive positions at Silicon Graphics, Inc., a graphics and computing company, and from 1991 to 1995 served as Chief Executive Officer and a member of the board of directors of Alias Research, Inc., a publicly traded 3D software company, prior to its acquisition by Silicon Graphics. Mr. Burgess currently serves on the boards of IMRIS Inc., a provider of image guided therapy solutions, and NVIDIA Corporation, a provider of programmable graphics processing technologies. Mr. Burgess holds a B.Com. from McMaster University in Canada.</p> <p>As the former Executive Chairman, Chief Executive Officer and Chairman of the Board of Macromedia, as well as several other executive positions, Mr. Burgess has extensive executive leadership experience, as well as extensive knowledge of operational, financial and strategic issues. He also possesses significant experience with business issues in technology organizations as a result of his former executive roles. With more than 20 years experience as a board member of publicly traded companies, Mr. Burgess also has a broad understanding of the role and responsibilities of the Board and valuable insight on a number of significant issues in the technology industry.</p>	55	2005
Frank A. Calderoni.....	<p>Mr. Calderoni serves as Executive Vice President and Chief Financial Officer at Cisco Systems, Inc., a designer, manufacturer and seller of Internet Protocol (IP)-based networking and other products related to the communications and information technology industry, managing the company's financial strategy and operations. He joined Cisco in 2004 from QLogic Corporation, a storage networking company where he was Senior Vice President and Chief Financial Officer. Prior to that, he was Senior Vice President, Finance and Administration and Chief Financial Officer for SanDisk Corporation, a flash data storage company. Before joining SanDisk, Mr. Calderoni spent 21 years at IBM, where he became Vice President and held controller responsibilities for several divisions within the company. Mr. Calderoni holds a B.S. in Accounting and Finance from Fordham University and an M.B.A. in Finance from Pace University.</p> <p>As a result of his current position at Cisco, as well as his past service as chief financial officer of publicly traded global technology companies, Mr. Calderoni brings to the Board abundant financial expertise that includes extensive knowledge of the complex financial and operational issues facing large global companies, and a deep understanding of accounting principles and financial reporting rules and regulations. He provides the Board and Audit Committee with significant insight into the preparation of financial statements and knowledge of audit procedures. Through his senior executive positions, Mr. Calderoni has demonstrated his global leadership and business acumen.</p>	55	2012

<u>Name</u>	<u>Principal Occupation During Last Five Years and Relevant Experiences, Qualifications, Attributes or Skills</u>	<u>Age</u>	<u>Director Since</u>
Michael R. Cannon	<p>Mr. Cannon served as President, Global Operations of Dell Inc., a computer systems manufacturer and services provider, from February 2007 until his retirement in January 2009, and as a consultant to Dell from January 2009 until January 2011. Prior to joining Dell, Mr. Cannon was the President and Chief Executive Officer of Solectron Corporation, an electronic manufacturing services company, from January 2003 until February 2007. From July 1996 until January 2003, Mr. Cannon served as the Chief Executive Officer of Maxtor Corporation, a disk drive and storage systems manufacturer. Prior to joining Maxtor, Mr. Cannon held senior management positions at IBM, a global services, software and systems company. Mr. Cannon also serves on the board of directors of Seagate Technology Public Limited Company, a disk drive and storage solutions company, and Lam Research Corporation, a semiconductor wafer fabrication equipment company. He previously served as a director of Elster Group SE from October 2010 to August 2012. Mr. Cannon studied mechanical engineering at Michigan State University and completed the Advanced Management Program at Harvard Business School.</p> <p>Mr. Cannon’s career spans more than 35 years in technology. As a result of his former senior executive positions at Dell, Solectron and Maxtor, Mr. Cannon possesses a significant amount of leadership and worldwide operational experience with companies in high technology industries. In addition, as Chief Executive Officer with financial oversight responsibilities at both Solectron and Maxtor, Mr. Cannon possesses extensive financial expertise. Also, from his service as a board member with three other public companies, Mr. Cannon offers our Board a deep understanding of corporate governance matters.</p>	60	2003
James E. Daley	<p>Mr. Daley has been an independent consultant since his retirement in July 2003 from Electronic Data Systems Corporation (“EDS”), an information technology service company. Mr. Daley served as Executive Vice President and Chief Financial Officer of EDS from March 1999 to February 2003, and as its Executive Vice President of Client Solutions, Global Sales and Marketing from February 2003 to July 2003. From 1963 until his retirement in 1998, Mr. Daley was with Price Waterhouse, L.L.P., an accounting firm, where he served as Co-Chairman-Operations and Vice-Chairman-International from 1988 to 1998. Mr. Daley currently serves on the board of directors of The Guardian Life Insurance Company of America. Mr. Daley holds a B.B.A. from Ohio University.</p> <p>With more than 35 years of service with the international accounting firm Price Waterhouse, L.L.P., as well as his past service as the Chief Financial Officer of a publicly traded global technology company, Mr. Daley brings to the Board extensive financial expertise related to the business and financial issues facing large global technology corporations, as well as a comprehensive understanding of international business and corporate governance matters.</p>	71	2001

<u>Name</u>	<u>Principal Occupation During Last Five Years and Relevant Experiences, Qualifications, Attributes or Skills</u>	<u>Age</u>	<u>Director Since</u>
Laura B. Desmond	<p>Ms. Desmond is the Global Chief Executive Officer of Starcom MediaVest Group (SMG), a global marketing services company which is part of the Publicis Groupe. She is also a member of the Publicis Groupe P12, an executive committee comprised of the company's top global leaders. Prior to her appointment as Global Chief Executive Officer in 2008, Ms. Desmond was Chief Executive Officer of SMG–The Americas from 2007 to 2008 where she managed a network spanning the United States, Canada and Latin America. She was Chief Executive Officer of MediaVest, based in New York, from 2003 to 2007, and from 2000 to 2002 she was Chief Executive Officer of SMG's Latin America group. In addition to Adobe, Ms. Desmond also serves on the board of directors of VivaKi, which is part of Publicis Groupe, and oversees SMG, as well as ZenithOptimedia, Digitas and Razorfish. She holds a B.B.A. in Marketing from the University of Iowa.</p> <p>With her experience as Global Chief Executive Officer of SMG as well as her prior senior executive positions at SMG, Ms. Desmond brings to the Board a deep expertise in global media and marketing technology organizations, leadership capabilities and business acumen. In addition, her service on other boards gives her valuable knowledge and perspective.</p>	47	2012
Charles M. Geschke	<p>Dr. Geschke was a founder of Adobe and has served as our Chairman of the Board since September 1997, sharing that office with John E. Warnock. He was our Chief Operating Officer from December 1986 until July 1994 and our President from April 1989 until his retirement in April 2000. Dr. Geschke holds a Ph.D. in Computer Science from Carnegie Mellon University.</p> <p>As a co-founder of Adobe and its former President and Chief Operating Officer, Dr. Geschke has experience growing Adobe from a start-up to a large publicly traded company. His nearly 20 years of executive and technological leadership at Adobe provides the Board with significant leadership, operations and technology experience, as well as important perspectives on innovation, management development, and global challenges and opportunities. As Chairman of the Board of Directors of Adobe, Dr. Geschke has a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.</p>	73	1983

<u>Name</u>	<u>Principal Occupation During Last Five Years and Relevant Experiences, Qualifications, Attributes or Skills</u>	<u>Age</u>	<u>Director Since</u>
Shantanu Narayen	<p>Mr. Narayen currently serves as our President and Chief Executive Officer. He joined Adobe in January 1998 as Vice President and General Manager of our engineering technology group. In January 1999, he was promoted to Senior Vice President, Worldwide Products, and in March 2001 he was promoted to Executive Vice President, Worldwide Product Marketing and Development. In January 2005, Mr. Narayen was promoted to President and Chief Operating Officer, and effective December 2007, he was appointed our Chief Executive Officer and joined our Board of Directors. Mr. Narayen serves on the board of directors of Dell Inc. Mr. Narayen holds a B.S. in Electronics Engineering from Osmania University in India, a M.S. in Computer Science from Bowling Green State University and an M.B.A. from the Haas School of Business, University of California, Berkeley.</p> <p>As our President and Chief Executive Officer and as an Adobe employee for more than 15 years, Mr. Narayen brings to the Board extensive leadership and industry experience, including a deep knowledge and understanding of our business, operations and employees, the opportunities and risks faced by Adobe, and management's current and future strategy and plans. As a member of the board of directors of Dell, he also has a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.</p>	49	2007
Daniel L. Rosensweig	<p>Mr. Rosensweig is currently President, Chief Executive Officer and a member of the board of directors of Chegg.com, an online textbook rental company. Prior to joining Chegg.com in February 2010, Mr. Rosensweig served as President and Chief Executive Officer of RedOctane, a business unit of Activision Publishing, Inc., a developer, publisher and distributor of interactive entertainment and leisure products. Prior to joining RedOctane in March 2009, Mr. Rosensweig was an Operating Principal at the Quadrangle Group, a private investment firm. Prior to joining the Quadrangle Group in August 2007, Mr. Rosensweig served as Chief Operating Officer of Yahoo! Inc., an internet content and service provider, which he joined in April 2002. Prior to joining Yahoo!, Mr. Rosensweig was President of CNET Networks, Inc., an interactive media company, which he joined in October 2000. Mr. Rosensweig served for 18 years with Ziff-Davis, an integrated media and marketing services company, including roles as President and Chief Executive Officer of its subsidiary ZDNet, from 1997 until 2000 when ZDNet was acquired by CNET. Mr. Rosensweig holds a B.A. in Political Science from Hobart College.</p> <p>As a result of his current executive position at Chegg.com, as well as his former positions as a senior executive at global media and technology organizations, Mr. Rosensweig provides the Board with extensive and relevant executive leadership, worldwide operations and technology industry experience.</p>	51	2009

<u>Name</u>	<u>Principal Occupation During Last Five Years and Relevant Experiences, Qualifications, Attributes or Skills</u>	<u>Age</u>	<u>Director Since</u>
Robert Sedgewick	<p>Dr. Sedgewick has been a Professor of Computer Science at Princeton University since 1985, where he was the founding Chairman of the Department of Computer Science and is now the William O. Baker Professor of Computer Science. From 1975 to 1985, he served on the faculty at Brown University. Dr. Sedgewick holds a Ph.D. in Computer Science from Stanford University.</p> <p>Professor Sedgewick has held visiting research positions at Xerox PARC in Palo Alto, Institute for Defense Analyses in Princeton and INRIA in Rocquencourt, France. He regularly serves on journal editorial boards and organizes program committees of conferences and workshops on data structures and the analysis of algorithms held throughout the world.</p> <p>Professor Sedgewick’s research interests include mathematical analysis of algorithms, design of data structures and algorithms and program visualization. He has published widely in these areas and is the author of several books. His latest books are “An Introduction to Programming in Java - An Interdisciplinary Approach” (with Kevin Wayne), “Analytic Combinatorics” (with Philippe Flajolet) and a new fourth edition of “Algorithms,” the latest in a series that has sold over one-half million copies.</p> <p>As a Professor and the founding Chairman of the Department of Computer Science, Dr. Sedgewick brings to the Board extensive leadership experience and expertise on technology issues in the software industry. Also, as the holder of a Ph.D. degree in Computer Science from Stanford University, and the author of numerous research papers and widely used series of textbooks on algorithms, Dr. Sedgewick offers relevant expertise on a broad range of technology issues. As a result of his membership on Adobe’s Board, Dr. Sedgewick also possesses experience with a range of corporate governance issues.</p>	66	1990
John E. Warnock	<p>Dr. Warnock was a founder of Adobe and has been our Chairman of the Board since April 1989. Since September 1997, he has shared the position of Chairman with Charles M. Geschke. Dr. Warnock served as our Chief Executive Officer from 1982 until December 2000. From December 2000 until his retirement in March 2001, Dr. Warnock served as our Chief Technical Officer. Dr. Warnock currently serves as Chairman of the Board of Salon Media Group, Inc. Dr. Warnock holds a Ph.D. in Electrical Engineering from the University of Utah.</p> <p>As a co-founder of Adobe and its former Chief Executive Officer and Chief Technical Officer, Dr. Warnock has experience growing Adobe from a start-up to a large publicly traded company. His nearly 20 years of executive and technological leadership at Adobe provides the Board with significant leadership, operations and technology experience, as well as important perspectives on innovation, management development, and global challenges and opportunities. As Chairman of the Board of Directors of Adobe and Salon, Dr. Warnock has a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.</p>	72	1983

Independence of Directors

As required by the NASDAQ Global Select Market's ("NASDAQ") listing standards, a majority of the members of our Board must qualify as "independent," as affirmatively determined by our Board. Our Board consults with our legal counsel to ensure that its determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in the applicable NASDAQ listing standards.

After review of all relevant transactions and relationships between each director, any of their family members, Adobe, our executive officers and our independent registered public accounting firm, the Board has affirmatively determined that a majority of our Board is comprised of independent directors. Our independent directors include: Ms. Banse, Mr. Barlow, Mr. Barnholt, Mr. Burgess, Mr. Calderoni, Mr. Cannon, Mr. Daley, Ms. Desmond, Dr. Geschke, Mr. Rosensweig, Dr. Sedgewick and Dr. Warnock.

Committees of the Board

The *Audit Committee's* role includes the oversight of our financial, accounting and reporting processes; our system of internal accounting and financial controls; our enterprise risk management program (in conjunction with the Board); and our compliance with related legal, regulatory and ethical requirements. The Audit Committee oversees the appointment, compensation, engagement, retention, termination and services of our independent registered public accounting firm, including conducting a review of its independence; reviewing and approving the planned scope of our annual audit; overseeing our independent registered public accounting firm's audit work; reviewing and pre-approving any audit and non-audit services that may be performed by our independent registered public accounting firm; reviewing with management and our independent registered public accounting firm the adequacy of our internal financial and disclosure controls; reviewing our critical accounting policies and the application of accounting principles; monitoring the rotation of partners of our independent registered public accounting firm on our audit engagement team as required by regulation; reviewing the company's policies and practices with respect to swaps transactions; and overseeing the performance of our internal audit function. The Audit Committee establishes procedures, as required under applicable regulation, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee's role also includes meeting to review our annual audited financial statements and quarterly financial statements with management and our independent registered public accounting firm. The Audit Committee has the authority to obtain independent advice and assistance from internal or external legal, accounting and other advisors, at Adobe's expense. See "Report of the Audit Committee" contained in this proxy statement.

Each member of the Audit Committee meets the independence criteria prescribed by applicable regulation and the rules of the SEC for audit committee membership and is an "independent director" within the meaning of applicable NASDAQ listing standards. Each Audit Committee member meets NASDAQ's financial sophistication requirements, and the Board has further determined that Mr. Burgess, Mr. Calderoni, Mr. Cannon and Mr. Daley are "audit committee financial experts" as such term is defined in Item 407(d) of Regulation S-K promulgated by the SEC. The Audit Committee acts pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and NASDAQ, a copy of which can be found on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>.

The *Executive Compensation Committee* sets and administers the policies that govern, and reviews and approves all compensation of, our executive officers, including cash and non-cash compensation and equity compensation programs. The Executive Compensation Committee is also responsible for making recommendations to the Board concerning Board and committee compensation. The Executive Compensation Committee may also review and approve equity-based compensation grants to our non-executive officer employees and consultants; however, stock option, performance share and restricted stock unit grants to our non-executive officer employees are generally approved by a Management Committee for Employee Equity Awards appointed by the Board and currently consisting of our Chief Executive Officer and Senior Vice President, People Resources. In addition, the Executive Compensation Committee reviews and approves our stock ownership guidelines for senior management, which are described below in "Compensation Discussion and Analysis—Ownership Guidelines and Policies—Stock Ownership Guidelines". The Executive Compensation Committee is also responsible for oversight of our overall compensation plans and benefit programs, as well as the approval of all employment, severance and change of control agreements and plans applicable to our executive officers. In connection with this oversight, the Executive Compensation Committee reviews and

certifies annual performance objectives and goals relevant to executive officers. The Executive Compensation Committee oversees all matters related to stockholder approval of executive compensation and evaluates the risk-taking incentives and risk management of our compensation policies and practices. The Executive Compensation Committee also has the authority to obtain independent advice and assistance from internal or external legal, accounting and other advisors, at Adobe's expense. The Executive Compensation Committee assesses the independence and any potential conflicts of interest of compensation advisors in accordance with applicable law and NASDAQ listing standards. The members of the Executive Compensation Committee are all independent directors within the meaning of applicable NASDAQ listing standards, and all of the members are "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act") and "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Executive Compensation Committee acts pursuant to a written charter, a copy of which can be found on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>.

Risk Analysis of Performance-Based Compensation Plans

Our Executive Compensation Committee believes that our employee compensation programs do not encourage excessive and unnecessary risk-taking that would be reasonably likely to have a material adverse effect on Adobe. The Executive Compensation Committee oversaw the performance of a risk assessment of our compensation programs as generally applicable to our employees to ascertain any potential material risks that may be created by the compensation programs. The Executive Compensation Committee considered the findings of the assessment conducted internally and concluded that our compensation programs are designed and administered with the appropriate balance of risk and reward in relation to our overall business strategy and do not encourage employees to take unnecessary or excessive risks, and that the level of risk that they do encourage is not reasonably likely to materially harm our business or financial condition, after considering mitigating controls.

Although the majority of target total direct compensation provided to our executive officers is typically performance based, the Executive Compensation Committee believes that our executive compensation programs have been designed with appropriate controls and other mitigating measures to prevent excessive and unnecessary risk taking. Our other performance-based employee compensation programs typically make up a smaller percentage of our other employees' overall compensation and therefore provide even less incentive for risk taking. The design of these broad-based employee compensation programs is intended to encourage our employees to remain focused on both short- and long-term operational and financial goals of the company in several key respects:

- The fiscal year 2012 Executive Bonus Plan (as described under "Compensation Discussion and Analysis—Elements of Compensation—Cash Incentives—Annual Cash Incentive Plan"), and the similar bonus plan for employees who are not executive officers, had only a one-year measurement period, but included both revenue and operating profit measures that must be achieved in order to provide balanced objectives emphasizing both revenue generation and expense management.
- While our fiscal year 2013 Executive Bonus Plan focuses on the achievement of revenue and recurring revenue targets and customer advocacy goals, it also includes an individual goal component with objectives for many of our executives relating to both operating and profitability metrics; together with our long-term equity incentive program for fiscal year 2013 that motivates our executives to build stockholder value, our fiscal year 2013 compensation programs (which are described further below in Proposal 4 of this proxy statement) continue to provide balanced objectives while driving our short- and long-term business strategies.
- Our system of internal controls over financial reporting, standards of business conduct, and compliance programs, among other things, reduce the likelihood of manipulation of our financial performance to enhance payments under our bonus and sales compensation plans.
- Our performance-based plans include caps that in recent years have ranged from 110% to 200% of the target awards. We believe these caps limit the incentive for excessive risk-taking by our employees.
- Equity incentive awards for our executive officers have included different types of equity instruments, which helps to diversify the executive officers' interests and limit the potential value of excessive risk taking. For most of our non-executive employees, equity incentive awards are solely in the form of restricted stock units ("RSUs"). Annual equity incentive awards for our executive officers and employees for fiscal year 2012 vest 1/4 each year over four years for RSUs and 1/3 each year over three years for

performance shares, encouraging executive officers and other employees to focus on sustained stock price appreciation over the long term. Stock options were eliminated from the mix of equity incentive awards granted to our executive officers in fiscal year 2012, which our Executive Compensation Committee believes further mitigates the potential value to our executive officers of unnecessary or excessive risk-taking.

- Our officers at the Senior Vice President level and above are all subject to, and in compliance with, our stock ownership guidelines, described under “Compensation Discussion and Analysis—Ownership Guidelines and Policies—Stock Ownership Guidelines,” which encourage a level of stock ownership that we believe appropriately aligns their interests with those of our stockholders.

The *Nominating and Governance Committee’s* primary purpose is to evaluate candidates for membership on our Board and make recommendations to our Board regarding candidates; make recommendations with respect to the composition of our Board and its committees; review and make recommendations regarding the functioning of our Board as an entity; recommend corporate governance principles applicable to Adobe; manage periodic review, discussion and evaluation of the performance of our Board, its committees and its members; assess the independence of our directors; consider and approve or disapprove any related-person transaction as defined under Item 404 of Regulation S-K promulgated by the SEC, after examining each such transaction for potential conflicts of interest and other improprieties; review the board memberships of other entities held by members of the Board and review and approve such memberships for our executive officers. The Nominating and Governance Committee also assists our Board in reviewing and assessing management development and succession planning for our executive officers. The Nominating and Governance Committee has the authority to obtain independent advice and assistance from internal or external legal, accounting and other advisors, at Adobe’s expense. The members of our Nominating and Governance Committee are all independent directors within the meaning of applicable NASDAQ listing standards. The Nominating and Governance Committee operates pursuant to a written charter, a copy of which can be found on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>.

In carrying out its function to nominate candidates for election to our Board, the Nominating and Governance Committee considers the Board’s mix of skills, experience, character, commitment and diversity—diversity being broadly construed to mean a variety of opinions, perspectives and backgrounds, such as gender, race and ethnicity differences, as well as other differentiating characteristics, all in the context of the requirements and needs of our Board at that point in time. In reviewing potential candidates, the Committee will also consider all relationships between any proposed nominee and any of Adobe’s stockholders, competitors, customers, suppliers or other persons with a relationship to Adobe. The Nominating and Governance Committee believes that each candidate should be an individual who has demonstrated integrity and ethics in such candidate’s personal and professional life, has an understanding of elements relevant to the success of a publicly traded company and has established a record of professional accomplishment in such candidate’s chosen field. Each candidate should be prepared to participate fully in Board activities, including attendance at, and active participation in, meetings of the Board, and not have other personal or professional commitments that would, in the Nominating and Governance Committee’s judgment, interfere with or limit such candidate’s ability to do so. Each candidate should also be prepared to represent the best interests of all of our stockholders and not just one particular constituency. Additionally, in determining whether to recommend a director for re-election, the Nominating and Governance Committee also considers such director’s past attendance at Board and committee meetings and participation in and contributions to the activities of our Board. The Nominating and Governance Committee has no stated specific minimum qualifications that must be met by a candidate for a position on our Board. The Nominating and Governance Committee does, however, believe it appropriate for at least one member of our Audit Committee to meet the criteria for an “audit committee financial expert” as defined by SEC rules, that each member of our Executive Compensation Committee is a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act and an “outside director” for purposes of Section 162(m) of the Code, and that a majority of the members of our Board meet the definition of “independent director” within the meaning of applicable NASDAQ listing standards.

The Nominating and Governance Committee’s methods for identifying candidates for election to our Board include the solicitation of ideas for possible candidates from a number of sources, including from members of our Board, our executive officers, individuals who our executive officers or Board members believe would be aware of candidates who would add value to our Board and through other research. The Nominating and Governance Committee, from time to time, retains for a fee one or more third-party search firms to identify suitable candidates.

Any of our stockholders may nominate one or more persons for election as a director at our annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our Bylaws. In addition, the notice must include any other information required pursuant to Section 14 of the Exchange Act. In order for the director nomination to be timely for our 2014 Annual Meeting of Stockholders, a stockholder’s notice to our Corporate Secretary must be delivered to our principal executive offices no later than December 16, 2013 nor earlier than November 16, 2013. Our Bylaws specify additional requirements if stockholders wish to nominate directors at special meetings of stockholders.

The Nominating and Governance Committee will consider all candidates identified through the processes described above, and will evaluate each candidate, including incumbents, based on the same criteria.

Meetings of the Board and Committees

During fiscal year 2012, our Board held seven meetings, and its three standing committees—Audit Committee, Executive Compensation Committee, and Nominating and Governance Committee—collectively held 24 meetings. Each director attended at least 75% of the meetings (held during the period that such director served) of the Board and the committees on which such director served in fiscal year 2012. Members of our Board are encouraged to attend our annual meetings of stockholders. Seven of our nine then Board members attended our 2012 Annual Meeting of Stockholders.

The following table sets forth the three standing committees of our Board, the members of each committee, and the number of meetings held by our Board and the committees during fiscal year 2012:

<u>Name</u>	<u>Board</u>	<u>Audit⁽¹⁾</u>	<u>Executive Compensation⁽²⁾</u>	<u>Nominating and Governance⁽³⁾</u>
Ms. Banse ⁽⁴⁾	X		X	
Mr. Barlow ⁽⁵⁾	X		X	
Mr. Barnholt	X		X	Chair
Mr. Burgess	X	X		
Mr. Calderoni ⁽⁴⁾	X	X		
Mr. Cannon	X	X		
Mr. Daley	X	Chair		X
Ms. Desmond ⁽⁴⁾	X			X
Dr. Geschke	Chair			
Mr. Narayen	X			
Mr. Rosensweig	X		Chair	X
Dr. Sedgewick	X		X	
Dr. Warnock	Chair			
Number of meetings held in fiscal year 2012	7	11	7	6

⁽¹⁾ Prior to June 28, 2012, our Audit Committee for fiscal year 2012 was composed of Mr. Burgess, Mr. Cannon and Mr. Daley (Chair). Effective June 28, 2012 and for the remainder of fiscal year 2012, our Audit Committee was composed of Mr. Burgess, Mr. Calderoni, Mr. Cannon and Mr. Daley (Chair).

⁽²⁾ Prior to June 28, 2012, our Executive Compensation Committee for fiscal year 2012 was composed of Mr. Barnholt, Mr. Rosensweig (Chair) and Dr. Sedgewick. Effective June 28, 2012 and for the remainder of fiscal year 2012, our Executive Compensation Committee was composed of Ms. Banse, Mr. Barnholt, Mr. Rosensweig (Chair) and Dr. Sedgewick. Effective December 4, 2012, our Executive Compensation Committee was composed of Ms. Banse, Mr. Barlow, Mr. Barnholt, Mr. Rosensweig (Chair) and Dr. Sedgewick.

⁽³⁾ Prior to June 28, 2012, our Nominating and Governance Committee for fiscal year 2012 was composed of Mr. Barnholt (Chair), Mr. Daley and Mr. Rosensweig. Effective June 28, 2012 and for the remainder of fiscal year 2012, our Nominating and Governance Committee was composed of Mr. Barnholt (Chair), Mr. Daley, Ms. Desmond and Mr. Rosensweig.

(4) Ms. Banse, Mr. Calderoni and Ms. Desmond were appointed to our Board on May 14, 2012.

(5) Mr. Barlow was appointed to our Board on December 4, 2012, following the close of our 2012 fiscal year.

The members of the respective committees satisfy the applicable qualification requirements of the SEC, NASDAQ and the Code.

Communications with the Board

Any stockholder who desires to contact our Board, or specific members of our Board, may do so electronically by sending an email to the following address: directors@adobe.com. Alternatively, a stockholder may contact our Board, or specific members of our Board, by writing to: Stockholder Communications, Adobe Systems Incorporated, 345 Park Avenue, San Jose, California 95110-2704 USA. All such communications will be initially received and processed by the office of our Corporate Secretary. Accounting, audit, internal accounting controls and other financial matters will be referred to the Chair of the Audit Committee. Other matters will be referred to the Board, the non-employee directors or individual directors as appropriate.

Board Leadership Structure

We separate the roles of Chief Executive Officer and Chairmen of our Board. Our Board is currently chaired by Drs. Geschke and Warnock, Adobe's founders and the former President and Chief Executive Officer, respectively. The duties of the Chairmen of our Board include:

- presiding over all meetings of the Board;
- preparing the agenda for Board meetings in consultation with the Chief Executive Officer, other members of our executive management and other members of our Board;
- calling and presiding over meetings of the independent directors;
- managing the Board's evaluation of the Chief Executive Officer; and
- presiding over all meetings of stockholders.

Accordingly, the Chairmen have substantial ability to shape the work of our Board. We believe that separation of the positions of Chairmen and Chief Executive Officer reinforces the independence of our Board in its oversight of our business and affairs. In addition, such separation helps create an environment that is more conducive to objective evaluation and oversight of management's performance, increasing management accountability and improving the ability of our Board to monitor whether management's actions are in the best interests of Adobe and its stockholders.

Our Board also believes that there may be advantages to having independent chairmen for matters such as communications and relations between our Board, the Chief Executive Officer and other senior management, and in assisting our Board in reaching consensus on particular strategies and policies. Dr. Geschke's and Dr. Warnock's past service as executive officers helps ensure our Board and management act with a common purpose, making them best positioned to act as a bridge between management and the Board. Having Chairmen separate from the Chief Executive Officer also allows the Chairmen to focus on assisting the Chief Executive Officer and senior management in seeking and adopting successful business strategies and risk management policies and in making successful choices in management succession. The Board also believes that it is advantageous to have Chairmen with extensive history and knowledge of Adobe, as is the case with Drs. Geschke and Warnock.

The Board's Role in Risk Oversight

Risk assessment and oversight are an integral part of our governance and management processes. Our Board encourages management to promote a culture that actively manages risks as a part of Adobe's corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings, and conducts specific strategic planning and review sessions during the year that include a focused discussion and analysis of the risks facing Adobe. Throughout the year, senior management reviews these risks with

the Board at regular Board meetings as part of management presentations that focus on particular business functions, operations or strategies, and presents the steps taken by management to mitigate or eliminate such risks.

Our Board does not have a standing risk management committee, but rather administers this oversight function directly through our Board as a whole, as well as through various standing committees of our Board that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure, and our Audit Committee has the responsibility to oversee our major financial risk exposures and the steps our management has taken to monitor and control these exposures as well as oversight of our enterprise risk management program. The Audit Committee also monitors compliance with legal and regulatory requirements and oversees the performance of our internal audit function. Our Nominating and Governance Committee monitors the effectiveness of our corporate governance guidelines and considers and approves or disapproves any related-persons transactions. Our Executive Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking, which determination is reviewed by our Audit Committee.

PROPOSAL 2
APPROVAL OF THE AMENDED AND RESTATED
ADOBE SYSTEMS INCORPORATED 2003 EQUITY INCENTIVE PLAN

In February 2013, the Executive Compensation Committee approved the amendment and restatement of the Adobe Systems Incorporated 2003 Equity Incentive Plan (the “2003 Plan”) subject to approval by our stockholders, which includes an increase to the available share reserve, an increase to the aggregate stock award and aggregate performance share limitations, the addition of new performance measures and an adjustment, as well as certain other clarifying amendments.

Our Board believes that the 2003 Plan is a vital component of our employee compensation programs, since it allows us the ability to compensate our employees based on company performance, while at the same time providing an incentive to build long-term stockholder value. Stockholder approval of the proposed amended and restated 2003 Plan, and especially our request for additional shares, is necessary to enable us to grant equity to new employees and continue with our annual grant program for existing employees in fiscal year 2014 and beyond. New hire grants are essential in helping us attract talented individuals and align their interests with our stockholders, and annual grants are essential in helping us retain our most valuable employees and keep their interests aligned with our stockholders. Our Board and management, therefore, recommend that stockholders approve the amended and restated 2003 Plan. If our stockholders do not approve the amended and restated 2003 Plan, it will remain in effect with its current terms and conditions.

The amended and restated 2003 Plan will allow us to continue to deduct in full for federal income tax purposes the compensation recognized by our executive officers in connection with certain awards granted under the plan. Section 162(m) of the Code generally denies a corporate tax deduction for annual compensation exceeding \$1 million paid to the chief executive officer and other “covered employees” as determined under Section 162(m) and applicable guidance. However, certain types of compensation, including performance-based compensation, are able to be excluded from this deductibility limit. To enable compensation in connection with respect to awards granted under the amended and restated 2003 Plan to qualify as “performance based” within the meaning of Section 162(m), the plan limits the size of each type of award as further described below. While the amended and restated 2003 Plan will permit the grant of awards that can qualify as “performance-based compensation” under Section 162(m), the Executive Compensation Committee may determine not to do so in its discretion and will make those decisions as part of its overall executive compensation strategy. By approving the amended and restated 2003 Plan, the stockholders will be approving the material terms of the plan, which include, among other things, the eligibility requirements for participation in the amended and restated 2003 Plan, including the ability of the Chief Executive Officer and three most highly compensated officers (other than the Chief Financial Officer) to receive awards under the amended and restated 2003 Plan.

Amendments to the 2003 Plan

In addition to clarifying updates to the 2003 Plan, we submit for your consideration, the following amendments to the 2003 Plan:

- an increase to the available share reserve by 17.5 million shares of our common stock (for a cumulative aggregate share authorization of 247,149,620 shares);
- an increase to the aggregate stock award (i.e., stock bonus, stock purchase right and RSU) limitation intended to be performance-based compensation under Section 162(m) to 1.5 million shares granted within any fiscal year;
- an increase to the aggregate performance award limitation intended to be performance-based compensation under Section 162(m) to 1.5 million shares with respect to performance shares and \$2.5 million with respect to any performance units to be received during any fiscal year; and
- approval of new performance measures and an adjustment as described in the “Performance Awards” section of this proposal.

2003 Plan Share Reserve

The most significant of the proposed amendments to the 2003 Plan is an increase to the number of shares available for grant. As of January 31, 2013, an aggregate of 25,371,663 shares of our common stock remained available for future grants under our 2003 Plan. The Board believes that this share reserve amount is insufficient to meet the future needs of the company, and without the requested share reserve increase, the company could be unable to sustain its current new hire and annual equity grant programs in fiscal 2014 and beyond.

Adobe is committed to effectively managing its employee equity compensation programs while minimizing stockholder dilution. For this reason, in administering our equity compensation program, we consider both our “burn rate” and our “overhang” in evaluating the impact of the program on our stockholders. We define “burn rate” as the number of equity awards granted during the year less equity awards canceled and returned to the plans (net equity grants), divided by the number of shares outstanding. The burn rate measures the potential dilutive effect of our equity grants. We define “total overhang” as the full value awards and stock options outstanding but not exercised (in the case of stock options), plus equity awards available to be granted (the “available equity award shares”), divided by the total shares of common stock outstanding. The overhang measures the potential dilutive effect of outstanding equity awards and future awards available for grant.

We endeavor to ensure that our burn rate and overhang approximate the average rates of our peer group, and that they are within the limits recommended by independent shareholder advisory groups. We calculate a burn rate of 3.8% for fiscal year 2012 using a fungible ratio of 1.77 for each full value share; from time to time, the Board also calculates the burn rate using other ratios as we evaluate our burn rate in comparison to our peers and industry standards. We estimate our burn rate for our fiscal year 2012 to be below the 50th percentile and total overhang to be below the 65th percentile when compared to our peer group and using a 2:1 full value share multiple. In addition, our average burn rate (gross equity grants) for fiscal years 2009 through 2011 was reasonable in relation to companies in our industry and within the guidelines recommended by certain independent shareholder advisory groups. It is our current intention to continue to limit burn rate and total overhang to a level consistent with our historical usage. Additionally, purchases under our share repurchase program (as described in our Annual Report on Form 10-K) have enabled us to mitigate the dilutive effect of past awards under our equity plans.

Beginning in fiscal year 2012, to help the company conserve shares, Adobe focused on its top performers and significantly reduced the percentage of employees eligible to receive annual grants (from approximately 50% of employees in fiscal year 2011 to approximately 35% of employees in fiscal year 2012). In an effort to understand how we compared to our peer group, in fiscal year 2012 we conducted a full review of our broad-based equity strategy and adjusted our approach where we desired closer alignment. Specifically we made changes that allowed us to deliver value deeper into the organization with our fiscal year 2013 annual grants and offer higher value to new hire employees while still utilizing approximately the number of shares used in fiscal year 2012. However, even with this approach, given our current burn rate, as well as our anticipated new hire grants for fiscal year 2013, the Board anticipates that without an increase to the share reserve, the existing share reserve could be exhausted by the end of fiscal year 2014, especially in the case of circumstances not currently accounted for in our projections, such as a material acquisition.

The Board considers its share reserve on an annual basis, as the vast majority of our equity grants are made each January, as further discussed below under “Equity Awards Made in Fiscal Year 2013 and Future Equity Awards.” Notwithstanding customary headcount increases and market value fluctuations, our current projections anticipate a usage of shares in future years relatively consistent with share usage in fiscal year 2012 (as detailed below in the tables captioned “2003 Plan Grants During Fiscal Year 2012” and “2003 Plan Grants During Fiscal Year 2013”). Based on our expected annual share usage under all of our equity plans (including those discussed below under “Our Other Equity Plans”), we believe our current reserve will be sufficient for our January 2014 grants, but would not be sufficient for our expected January 2015 grants. Our policy is to maintain a reserve at all times sufficient for at least two subsequent annual grant cycles. The Board believes that the request for an additional 17.5 million shares will allow us to replenish our share usage under all equity plans during fiscal year 2012 and to continue and maintain our current granting practices through our 2015 annual grants and until our annual meeting of shareholders to be held thereafter in 2015.

The closing market price of our common stock on January 31, 2013 was \$37.83.

Our Other Equity Plans

While the 2003 Plan is the primary equity plan we use to grant equity awards, we also have a small number of shares available in our 2005 Equity Incentive Assumption Plan and our 1994 Performance and Restricted Stock Plan. The

burn rate and overhang figures included above take into account equity awards available for grant under these plans. As of January 31, 2013, we had a total of 616,700 shares available in our 2005 Equity Incentive Assumption Plan. This plan has four separate share reserves. Three of the reserves, representing 545,638 of the available shares, require that each full value award reduces the share reserve by 1.77 shares. The final reserve, representing 71,062 of the available shares, does not have a fungible ratio provision (so each full value share reduces the share reserve by one share). Additional information regarding our 2005 Equity Incentive Assumption Plan and its various reserves can be found in “Equity Compensation Plan Information” below. In addition, as of January 31, 2013, we had a total of 18,716 shares available in our 1994 Performance and Restricted Stock Plan. This plan does not have a fungible ratio provision.

As of January 31, 2013, under our three equity incentive plans described above and equity plans and other grants assumed as the result of acquisitions, we had an aggregate of 19,803,731 outstanding stock options and stock appreciation rights (“SARs”), with a weighted average exercise price of \$32.72 and a weighted average remaining term of 2.73 years, as well as 21,081,490 outstanding full value awards.

Given the small share reserve and limited use of these other plans, we do not believe that these plans are a viable option for maintaining our equity award programs if the 2003 Plan share reserve increase is not approved by our stockholders.

Vote Required and Board Recommendation

Stockholders are requested to approve the adoption of the amended and restated 2003 Plan in the form attached to this proxy statement as *Annex A*.

We firmly believe that the approval of the amended and restated 2003 Plan is essential to continue to grow our business. The Board believes that equity awards in meaningful amounts motivate high levels of performance, align the interests of our employees and stockholders by giving employees the perspective of an owner with an equity stake in the company, and provide an effective means of recognizing employee contributions to the success of the company. The Board believes that equity awards are a competitive necessity in the environment in which we operate, and are essential to our continued success at recruiting and retaining the highly qualified technical and other key personnel who help the company meet its goals, as well as rewarding and encouraging current employees. The Board believes that the ability to continue to grant meaningful equity awards will be important to our future success.

Approval of the amended and restated 2003 Plan requires the affirmative vote of the holders of a majority of the votes cast in person or by proxy and entitled to vote at the meeting. Abstentions and broker non-votes will not have any effect on the outcome of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THIS PROPOSAL

Summary of the 2003 Plan

The following paragraphs provide a summary of the principal features of the amended and restated 2003 Plan. This summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the amended and restated 2003 Plan, a copy of which has been filed with the SEC with this proxy statement as *Annex A*.

History. Our 2003 Plan was originally adopted by our Board in January 2003 and approved by our stockholders in April 2003 as a successor plan to our 1994 Stock Option Plan and our 1999 Equity Incentive Plan. On April 9, 2008, our stockholders approved the expansion of the eligible class of participants under the 2003 Plan to include non-employee directors, and our 2003 Plan became a successor plan to the 1996 Outside Directors Stock Option Plan. Since 2003, our Board, or a committee thereof, with stockholder approval as required, has amended the terms and conditions of our 2003 Plan from time to time.

General. Our 2003 Plan advances the interests of Adobe and our stockholders by providing equity-based incentives that are necessary in today's competitive labor market to attract, reward and retain employees, consultants, directors and other advisors upon whose judgment and contributions we depend for our success. The 2003 Plan allows us to achieve these purposes by providing for grants of stock options, stock appreciation rights, stock purchase rights, stock bonuses, RSUs, performance shares and performance units in consideration for services rendered by the participant to Adobe.

Eligibility. Under the 2003 Plan, we may grant awards to employees (including executive officers) and consultants of Adobe, our subsidiary corporations or other affiliated entities of Adobe, and members of our Board. Pursuant to applicable tax law, we may grant incentive stock options only to employees; however, we may grant nonstatutory stock options, stock appreciation rights, stock bonuses, stock purchase rights, RSUs, performance shares and performance units to any eligible participant. As of January 31, 2013, we had a total of 11,280 employees and consultants and twelve non-employee directors who would be eligible to be granted awards from the 2003 Plan.

Shares Subject to the 2003 Plan. We are proposing an increase in the available share reserve under the 2003 Plan by 17.5 million shares of our common stock. If this increase is not approved, we may not have enough shares available to sustain our current new hire and annual equity grant programs in fiscal 2014 and beyond to help us retain our top employees. If such increase is approved by our stockholders, the cumulative aggregate share authorization under our 2003 Plan will increase from 229,649,620 (the "Existing Share Reserve") to 247,149,620 shares. As of January 31, 2013, awards covering 34,156,504 shares were outstanding under the Existing Share Reserve, and 25,371,663 shares remained available for future awards under the Existing Share Reserve.

The share reserve for the 2003 Plan is reduced:

- by one share for each share granted upon the exercise of stock options or stock appreciation rights awarded at any time under the 2003 Plan;
- by 1.77 shares for each share granted pursuant to all awards other than stock options or stock appreciation rights awarded under the 2003 Plan on or after April 1, 2009;
- by 2.4 shares for each share granted pursuant to all awards other than stock options or stock appreciation rights awarded under the 2003 Plan from April 10, 2008 through March 31, 2009;
- by 2.1 shares for each share granted pursuant to all awards other than stock options or stock appreciation rights awarded under the 2003 Plan from April 5, 2007 through April 9, 2008; and
- by one share for each share granted pursuant to all awards granted under the 2003 Plan prior to April 5, 2007.

If any award granted under the 2003 Plan expires, lapses or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture or repurchase upon failure to vest at termination are forfeited or repurchased, such shares will again become available for issuance under the 2003 Plan in proportion to the number of shares by which the reserve was originally reduced at the time of grant or issuance. Shares will not be treated as having been issued under the 2003 Plan, and will therefore not reduce the number of shares available for grant, to the extent an award is settled in cash (other than cash settled stock appreciation rights). Shares will be treated as having been issued under the 2003 Plan to the extent such shares are withheld in satisfaction of tax withholding obligations or the payment of the awards exercise or purchase price.

Appropriate adjustments will be made to the share reserve, to the other numerical limits described in the 2003 Plan (such as the limit on the number of shares that may be issued as incentive stock options and the limit on the number of shares that may be awarded to any one person in any fiscal year for purposes of Section 162(m) of the Code) and to outstanding awards in the event of any change in our common stock through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in our capital structure, or if we make a distribution in a form other than common stock (excluding normal cash dividends) that has a material effect on the fair market value of our common stock.

Administration. The 2003 Plan is administered by the Board and by two committees duly appointed by the Board: the Executive Compensation Committee and the Management Committee for Employee Equity Awards. The Board authorizes grants of awards to its directors pursuant to the terms of the 2003 Plan. The Executive Compensation Committee, which consists of at least two directors who are “non-employee directors” within the meaning of Rule 16b-3 under the Exchange Act and “outside directors” for purposes of Section 162(m) of the Code, is authorized to grant all types of awards to employees, executive officers and consultants. The Management Committee for Employee Equity Awards, which currently consists of our Chief Executive Officer and our Senior Vice President, People Resources, is authorized by the Board to grant stock options, performance shares and RSUs to eligible employees who are not executive officers, directors or consultants. For purposes of this proposal, the term “Committee” refers to either of such duly appointed committees of the Board, unless the context or applicable law requires otherwise.

Subject to the provisions of the 2003 Plan and the authority delegated to it by the Board, the Committee determines, in its discretion, the persons to whom and the times at which awards are granted, the types and sizes of such awards, and all of their terms and conditions. The Executive Compensation Committee may (subject to certain limitations required by Section 162(m) of the Code and the express language in the 2003 Plan that prohibits a reduction in the exercise price of outstanding awards without stockholder approval), amend, modify, extend, cancel or renew any award, waive any restrictions or conditions applicable to any award, and accelerate, continue, extend or defer the vesting of any award. The Executive Compensation Committee may also establish rules and policies for administration of the 2003 Plan and adopt one or more forms of agreement to evidence awards made under the 2003 Plan. The Executive Compensation Committee interprets the 2003 Plan and any agreement used under the 2003 Plan, and all determinations of the Executive Compensation Committee will be final and binding on all persons having an interest in the 2003 Plan or any award issued under the 2003 Plan. The 2003 Plan provides, subject to certain limitations, for indemnification by Adobe of any officer, employee or director against all reasonable expenses, including attorneys’ fees, incurred in connection with any legal action arising from such person’s action or failure to act in administering the 2003 Plan.

Stock Options. The Committee may grant nonstatutory stock options, incentive stock options or a combination of each. Subject to appropriate adjustment in the event of a change in our capital structure, we may not grant to any one employee in any fiscal year stock options which, together with Freestanding SARs (as defined below) granted that year, cover more than 4,000,000 shares in the aggregate.

The terms of the 2003 Plan limit the shares of our common stock available for issuance pursuant to the exercise of incentive stock options. As part of the amendment of the 2003 Plan, however, we revised the incentive stock option limitation to be equal to the then-current share reserve number at any point in time, so that the limitation will always automatically equal the aggregate share reserve amount, subject to the requirements of the Code.

Each stock option granted under the 2003 Plan must be evidenced by a written agreement between us and the optionee specifying the number of shares subject to the stock option and the other terms and conditions of the stock option, consistent with the requirements of the 2003 Plan. The exercise price of each stock option may not be less than the fair market value of a share of our common stock on the date of grant (except in connection with the assumption or substitution for another stock option in a manner qualifying under Sections 409A and 424(a) of the Code). In addition, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any subsidiary corporation of Adobe (a “Ten Percent Stockholder”) must have an exercise price equal to at least 110% of the fair market value of a share of our common stock on the date of grant.

The 2003 Plan provides that the stock option exercise price may be paid in cash, by check or in cash equivalent; by means of a broker-assisted cashless exercise; by means of a “net exercise” arrangement; by tender of shares of common stock owned by the optionee having a fair market value not less than the exercise price; by such other lawful consideration as approved by the Committee; or by any combination of these. Nevertheless, the Committee may restrict the forms of payment permitted in connection with any stock option award. No stock option may be exercised unless the optionee has made adequate provision for federal, state, local and foreign taxes, if any, relating to the exercise of the stock option, including, if permitted or required by us, through the optionee’s surrender of a portion of the stock option shares to Adobe.

Stock options become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. At the outset of our 2012 fiscal year, after weighing a variety of factors (including employee retention, recruitment, feedback from our stockholders and stockholder advisory firms), our Executive Compensation Committee determined to discontinue the granting of stock options to our employees as part of our equity grant program. Historically, however, our employee stock options have vested in monthly installments over a period of four years after the date of grant, except for new-hire grants, which vested 1/4 on the first anniversary of the grant date and then monthly thereafter for the following three years. Stock options granted to our directors generally vest 100% on the day immediately preceding the date of the next annual meeting of stockholders.

Stock options granted to our employees and directors will expire not later than seven years from the date of grant and in no event will the term of an incentive stock option granted to a Ten Percent Stockholder exceed five years. Subject to the term of the stock option, a stock option generally will remain exercisable for three months following the optionee's termination of service, except that if service terminates at or after an optionee has reached 65 years of age (or, for directors, after four years of service), or as a result of an optionee's death or disability, the stock option generally will remain exercisable for one year, and, if an employee optionee's service is terminated for cause, the stock option will terminate immediately. The Committee, in its discretion, may provide different post-termination exercise periods, but in any event the stock option must be exercised no later than the original expiration of its term. In addition, as part of the amendment of the 2003 Plan, we are clarifying that for purposes of incentive stock options, if a participant is on a leave of absence that exceeds three months without a guaranteed right to reemployment, then six months following the first day of the leave, the incentive stock option will cease to be treated as such and will instead be treated for tax purposes as a nonstatutory stock option.

Stock options are not assignable or transferable by the optionee other than by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and as set forth in the stock option award agreement, a stock option is assignable or transferable subject to the applicable limitations described in the General Instructions to Form S-8 Registration Statement under the Securities Act of 1933, as amended (which includes transfers to family members, family trusts or pursuant to domestic relations orders, but excludes transfers of stock options for consideration).

Stock Appreciation Rights. The Committee may grant stock appreciation rights either in tandem with a related stock option (a "Tandem SAR") or independently of any stock option (a "Freestanding SAR"). A Tandem SAR requires the stock option holder to elect either the exercise of the underlying stock option for shares of common stock, the surrender of the stock option or the exercise of the related stock appreciation right. A Tandem SAR is exercisable only at the time and only to the extent that the related stock option is exercisable, while a Freestanding SAR is exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The exercise price of a stock appreciation right may not be less than the fair market value of a share of our common stock on the date of grant. Subject to appropriate adjustment in the event of any change in our capital structure, we may not grant to any one employee in any fiscal year Freestanding SARs which, together with any stock options granted that year, cover in the aggregate more than 4,000,000 shares.

Upon the exercise of a stock appreciation right, the participant is entitled to receive an amount equal to the excess of the fair market value of the underlying shares of common stock as to which the right is exercised over the aggregate exercise price for such shares. At the Committee's discretion, we may pay this stock price appreciation in cash or in shares of common stock whose fair market value on the exercise date equals the payment amount. Payment is made in a lump sum as soon as possible following exercise. The maximum term of any stock appreciation right granted under the 2003 Plan is eight years.

Repricing Prohibition. The 2003 Plan expressly provides that, without the approval of a majority of the votes cast in person or by proxy at a meeting of our stockholders, the Committee may not provide for either the cancellation of stock options or stock appreciation rights outstanding under the 2003 Plan in exchange for the grant of a new award at a lower exercise price or the amendment of outstanding stock options or stock appreciation rights to reduce the exercise price.

Stock Awards. Stock awards may be granted under the 2003 Plan in the form of a stock bonus, a stock purchase right or an RSU. No monetary payment is required for receipt of shares pursuant to a stock bonus, the consideration for which is services rendered by the participant, except that the participant must furnish consideration in the form of cash or past services rendered having a value not less than the par value of the shares acquired, to the extent required by law. The purchase price for shares issuable under each stock purchase right (and, if applicable, each RSU) will be established by the Committee in its discretion and may be paid in cash, by check, in cash equivalent or by such other lawful consideration as approved by the Committee.

Stock awards may be granted by the Committee subject to such restrictions for such periods as determined by the Committee and set forth in a written agreement between Adobe and the participant, and neither the award nor the shares acquired pursuant to the award may be sold or otherwise transferred or pledged until the restrictions lapse or are terminated. Restrictions may lapse in full or in installments on the basis of the participant's continued service or other factors, such as the attainment of one or more performance goals established by the Committee (see discussion of permitted performance goals under "Performance Awards" below). In the past, employee new hire and annual RSU awards vested 1/4 each year on the anniversary of the grant date over a four-year period; however, as to the annual grants made on January 24, 2013, the annual RSU awards to our broad-based employees will vest 1/3 on the anniversary of the grant date over a three-year period. As we transition to a three-year performance period under our 2013 Performance Share Program, annual RSU awards to our senior executives for fiscal year 2013 will vest 1/2 on the anniversary of the grant date over a two-year period. We expect that in future years, all annual RSU grants will vest over a three-year period. New hire RSU awards are expected to continue to vest over a four-year period. Initial RSU awards for new directors will vest 50% each year over a two-year period on the anniversary of the grant date, and annual RSU awards granted to our directors will vest 100% on the day immediately preceding the date of the next annual meeting of stockholders. Unless otherwise provided by the Committee, a participant will generally forfeit any shares acquired (and any rights to acquire shares) under a stock award to the extent any vesting restrictions have not lapsed prior to the participant's termination of service, except that if service terminates as a result of a death or disability or in some cases, if the termination occurs when the participant is 65 or older, the participant will be given credit for an additional 12 months of continued service. Participants holding restricted stock will have the right to vote the shares and to receive all dividends and other distributions, except that any dividends or other distributions in shares will be subject to the same restrictions on transferability as the original award. Participants holding RSUs will not have the right to vote the shares until such shares have been issued and the Committee may, in its sole discretion, provide that dividend equivalents will not be paid or provide for either current or deferred payment of dividend equivalents.

Subject to appropriate adjustment in the event of any change in our capital structure, the 2003 Plan currently limits the granting to any one employee within any fiscal year stock awards subject to restrictions based on the attainment of performance goals for more than 200,000 shares. The company believes this current limitation to be exceptionally low, and given our recent shift away from granting stock options to our executive officers in favor of performance-based stock awards (as described in our definitive proxy statement dated March 1, 2012), such limitation severely impedes the company from making competitive grants to, currently, our chief executive officer, and, in the possible near future, to other executive officers. As a result, as part of this proposal, we are asking our stockholders to approve an increase to the stock award limitation such that the cap on awards intended to be "performance based" under Section 162(m) granted to any one employee in any fiscal year is 1.5 million shares in the aggregate.

Performance Awards. The Committee may grant performance awards subject to such conditions and the attainment of such performance goals over such periods as the Committee determines in writing and sets forth in a written agreement between Adobe and the participant. These awards may be designated as performance shares or performance units. Performance shares and performance units are unfunded bookkeeping entries generally having initial values equal to the fair market value determined on the grant date of one share of common stock and \$100 per unit, respectively. Performance awards will specify a predetermined amount of performance shares or performance units that may be earned by the participant to the extent that one or more predetermined performance goals are attained within a predetermined performance period. We may settle performance awards to the extent earned in cash, shares of our common stock (including shares of restricted stock) or any combination thereof.

Subject to appropriate adjustment in the event of any change in our capital structure, the 2003 Plan currently limits the granting of performance shares to any one employee that could result in the employee receiving more than 200,000 shares of common stock for each full fiscal year contained in the performance period, or performance units to any one employee that could result in the employee receiving more than \$2,500,000 for each full fiscal year contained in the performance period. Similar to our stock award limitation, the Company believes this current limitation to be exceptionally low, and such limitation severely impedes the company from making competitive grants to, currently, our chief executive officer, and, in the possible near future, to other executive officers. As a result, as part of this proposal, we are asking our stockholders to approve an increase in the limit of the granting of performance shares intended to be "performance based" under Section 162(m) to any one employee that could result in the employee receiving more than 1.5 million shares in the aggregate during any fiscal year, or performance units intending to qualify as performance-based compensation under Section 162(m) of the Code to any one employee that could result in the employee receiving more than \$2,500,000 during any fiscal year of the company.

Our current 2003 Plan states that no participant may be granted more than one performance award for the same performance period; however, the amended 2003 Plan amends this provision in order to clarify that award limits in

previous fiscal years will not count toward award limits in subsequent years, even if the awards settle in future years, and that more than one award of the same type can be granted in a fiscal year, as long as the aggregate number of shares of common stock granted pursuant to all awards of that type (and that are intended to qualify as performance-based compensation under Section 162(m) of the Code) do not exceed the fiscal year limit applicable to that award type.

Prior to the beginning of the applicable performance period or such later date as permitted under applicable law (such as Section 162(m) of the Code if deductibility under Section 162(m) is desired with respect to a specific award), the Executive Compensation Committee will establish one or more performance goals applicable to the award. These goals will be based on the achievement of company-wide, divisional or individual goals, applicable federal or state securities laws, or any other basis determined by the Executive Compensation Committee in its discretion. As provided under the current 2003 Plan, in order to qualify as performance-based compensation under Section 162(m) of the Code, the Executive Compensation Committee must base performance goals on one or more of the following measures: growth in revenue or product revenue; growth in the market price of the stock; operating margin; margin, including gross margin; operating income; operating income after taxes; operating profit or net operating profit; pre-tax profit; earnings before interest, taxes and depreciation; earnings before interest, taxes, depreciation and amortization; income, before or after taxes (including net income); total return on shares of stock or total stockholder return; earnings, including but not limited to earnings per share and net earnings; return on stockholder equity or average stockholders' equity; return on net assets; return on assets, investment or capital employed; expenses; cost reduction goals; return on capital; economic value added; market share; operating cash flow; cash flow, as indicated by book earnings before interest, taxes, depreciation and amortization; cash flow per share; improvement in or attainment of working capital levels; debt reduction; debt levels; capital expenditures; sales or revenue targets, including product or product family targets; billings; workforce diversity; customer satisfaction; implementation or completion of projects or processes; improvement in or attainment of working capital levels; stockholders' equity; and other measures of performance selected by the Executive Compensation Committee to the extent consistent with Section 162(m) of the Code.

As a consequence of significant changes during fiscal year 2012 to Adobe's business model, including a shift in business focus to the Creative Cloud, subscriptions and recurring revenue, we are asking, as part of this proposal, that our stockholders approve the addition of "annualized recurring revenue" and "bookings" as measures on which to base future performance goals.

The 2003 Plan currently provides the Executive Compensation Committee with the ability to make adjustments to the calculation of performance, as may be necessary in connection with the establishment of the above performance goals, as follows: to include or exclude restructuring and/or other nonrecurring charges; to include or exclude exchange rate effects, as applicable, for non-U.S. dollar denominated performance goals; to include or exclude the effects of changes to generally accepted accounting principles required by the Financial Accounting Standards Board; to include or exclude the effects of any statutory adjustments to corporate tax rates; to include or exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; to include or exclude the effect of payment of bonuses under any Adobe cash bonus plan; to include or exclude the effect of stock-based compensation and/or deferred compensation; to include or exclude any other unusual, non-recurring gain or loss or other extraordinary item; to respond to, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development; to respond to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; to include or exclude the effects of divestitures, acquisitions or joint ventures; to include or exclude the effects of discontinued operations that do not qualify as a segment of a business unit under generally accepted accounting principles; to assume that any business divested by Adobe achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; to include or exclude the effect of any change in the outstanding shares of stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common shareholders other than regular cash dividends; to reflect a corporate transaction, such as a merger, consolidation, separation (including a spinoff or other distribution of stock or property by a corporation), or reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code); to reflect any partial or complete corporate liquidation; to reflect shippable backlog; and to include or exclude the amortization of purchased intangibles, technology license arrangements and incomplete technology.

For the same reasons noted above, we are asking, as part of this proposal, that our stockholders approve the addition of "to include or exclude the effects on reported financial results of changes in accounting treatment for certain transactions as a result of business model changes" as an adjustment to performance in connection with the establishment of a performance goal.

The target levels with respect to these performance goals, including the new goals, if approved by our stockholders at our 2013 Annual Meeting of Stockholders, may be expressed as an absolute value or as a value determined relative to a standard selected by the Executive Compensation Committee. In establishing a performance goal, the Executive Compensation Committee may provide that performance will be appropriately adjusted for changes in accounting standards, restructuring charges, and similar extraordinary items as outlined in the 2003 Plan.

Following completion of the applicable performance period, the Executive Compensation Committee will determine the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Executive Compensation Committee may otherwise make positive or negative adjustments to performance award payments to participants to reflect the participant's individual job performance or other factors determined by the Executive Compensation Committee; however, if the award intends to qualify as performance-based compensation under Section 162(m) of the Code, the Executive Compensation Committee retains the discretion to eliminate or reduce, but not increase, the amount that would otherwise be payable on the basis of the performance goals attained and to determine the actual award to be awarded to a participant upon termination of employment with the company. The Executive Compensation Committee may provide for performance award payments in lump sums or installments. The Executive Compensation Committee may also provide for the payment of dividend equivalents with respect to cash dividends paid on the common stock subject to the performance award. Generally, performance awards may not be sold or transferred other than by will or the laws of descent and distribution.

Performance Shares granted prior to fiscal year 2010 vest 1/4 on the later of the certification by the Executive Compensation Committee of the achievement of the performance goals and the one-year anniversary of the grant date. The remaining 3/4 is subject to time-based annual vesting in equal installments over the next three years. Performance Shares granted in fiscal years 2010 through 2012 vest 1/3 upon the later of the certification by our Executive Compensation Committee of the achievement of the performance goals and the one-year anniversary of the grant date. The remaining 2/3 is subject to time-based annual vesting in equal installments over the next two years. Performance Shares granted in our 2013 fiscal year vest in full upon the Executive Compensation Committee's certification of achievement following the three-year anniversary of the grant date.

Change of Control. For awards granted prior to January 24, 2008, a "Change of Control" under the 2003 Plan means any of the following events (or series of related events) in which Adobe's stockholders, immediately prior to the event, do not retain, immediately after the event, direct or indirect beneficial ownership of more than 50% of the total combined voting power of the outstanding voting securities of Adobe or the entity to which Adobe's assets were transferred: the direct or indirect sale or exchange by the stockholders of all or substantially all of the voting stock of Adobe; a merger or consolidation in which Adobe is a party; the sale, exchange, or transfer of all or substantially all of Adobe's assets; or a liquidation or dissolution of Adobe. If a Change of Control occurs, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume all outstanding stock options, RSUs and stock appreciation rights or substitute substantially equivalent stock options, RSUs or stock appreciation rights for its stock. If the outstanding stock options, RSUs and stock appreciation rights are not assumed or substituted, then all unexercised and unvested portions of such outstanding awards will become immediately exercisable and vested in full. Any stock options, RSUs or stock appreciation rights which are not assumed in connection with a Change of Control or exercised prior to the Change of Control will terminate effective as of the time of the Change of Control.

For awards granted on or after January 24, 2008, a "Change of Control" under the 2003 Plan means a change of control of Adobe of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act; provided, however, that a Change of Control shall be deemed to have occurred if: any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of Adobe representing 30% or more of the combined voting power of Adobe's then outstanding securities entitled to vote in the election of directors of Adobe; during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by Adobe's stockholders was approved by a vote of at least three-fourths of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; there occurs a reorganization, merger, consolidation or other corporate transaction involving Adobe, in each case with respect to which the stockholders of Adobe immediately prior to such transaction do not, immediately after the transaction, own securities representing more than 50% of the combined voting power of Adobe, a parent of Adobe or other corporation resulting from such transaction (counting, for this purpose, only those securities held by Adobe's stockholders immediately after the transaction that were received in

exchange for, or represent their continuing ownership of, securities of Adobe held by them immediately prior to the transaction); all or substantially all of the assets of Adobe are sold, liquidated or distributed; or there is a “Change of Control” or a “change in the effective control” of Adobe within the meaning of Section 280G of the Code.

If a Change of Control occurs, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume Adobe’s rights and obligations under outstanding awards or substitute substantially equivalent equity awards. If the acquiring entity elects not to do so, then all unexercised and unvested portions of all outstanding awards will become immediately exercisable and vested in full. Any awards which are not assumed or replaced in connection with a Change of Control or exercised prior to the Change of Control will terminate effective as of the time of the Change of Control.

Equity awards granted to directors will fully accelerate immediately prior to the effective date of a Change of Control, subject to the consummation of the Change of Control.

The Executive Compensation Committee has provided, and may provide in the future, additional benefits upon a Change of Control or other similar transactions. For example, our executive officers are either covered by the terms of a separate retention agreement or an Executive Severance Plan in the Event of a Change of Control, which provide for certain acceleration benefits applicable to equity compensation awards in the event of a Change of Control (see “Compensation Discussion and Analysis—Severance and Change of Control Compensation” and “Executive Compensation—Change of Control” contained in this proxy statement for more information).

Termination or Amendment. The 2003 Plan will continue in effect until the first to occur of (i) its termination by the Executive Compensation Committee, or (ii) the date on which all shares available for issuance under the 2003 Plan have been issued and all restrictions on such shares under the terms of the 2003 Plan and the agreements evidencing awards granted under the 2003 Plan have lapsed. All incentive stock options must be granted, if at all, within ten years from the earlier of the date the 2003 Plan is adopted, as amended, by the Board (or the Executive Compensation Committee) or the date the 2003 Plan is duly approved, as amended, by our stockholders. Therefore, currently no incentive stock option may be granted under the 2003 Plan on or after April 12, 2022, the 10th anniversary of the last amendment to the 2003 Plan approved by our stockholders.

The Executive Compensation Committee may terminate or amend the 2003 Plan at any time, provided that without stockholder approval the 2003 Plan cannot be amended to increase the share reserve, change the class of persons eligible to receive incentive stock options or effect any other change that would require stockholder approval under any applicable law. No termination or amendment may affect any outstanding award unless expressly provided by the Executive Compensation Committee, and, in any event, may not adversely affect an outstanding award without the consent of the participant unless necessary to comply with any applicable law.

Summary of Federal Income Tax Consequences

The following summary is intended only as a general guide to the current U.S. federal income tax consequences of participation in the 2003 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances. Furthermore, the tax consequences are complex and subject to change, and a taxpayer's particular situation may be such that some variation of the described rules is applicable.

Incentive Stock Options. A participant recognizes no taxable ordinary income as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. However, the exercise of an incentive stock option may increase the participant’s alternative minimum tax liability, if any.

If a participant holds stock acquired through the exercise of an incentive stock option for more than two years from the date on which the stock option was granted and more than one year after the date the stock option was exercised for those shares, any gain or loss on a disposition of those shares (a “qualifying disposition”) will be a long-term capital gain or loss. Upon such a qualifying disposition, Adobe will not be entitled to any income tax deduction.

Generally, if the participant disposes of the stock before the expiration of either of those holding periods (a “disqualifying disposition”), then at the time of such disqualifying disposition the participant will realize taxable ordinary income equal to the lesser of (i) the excess of the stock’s fair market value on the date of exercise over the exercise price, or (ii) the participant’s actual gain, if any, on the purchase and sale. The participant’s additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long term or short term depending on whether the stock was held for more than one year. To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, generally Adobe will be entitled (subject to the requirement of reasonableness, the provisions of

Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to a corresponding income tax deduction in the tax year in which the disqualifying disposition occurs.

Nonstatutory Stock Options. Stock options not designated or qualifying as incentive stock options are nonstatutory stock options having no special tax status. A participant generally recognizes no taxable ordinary income as the result of the grant of such a stock option. Upon exercise of a nonstatutory stock option, the participant normally recognizes ordinary income in the amount of the difference between the stock option exercise price and the fair market value of the shares on the date of purchase. Generally, Adobe will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to an income tax deduction in the tax year in which such ordinary income is recognized by the participant.

Upon the disposition of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss.

Stock Appreciation Rights. A participant recognizes no taxable ordinary income upon the receipt of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Adobe generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

Stock Bonuses and Stock Purchase Rights. A participant acquiring restricted stock generally will recognize ordinary income equal to the difference between the fair market value of the shares on the “determination date” (as defined below) and the participant’s purchase price, if any. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The “determination date” is the date on which the participant acquires the shares unless they are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable, or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the shares are acquired. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as a capital gain or loss. Such gain or loss will be long term or short term depending on whether the stock was held for more than one year. Adobe will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to a corresponding income tax deduction in the year in which ordinary income is recognized by the participant.

Restricted Stock Units. No taxable income is recognized upon receipt of an RSU award. In general, the participant will recognize ordinary income in the year in which the shares subject to that award vest and are actually issued to the participant in an amount equal to the fair market value of the shares on the date of issuance. Adobe will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to an income tax deduction equal to the amount of ordinary income recognized by the participant at the time the shares are issued. In general, the deduction will be allowed for the taxable year in which such ordinary income is recognized by the participant.

Performance Awards. A participant generally will recognize no income upon the grant of a performance share or a performance unit award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received, if any, and the fair market value of any unrestricted shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above in “Stock Bonuses and Stock Purchase Rights.” Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the “determination date,” will be taxed as a capital gain or loss. Adobe generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Potential Limitation on Deductions. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain “covered employees” in a taxable year to the extent that compensation to each covered employee exceeds \$1 million. It is possible that compensation attributable to awards granted under the 2003 Plan,

when combined with all other types of compensation received by a covered employee from Adobe, may cause this limitation to be exceeded in any particular year. However, certain kinds of compensation, including qualified “performance-based compensation,” are disregarded for purposes of the deduction limitation.

In accordance with Treasury Regulations issued under Section 162(m) of the Code, compensation attributable to stock options and stock appreciation rights will qualify as performance-based compensation if: (i) such awards are approved by a compensation committee comprised solely of “outside directors,” (ii) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, (iii) the terms of the plan, including the per-employee limitation on grant size, are approved by the stockholders, and (iv) the exercise or strike price of the award is no less than the fair market value of the stock on the date of grant. In reliance on this rule, as further described in the Compensation Discussion and Analysis below, it is intended that the Executive Compensation Committee may grant stock options and stock appreciation rights under the 2003 Plan that qualify as performance-based compensation that is exempt from the \$1 million deduction limitation.

Compensation attributable to stock bonus awards, stock purchase rights, RSUs, performance shares and performance units will qualify as performance-based compensation, provided that: (i) the award is approved by a compensation committee comprised solely of “outside directors”; (ii) the award is granted (or vests) based upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain; (iii) the compensation committee certifies in writing prior to the grant (or vesting, as applicable) of the award that the performance goal has been satisfied; and (iv) prior to the issuance, stockholders have approved the material terms of the plan (including the class of employees eligible for awards, the business criteria on which the performance goals may be based, and the maximum amount, or formula used to calculate the amount, payable upon attainment of performance goals). It is intended that the Executive Compensation Committee may grant stock bonus awards, stock purchase rights, RSUs, performance shares and performance units under the 2003 Plan that qualify as performance-based compensation that is exempt from the \$1 million deduction limitation.

New Plan Benefits

Equity Awards Made in Fiscal Year 2012. We cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to participants under the 2003 Plan; therefore, the following table sets forth information with respect to equity awards made in fiscal year 2012 under the 2003 Plan as if the amended 2003 Plan was in effect to each of (i) the named executive officers identified in the “Executive Compensation—Summary Compensation Table” contained in this proxy statement, (ii) all current executive officers as a group, (iii) our current non-executive officer directors as a group, and (iv) all employees other than executive officers as a group.

2003 Plan Grants During Fiscal Year 2012

Name	Stock Options(#)	Restricted Stock Units (#)	Performance Shares ⁽¹⁾		
			Threshold (#)	Target (#)	Maximum (#)
Shantanu Narayen, President and Chief Executive Officer.....	—	157,500 ⁽²⁾	—	157,500 ⁽³⁾	200,000 ⁽³⁾
Mark Garrett, Executive Vice President and Chief Financial Officer.....	—	287,500 ⁽²⁾	—	62,500 ⁽³⁾	93,750 ⁽³⁾
Kevin Lynch, Executive Vice President, Chief Technology Officer.....	—	62,500 ⁽²⁾	—	62,500 ⁽³⁾	93,750 ⁽³⁾
Matthew Thompson, Executive Vice President, Worldwide Field Operations.....	—	62,500 ⁽²⁾	—	62,500 ⁽³⁾	93,750 ⁽³⁾
David Wadhvani, Senior Vice President and General Manager, Digital Media Business Unit...	—	55,000 ⁽²⁾	—	55,000 ⁽³⁾	82,500 ⁽³⁾
Executive Group (8 persons).....	—	677,150 ⁽²⁾	—	452,150 ⁽³⁾	641,975 ⁽³⁾
Non-Executive Director Group (11 persons).....	42,516 ⁽⁴⁾	83,433 ⁽⁴⁾	—	—	—
Non-Executive Officer Employee Group (11,136 persons as of fiscal year end).....	—	7,182,325 ⁽⁵⁾	—	673,300 ⁽⁵⁾	1,009,950 ⁽⁵⁾

⁽¹⁾ Represents the target and maximum (150% of target, up to the plan maximum of 200,000 shares) number of shares of our common stock that could have been earned at the respective performance levels in accordance with the terms of our 2012 Performance Share Program. After the 2012 fiscal year end, it was determined that 116% of

target performance share awards were earned under the terms of the 2012 Performance Share Program. One-third of the performance shares vested on January 24, 2013, and the remainder will vest in equal installments over two additional years. See “Compensation Discussion and Analysis” and the “Equity Awards Granted by the Committee at the outset of Fiscal Year 2012” table in this proxy statement for award achievement and a discussion of actual results under the 2012 Performance Share Program.

- (2) Granted on January 24, 2012 with a fair market value of \$30.95 per share. Mr. Garrett was granted additional RSUs on August 16, 2012 with a fair market value of \$33.65 per share. These RSUs vest 25% on each anniversary of the grant date over four years.
- (3) Granted on January 24, 2012 with a fair market value of \$30.95 per share.
- (4) Granted pursuant to the terms of our 2012 Non-Employee Director Compensation Policy. Weighted average exercise price of \$33.18 per share for stock options, and weighted average fair market value of \$32.71 per share for RSUs. For additional information regarding equity awards made pursuant to our Non-Employee Director Compensation Policy, see “Director Compensation” in this proxy statement.
- (5) These equity awards represent various new hire, annual, promotion and retention grants with a weighted average fair market value of \$30.97 and \$31.09 per share for performance shares and RSUs, respectively. For additional information regarding the terms and conditions of our equity awards, including standard vesting provisions, see “Summary of the 2003 Plan” above.

Equity Awards Made in Fiscal Year 2013 and Future Equity Awards. Although we cannot currently determine the benefits or number of shares subject to awards that may be granted during the remainder of the 2013 fiscal year to participants under the 2003 Plan, we did award our annual equity grants for fiscal year 2013 on January 24, 2013 to our employees, including our executive officers, under the 2003 Plan. The largest portion of our grants under the 2003 Plan are typically made during this annual January grant process, and if the proposed increase in the share limit for the 2003 Plan had been in effect in January 2013, we believe that the awards granted to our executive officers and employees would not have been different. We also issued certain promotion and new hire grants in fiscal year 2013 through January 24, 2013. In addition, pursuant to the terms of our current Non-Employee Director Compensation Policy, our directors will each receive, on the first business day after the 2013 Annual Meeting of Stockholders, an annual grant of stock options, RSUs or a 50% combination of each (elected by each director in his or her discretion prior to the end of the previous fiscal year), which will vest 100% on the day immediately preceding our next annual meeting of stockholders. The annual grant is valued at \$240,000 (on the date of grant) and is converted into RSUs and/or options as described in “Director Compensation—Equity Awards” in this proxy statement. The following table sets forth information with respect to grants made in fiscal year 2013 through January 24, 2013 under the 2003 Plan to each of (i) the named executive officers identified in the “Executive Compensation—Summary Compensation Table” contained in this proxy statement, (ii) all current executive officers as a group, and (iii) all current employees, other than executive officers, as a group. It also includes the dollar value of the anticipated awards to be made to our non-executive officer directors on the first business day after the scheduled date of the 2013 Annual Meeting of Stockholders.

2003 Plan Grants During Fiscal Year 2013

<u>Name</u>	<u>Restricted Stock Units (#)</u>	Performance Shares ⁽¹⁾			<u>Non-Executive Director Award Dollar Value (\$)</u>
		Threshold (#)	Target (#)	Maximum (#)	
Shantanu Narayen, President and Chief Executive Officer	157,500 ⁽²⁾	—	157,500 ⁽³⁾	315,000 ⁽³⁾	—
Mark Garrett, Executive Vice President and Chief Financial Officer	35,000 ⁽²⁾	—	35,000 ⁽³⁾	70,000 ⁽³⁾	—
Kevin Lynch, Executive Vice President, Chief Technology Officer	55,000 ⁽²⁾	—	55,000 ⁽³⁾	110,000 ⁽³⁾	—
Matthew Thompson, Executive Vice President, Worldwide Field Operations	55,000 ⁽²⁾	—	55,000 ⁽³⁾	110,000 ⁽³⁾	—
David Wadhvani, Senior Vice President and General Manager, Digital Media Business Unit.....	47,500 ⁽²⁾	—	47,500 ⁽³⁾	95,000 ⁽³⁾	—
Executive Group (8 persons)	422,825 ⁽²⁾	—	422,825 ⁽³⁾	845,650 ⁽³⁾	—
Non-Executive Director Group (12 persons) ⁽⁴⁾	—	—	—	—	1,920,000 ⁽⁴⁾⁽⁵⁾
Non-Executive Officer Employee Group (11,272 persons as of January 31, 2013).....	4,763,000 ⁽⁶⁾	—	510,150 ⁽³⁾	1,020,300 ⁽³⁾	—

⁽¹⁾ Represents the target and maximum (200% of target) number of shares of our common stock that may be earned by our employees under the 2003 Plan in accordance with the terms of our 2013 Performance Share Program. Performance shares will be earned, if at all, following our 2015 fiscal year end, subject to the achievement of a performance goal. The actual award of any earned performance shares would fully vest upon the certification by our Executive Compensation Committee of the level of achievement following the three-year anniversary of the grant date (January 24, 2016).

⁽²⁾ Granted on January 24, 2013 with a fair market value of \$38.10 per share. RSUs granted as part of our fiscal year 2013 annual award process vest 1/2 on each anniversary of the grant date over two years.

⁽³⁾ Granted on January 24, 2013 with a fair market value of \$38.10 per share.

⁽⁴⁾ Ms. Banse, Mr. Calderoni and Ms. Desmond joined our Board on May 14, 2012. Mr. Barlow joined our Board on December 4, 2012 and received an initial grant of 13,507 RSUs in an amount valued (based on the estimated value on the grant date) at \$450,000 according to our 2013 Non-Employee Director Compensation Policy. Ms. Banse, Mr. Calderoni, Ms. Desmond and Mr. Barlow are not eligible for additional equity awards until their second Annual Meeting of Stockholders after joining the Board under the terms of the Non-Employee Director Compensation Policy.

⁽⁵⁾ Represents the aggregate dollar value of anticipated awards to be made to our eight non-employee directors eligible to receive awards under the 2003 Plan on April 12, 2013 (the first business day after the scheduled date of the 2013 Annual Meeting of Stockholders), pursuant to the terms of our 2013 Non-Employee Director Compensation Policy, based on the valuation method described under “Director Compensation—Equity Awards” in this proxy statement.

⁽⁶⁾ These equity awards represent various new hire, annual, promotion and retention grants granted during fiscal year 2013 with a weighted average fair market value of \$38.09 per share for performance shares and RSUs. For additional information regarding the terms and conditions of our equity awards, including standard vesting provisions, see “Summary of the 2003 Plan” above.

PROPOSAL 3
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee appointed KPMG LLP as our independent registered public accounting firm for the fiscal year ending on November 29, 2013, and urges you to vote for ratification of KPMG’s appointment. KPMG has audited our financial statements since fiscal year 1983. Although we are not required to seek your approval of this appointment, we believe it is good corporate governance to do so. No determination has been made as to what action our Audit Committee would take if you do not ratify the appointment. Even if the appointment is ratified, the Audit Committee retains discretion to appoint a new independent registered public accounting firm if the Audit Committee concludes such a change would be in the best interests of Adobe and its stockholders.

We expect representatives of KPMG to be present at the meeting and available to respond to appropriate questions by stockholders. Additionally, the representatives of KPMG will have the opportunity to make a statement if they so desire.

Vote Required and Board Recommendation

Stockholder ratification of KPMG as our independent registered public accounting firm requires the affirmative vote of the holders of a majority of the votes cast in person or by proxy and entitled to vote at this meeting. Abstentions and broker non-votes will have no effect on the outcome of this Proposal.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THIS PROPOSAL
--

PRINCIPAL ACCOUNTING FEES AND SERVICES

During fiscal years 2012 and 2011, we retained KPMG to provide services in the following categories and amounts:

<u>Fee Category</u>	<u>2012</u>	<u>2011</u>
Audit Fees.....	\$ 3,438,258	\$ 3,668,085
Tax Fees.....	531,231	333,613
All Other Fees.....	463,884	123,200
Total.....	<u>\$ 4,433,373</u>	<u>\$ 4,124,898</u>

Audit fees include the audit of Adobe’s annual financial statements, review of financial statements included in each of our Quarterly Reports on Form 10-Q, and services that are normally provided by KPMG in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. This category includes fees for accounting-related consulting services.

Tax fees consist of fees for professional services for tax compliance, tax advice and tax planning. This category includes fees primarily related to the preparation and review of federal, state and international tax returns and assistance with tax audits.

All other fees include assurance services not related to the audit or review of our financial statements. This category includes fees primarily related to due diligence in connection with proposed acquisitions.

Our Audit Committee determined that the rendering of non-audit services by KPMG is compatible with maintaining the independence of KPMG.

AUDIT COMMITTEE PRE-APPROVAL OF SERVICES PERFORMED BY OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

It is the policy of our Audit Committee to pre-approve all audit and permissible non-audit services to be performed by KPMG. Our Audit Committee pre-approves services by authorizing specific projects within the categories outlined above, subject to a budget for each category. Our Audit Committee’s charter delegates to a subcommittee when appropriate, or to one or more members of the Audit Committee, the authority to address any requests for pre-approval of services between Audit Committee meetings, and the subcommittee or such member or members must report any pre-approval decisions to our Audit Committee at its next scheduled meeting.

All services related to audit fees, audit-related fees, tax fees and all other fees provided by KPMG during fiscal years 2012 and 2011 were pre-approved by the Audit Committee in accordance with the pre-approval policy described above.

For more information on KPMG, please see “Report of the Audit Committee.”

REPORT OF THE AUDIT COMMITTEE*

The Audit Committee's role includes the oversight of our financial, accounting and reporting processes; our system of internal accounting and financial controls; our enterprise risk management program; and our compliance with related legal, regulatory and ethical requirements. The Audit Committee oversees the appointment, compensation, engagement, retention, termination and services of our independent registered public accounting firm, including conducting a review of its independence; reviewing and approving the planned scope of our annual audit; overseeing our independent registered public accounting firm's audit work; reviewing and pre-approving any audit and non-audit services that may be performed by it; reviewing with management and our independent registered public accounting firm the adequacy of our internal financial and disclosure controls; reviewing our critical accounting policies and the application of accounting principles; monitoring the rotation of partners of our independent registered public accounting firm on our audit engagement team as required by regulation; reviewing the company's policies and practices with respect to swaps transactions; and overseeing the performance of our internal audit function. The Audit Committee establishes procedures, as required under applicable regulation, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee's role also includes meeting to review our annual audited financial statements and quarterly financial statements with management and our independent registered public accounting firm. The Audit Committee held 11 meetings during fiscal year 2012.

Each member of the Audit Committee meets the independence criteria prescribed by applicable regulation and the rules of the SEC for audit committee membership and is an "independent director" within the meaning of applicable NASDAQ listing standards. Each Audit Committee member meets NASDAQ's financial sophistication requirements, and the Board has further determined that Mr. Burgess, Mr. Calderoni, Mr. Cannon and Mr. Daley are "audit committee financial experts" as such term is defined in Item 407(d) of Regulation S-K promulgated by the SEC. The Audit Committee acts pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and NASDAQ, a copy of which can be found on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>.

We have reviewed and discussed with management and KPMG our audited financial statements. We discussed with KPMG and Adobe's internal auditors the overall scope and plans of their audits. We met with KPMG, with and without management present, to discuss results of its examinations, its evaluation of Adobe's internal controls, and the overall quality of Adobe's financial reporting.

We have reviewed and discussed with KPMG matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. We have received from KPMG the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG's communications with the Audit Committee concerning independence. We have discussed with KPMG matters relating to its independence, including a review of both audit and non-audit fees, and considered the compatibility of non-audit services with KPMG's independence.

Based on the reviews and discussions referred to above and our review of Adobe's audited financial statements for fiscal year 2012, we recommended to the Board that Adobe's audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended November 30, 2012, for filing with the SEC.

Respectfully submitted,

AUDIT COMMITTEE

James E. Daley, Chair

Robert K. Burgess

Frank A. Calderoni

Michael R. Cannon

* *The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of Adobe under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

PROPOSAL 4

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14 of the Exchange Act, Adobe is asking its stockholders to cast an advisory vote to approve the fiscal year 2012 compensation of our named executive officers as disclosed in this proxy statement (our “NEOs”). This Proposal, commonly known as “say-on-pay,” gives our stockholders the opportunity to express their views on the design and effectiveness of our executive compensation programs.

As described in detail under the heading “Compensation Discussion and Analysis,” our executive compensation programs are designed to align the interests of our executive officers with those of our stockholders, as well as attracting, motivating, and retaining key employees who are critical to our success. Under these programs, our executive officers, including our NEOs, are motivated to achieve specific financial and strategic objectives that are expected to increase stockholder value. Please read the “Compensation Discussion and Analysis” and the accompanying tables and narrative discussion for additional details about our executive compensation programs, including information about the fiscal year 2012 compensation of our NEOs. Biographical information regarding our executive officers is contained in the section titled “Executive Officers” in our 2012 Annual Report on Form 10-K and is incorporated herein by reference.

Fiscal Year 2012 Business Highlights and Compensation Decisions

In fiscal year 2012 our executive officers successfully executed on the promise of a vital transformation of our business model. By launching Creative Cloud, a subscription-based offering that reimagines the creative process for our customers, Adobe’s leadership team is driving a shift in our core business toward subscription revenue that is recognized over time, increasing the predictability of our revenues and financial results. Creative Cloud is a comprehensive offering of our Creative Suite desktop applications combined with creative services and community features that together are redefining the content creation process, enabling Adobe to reach a broader customer base by lowering the cost of entry and providing frequent product and feature enhancements as soon as they become available. At the same time, our NEOs have continued to invest in the high-growth digital marketing area—including our strategic acquisitions of Omniture, Day Software, Demdex, Auditudo and Efficient Frontier—building a business that has quickly become a market leader in analytics and digital marketing. In the midst of navigating these transformations successfully and at a pace that exceeded our expectations, our NEOs have continued to deliver strong financial results and achieve target financial milestones. For the fiscal year ending November 30, 2012, we reported:

- record revenue of \$4.4 billion;
- record GAAP operating income of \$1.18 billion; and
- GAAP diluted earnings-per-share of \$1.66.

During the year, our executive officers also exceeded expectations in their achievement of key strategic performance objectives established by the Executive Compensation Committee for fiscal year 2012. These achievements included:

- launching the groundbreaking Creative Cloud and Creative Suite 6 release, and achieving approximately 326,000 Creative Cloud paid memberships and over one million free members, exceeding targeted rates of subscription growth and resulting in our Creative business exiting fiscal year 2012 with \$153 million in annualized recurring revenue (“ARR”), and enabling us to grow total Creative units sold by 13% over fiscal year 2011;
- releasing Adobe Marketing Cloud and delivering 35% year-over-year growth of related revenues, including outstanding Adobe CQ growth above forecasted rates; by consolidating 30 distinct offerings into five Adobe Marketing Cloud solutions, we have simplified our products and made it easier for customers to license and implement our solutions;
- executing a strategic business acquisition of Efficient Frontier and successful integration, resulting in launches of Adobe Social and Adobe AdLens;

- the successful launch of Project Primetime, a unified video platform that helps customers achieve broadcast audience reach, lower operating costs, and boost revenue from ad sales, enabling NBC to deliver live video streams of the London 2012 Olympic Games to its viewers on all major device types;
- outstanding growth in our Digital Publishing Suite business, ahead of forecasted growth rates;
- driving consistent, measurable improvement in customer satisfaction and retention;
- increasing awareness of Adobe’s leadership in digital marketing through social media engagements and the successful launch of the “Metrics Not Myths” brand campaign in the U.S.;
- executing upon key people objectives specific to internal hiring and growth, key talent integration and retention, and transforming the Company’s performance management approach; and
- driving total returns to our stockholders that exceeded those of the NASDAQ 100 index.

Consistent with these results, the Executive Compensation Committee took the following actions with respect to the incentive compensation of our NEOs for fiscal year 2012:

- determined that, based on strong GAAP revenue results, operating income and the acceleration of our business transformation, their annual cash incentive awards were paid out at 100% of their target award opportunity (for more discussion of cash awards, see “Compensation Discussion and Analysis—Cash Incentives—Other Cash Incentives” below); and
- determined that, based on our achievement of the pre-determined key strategic performance objectives related to our transformation, including the performance of Adobe’s stock price and total stockholder return (“TSR”), overachievement in Creative Cloud subscription adoption and strong year-over-year growth of Adobe Marketing Cloud, their performance share awards were earned at 116% of their target award opportunity.

These decisions were primarily based on our NEOs’ success in achieving annual strategic and financial objectives that are intended to further our long-term business objectives and create sustainable long-term stockholder value in a cost-effective manner.

These decisions were also consistent with our objectives of tying the outcomes of our incentive compensation awards for our executive officers, including our NEOs, to the achievement of our key strategic performance objectives and the returns to our stockholders. As a practical matter, because approximately 80% of our NEOs’ target compensation is comprised of equity awards, this means that, unless we achieve our financial and key strategic performance objectives each year and over the long-term, our executive officers do not realize the potential value of their annual and long-term incentive compensation. Further, because Adobe common stock underlies our equity-based compensation awards, the immediate value of these awards is wholly subject to fluctuations in our stock price—thereby strongly aligning the interests of our executive officers with the interests of our stockholders.

Key Changes to Fiscal Year 2013 Compensation Program

The Executive Compensation Committee regularly reviews the compensation programs for our executive officers, including our NEOs, to ensure they achieve the desired goal of aligning our executive compensation structure with our stockholders’ interests. This includes using our incentive compensation awards to support our strategic and operating plans. We also closely monitor the compensation programs and pay levels of executives from companies of similar size and complexity, so that we may ensure that our compensation programs are within the norm of market practices. This aids in the retention of our NEOs in a competitive market for executive talent.

We believe our executive compensation program has been effective at driving the achievement of our target financial and strategic results, appropriately aligning executive pay and corporate performance, and enabling us to attract and retain top executives within our industry. Additionally, during fiscal year 2012, the Executive Compensation Committee engaged in an extended campaign to collect feedback from our stockholders about the

effectiveness of our “pay-for-performance” philosophy (discussed further in “Compensation Discussion and Analysis—Response to 2012 Say-on-Pay Vote”).

In addition to taking stockholder feedback into account, the Executive Compensation Committee evaluated our compensation philosophy in light of our long-term objectives, competitive issues we face in the marketplace, and compensation trends identified by Compensia, the Committee’s independent consultant. Taking these considerations together, and in order to motivate our executives to drive the Company’s long-term strategic priorities and build stockholder value, the Committee made several changes to our executive compensation programs for fiscal year 2013, including:

- Eliminating the supplemental cash bonus pool that, per Executive Compensation Committee delegation, was previously awardable at the discretion of our CEO to executive officers (no such bonuses were awarded by the CEO in fiscal year 2012);
- Making fundamental changes to our 2013 Performance Share Program to better link our NEOs’ target total direct compensation to the longer-term performance of the company, based on a single objective financial measure—total stockholder return—over a three-year performance period, as described in greater detail below; and
- Overhauling our Executive Annual Incentive Plan in order to align our NEOs’ cash bonus incentives with the company’s strategic priorities of driving annualized recurring revenue growth in Digital Media and new business bookings in Digital Marketing in order to build significant recurring revenue streams as we continue to transition our business towards subscriptions and cloud-based services, such as Creative Cloud and Adobe Marketing Cloud; as well as tying portions of the cash bonus opportunity to a customer satisfaction objective and an individual goal component tailored to each executive, including in appropriate circumstances, objectives related to profitability.

Additional information regarding our FY2013 Executive Annual Incentive Plan is available in our Current Report on Form 8-K filed with the SEC on January 28, 2013.

Additionally, following discussions with an institutional investor holding over five percent of our stock regarding potential changes to our compensation programs, our Board of Directors increased the size of our board and appointed a representative of the stockholder as a director and member of our Executive Compensation Committee. We believe this addition has brought a key stockholder voice into our executive compensation process, enabling us to better align the incentives of our NEOs with our stockholders’ long-term interests as we finalized our fiscal year 2013 executive compensation programs in January.

Equity Compensation Mix

Each year, the Executive Compensation Committee, with input from our stockholders, management, our Chief Executive Officer, legal counsel and Compensia, determines the mix of annual equity incentive awards. For fiscal year 2013, 50% of the target value of our NEOs’ equity awards will be based on an objective performance measure, and 50% of the target value will be time based. The Executive Compensation Committee determined that this mix of equity compensation would appropriately balance and meet our compensation objectives, as described in the table below.

Fiscal Year 2013 Mix of Annual Equity Incentive Awards

Type of Equity	Description	Objectives/Dilutive Effect	Vesting ⁽¹⁾
Performance Shares	Stock-settled awards subject to long-term performance conditions; three-year performance period determines the total number of shares eligible to be earned, with significant benefits for overachievement and significant consequences for underachievement, including the potential for no award being earned; no purchase cost to executive, so awards always have value if earned	Focus NEOs on a three-year performance goal tied to long-term stockholder returns while also providing a strong retention incentive, requiring continuous employment to vest; provide significant incentive to grow our stock price	Vest 100% after three years upon the certification of performance results
RSUs	Stock-settled awards subject to time-based vesting conditions; no purchase cost to executive, so awards always have value	Provide a strong incentive for our NEOs to remain employed with us, requiring continuous employment while vesting; provide moderate reward for growth in our stock price	Vest in equal annual installments over a period of two years ⁽²⁾

⁽¹⁾ Our equity awards are also subject to certain acceleration provisions as described below under “Severance and Change of Control Compensation” below and “Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2012—Narrative Summary to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2012 Table—Effect of Retirement, Death and Disability on Equity Compensation Awards.”

⁽²⁾ As we transition to a three-year performance period under our 2013 Performance Share Program, annual RSU awards to our senior executives for fiscal year 2013 will vest 1/2 on the anniversary of the grant date over a two-year period. We expect that in future years, all annual RSU grants will vest over a three-year period.

2013 Performance Share Program

Our Executive Compensation Committee fundamentally modified our Performance Share Program for fiscal year 2013, eliminating the use of qualitative performance objectives, with 100% of shares to be earned based on the achievement of an objective total stockholder return measure over a three-year performance period. All performance share awards will vest upon the Executive Compensation Committee’s certification of results, which will be three years following the date of grant. Accordingly, the performance shares will align our NEOs’ interests with those of our stockholders over the long term, while also providing key retention incentives, as the shares will only be awarded if an NEO remains providing service to Adobe (or an affiliate) three years following the date of grant.

The participants can earn between 0% and 200% (the payout cap under our program) of the target amount of Performance Share awards, and the amount of Performance Shares actually awarded is based on a cumulative three-year TSR measure, which would compare the TSR of our common stock against the TSR of the companies included in the NASDAQ 100 Index as of December 1, 2012 during the course of the three-year period. The number of Performance Shares awarded will increase or decrease 2.5% for every percentile that Adobe’s TSR percentile rank is above or below, respectively, the NASDAQ 100 companies’ 50th percentile, and no shares will be awarded if our performance ranks below the 25th percentile for the three-year performance period. Additionally, regardless of our relative position with respect to the NASDAQ 100 companies, the award will be capped at 100% of target in the case of Adobe having a negative absolute TSR over the measurement period.

Advisory Vote and Board Recommendation

We request stockholder approval of the fiscal year 2012 compensation of our NEOs as disclosed in this proxy statement pursuant to the SEC’s compensation disclosure rules (which disclosure includes the “Compensation Discussion and Analysis,” the compensation tables, and the narrative discussion that accompanies the compensation

tables within the Executive Compensation section of this proxy statement). We encourage you to review the Compensation Discussion and Analysis and accompanying compensation tables and narrative discussion elsewhere in this proxy statement for a description and analysis of our principal executive compensation actions and decisions for fiscal year 2012.

This vote is not intended to address any specific element of compensation, but rather the overall compensation of our NEOs and the compensation philosophy, policies, practices and disclosures described in this proxy statement.

Accordingly, we ask that you vote “FOR” the following resolution at this meeting:

“RESOLVED, that the stockholders of Adobe Systems Incorporated approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the company’s proxy statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2012 Summary Compensation Table and the accompanying compensation tables and narrative discussion within the Executive Compensation section of this proxy statement.”

Approval of the above resolution requires the affirmative vote of the holders of a majority of the votes cast in person or by proxy and entitled to vote at this meeting. Abstentions and broker non-votes will have no effect on the outcome of this Proposal.

As an advisory vote, the outcome of the vote on this Proposal is not binding upon us or our Board. However, our Executive Compensation Committee, which is responsible for designing and administering our executive compensation programs, values the opinions expressed by our stockholders in their vote on this Proposal and will consider the outcome of this vote when making future compensation decisions for our executive officers. We hold such advisory votes on executive compensation each year and will hold another advisory vote at our 2014 Annual Meeting of Stockholders.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THIS PROPOSAL

CORPORATE GOVERNANCE

Corporate Governance Guidelines

We believe in sound corporate governance practices and have adopted formal Corporate Governance Guidelines to enhance our effectiveness. Our Board adopted these Corporate Governance Guidelines in order to ensure that it has the necessary practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The Corporate Governance Guidelines set forth the practices our Board follows with respect to Board and committee composition and selection, Board meetings, Chief Executive Officer performance evaluation and management development and succession planning for senior management, including the Chief Executive Officer position. A copy of our Corporate Governance Guidelines is available on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>.

Code of Ethics

We adopted a Code of Ethics applicable to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, Treasurer and certain other finance department executives, which is a “code of ethics” as defined by applicable SEC rules. The Code of Ethics is publicly available on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>. If we make any amendments to the Code of Ethics other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this Code of Ethics to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, Treasurer or certain other finance department executives, we will disclose the nature of the amendment or waiver, its effective date, and to whom it applies, on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html> or in a current report on Form 8-K filed with the SEC. There were no waivers of the Code of Ethics during fiscal year 2012.

Code of Business Conduct

We have also adopted a Code of Business Conduct applicable to all officers, directors and employees of Adobe as required by applicable NASDAQ listing standards. The Code of Business Conduct includes an enforcement mechanism, and any waivers for directors or executive officers must be approved by our Board and disclosed in a current report on Form 8-K with the SEC. This Code of Business Conduct is publicly available on our website at <http://www.adobe.com/corporate-responsibility/governance-policies-guidelines.html>. There were no waivers of the Code of Business Conduct for any of our directors or executive officers during fiscal year 2012.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common stock as of February 14, 2013 by each entity or person who is known to beneficially own 5% or more of our common stock, each of our directors, each NEO identified in “Executive Compensation—Summary Compensation Table” contained in this proxy statement and all of our directors and current executive officers as a group.

Name of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership ⁽²⁾	Percent of Class
PRIMECAP Management Company..... 225 South Lake Avenue, No. 400 Pasadena, CA 91101	41,990,090 ⁽³⁾	8.37%
ValueAct Capital Master Fund, L.P. and related entities..... 435 Pacific Avenue, Fourth Floor San Francisco, California 94133	31,303,362 ⁽⁴⁾	6.24%
The Bank of New York Mellon Corporation..... One Wall Street, 31st Floor New York, New York 10286	28,972,829 ⁽⁵⁾	5.78%
Shantanu Narayen	1,989,013 ⁽⁶⁾	*
Mark Garrett	634,580 ⁽⁷⁾	*
Kevin Lynch.....	377,558 ⁽⁸⁾	*
Matthew Thompson.....	558,892 ⁽⁹⁾	*
David Wadhvani.....	174,627 ⁽¹⁰⁾	*
Amy L. Banse.....	5,000 ⁽¹¹⁾	*
Kelly J. Barlow.....	— ⁽¹²⁾	
Edward W. Barnholt.....	157,011 ⁽¹³⁾	*
Robert K. Burgess	247,801 ⁽¹⁴⁾	*
Frank A. Calderoni.....	— ⁽¹⁵⁾	
Michael R. Cannon.....	145,753 ⁽¹⁶⁾	*
James E. Daley	211,089 ⁽¹⁷⁾	*
Laura B. Desmond.....	— ⁽¹⁸⁾	
Charles M. Geschke	508,298 ⁽¹⁹⁾	*
Daniel L. Rosensweig	40,428 ⁽²⁰⁾	*
Robert Sedgewick	228,565 ⁽²¹⁾	*
John E. Warnock.....	1,070,087 ⁽²²⁾	*
All directors and current executive officers as a group (20 persons).....	6,591,612 ⁽²³⁾	1.30%

* Less than 1%.

⁽¹⁾ The address of each person named in the table, unless otherwise indicated, is c/o Adobe Systems Incorporated, 345 Park Avenue, San Jose, California 95110.

⁽²⁾ This table is based upon information supplied by executive officers, directors and principal stockholders. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. None of the shares beneficially owned by our executive officers and directors are pledged as security. Applicable percentages are based on 501,548,019 shares outstanding on February 14, 2013, adjusted as required by rules promulgated by the SEC.

⁽³⁾ Includes 41,990,090 shares beneficially held by PRIMECAP Management Company (“PRIMECAP”) as of December 31, 2012, with sole dispositive power as to all shares and sole voting power as to 11,561,450

shares. Of those shares beneficially held by PRIMECAP, Vanguard-related entities have sole voting power over 30,428,640 shares. This information is based on a Schedule 13G/A filed with the SEC on February 14, 2013 by PRIMECAP and additional information provided by a representative of PRIMECAP on February 14, 2013.

- (4) Reflects shared voting and dispositive power with respect to 31,303,362 shares (and sole voting and dispositive power with respect to 0 shares) for each of (a) ValueAct Capital Master Fund, L.P. (“ValueAct Master Fund”), (b) VA Partners I, LLC (“VA Partners I”), (c) ValueAct Capital Management, L.P. (“ValueAct Management L.P.”), (d) ValueAct Capital Management, LLC (“ValueAct Management LLC”), (e) ValueAct Holdings, L.P. (“ValueAct Holdings”) and (f) ValueAct Holdings GP, LLC (“ValueAct Holdings GP”) (collectively, “ValueAct”). ValueAct Master Fund is a limited partnership organized under the laws of the British Virgin Islands. VA Partners I is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Master Fund. ValueAct Management L.P. is a Delaware limited partnership which renders management services to ValueAct Master Fund. ValueAct Management LLC is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Management L.P. ValueAct Holdings is a Delaware limited partnership and is the sole owner of the limited partnership interests of ValueAct Management L.P. and the membership interests of VA Partners I. ValueAct Holdings GP is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Holdings. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by: (i) ValueAct Management L.P. as the manager of each such investment partnership; (ii) ValueAct Management LLC, as General Partner of ValueAct Management L.P.; (iii) ValueAct Holdings, as the sole owner of the limited partnership interests of ValueAct Management L.P. and the membership interests of ValueAct Management LLC and as the majority owner of the membership interests of VA Partners I; and (iv) ValueAct Holdings GP, as General Partner of ValueAct Holdings. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by VA Partners I, as General Partner of ValueAct Master Fund. VA Partners I, ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP also, directly or indirectly, may own interests in one or more than one of the partnerships from time to time. By reason of such relationship ValueAct Master Fund is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, such shares of common stock, with VA Partners I (only with respect to ValueAct Master Fund), ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP. The foregoing information is based solely on Amendment No. 2 to Schedule 13D jointly filed by the ValueAct entities with the SEC on December 6, 2012 that reported beneficial ownership as of December 4, 2012.
- (5) Reflects the beneficial ownership of The Bank of New York Mellon Corporation as of December 31, 2012, with sole dispositive power as to 28,033,905 shares and shared dispositive power as to 17,433 shares, and with sole voting power as to 22,174,390 shares and shared voting power as to 416,540 shares. The beneficial ownership of MBC Investments Corporation consisted of 26,442,171 shares, with sole dispositive power as to all shares, sole voting power as to 18,785,784 shares and shared voting power as to 410,666 shares. The shares reported are beneficially owned by the following direct or indirect subsidiaries of The Bank of New York Mellon Corporation: The Bank of New York Mellon, BNY Mellon, National Association, BNY Mellon Trust of Delaware, The Dreyfus Corporation, Lockwood Advisors, Inc., Mellon Capital Management Corporation, Newton Capital Management Limited, Newton Investment Management Limited, Walter Scott & Partners Limited, MBSC Securities Corporation, Pershing LLC, The Bank of New York Mellon Corporation, B.N.Y. Holdings (Delaware) Corporation, MBC Investments Corporation, BNY Mellon Investment Management Holdings LLC, Mellon International Holdings S.A.R.L., BNY Mellon International Asset Management Group Limited, Newton Management Limited, Pershing Group LLC and The Bank of New York Mellon SA/NV. The foregoing information is based on a Schedule 13G filed by The Bank of New York Mellon corporation on February 4, 2013 reporting beneficial ownership as of December 31, 2012.
- (6) Consists of 230,797 shares held by the Narayan Family Trust, of which Mr. Narayan is a trustee, and 1,758,216 shares issuable upon exercise of outstanding options held by Mr. Narayan exercisable within 60 days of the date of this table.
- (7) Consists of 147,847 shares held by the Garrett Living Trust, of which Mr. Garrett is a trustee, and 486,733 shares issuable upon exercise of outstanding options held by Mr. Garrett exercisable within 60 days of the date of this table.

- (8) Includes 328,398 shares issuable upon exercise of outstanding options held by Mr. Lynch exercisable within 60 days of the date of this table.
- (9) Includes 518,747 shares issuable upon exercise of outstanding options held by Mr. Thompson exercisable within 60 days of the date of this table.
- (10) Includes 151,046 shares issuable upon exercise of outstanding options held by Mr. Wadhvani exercisable within 60 days of the date of this table.
- (11) Ms. Banse was appointed to our Board on May 14, 2012.
- (12) Mr. Barlow was appointed to our Board on December 4, 2012. As a partner of ValueAct Capital, Mr. Barlow may be deemed to be the beneficial owner of shares held by the ValueAct entities as described in footnote 4. Mr. Barlow disclaims beneficial ownership except to the extent of his pecuniary interest in each applicable ValueAct entity.
- (13) Includes 138,973 shares issuable within 60 days of the date of this table upon vesting of restricted stock units or the exercise of outstanding exercisable options held by Mr. Barnholt.
- (14) Consists of 107,208 shares held by the Burgess Family Trust, of which Mr. Burgess is a trustee; 1,620 shares, for which Mr. Burgess has shared voting and dispositive power, held in trust for the benefit of his children; and 138,973 shares issuable within 60 days of the date of this table upon vesting of restricted stock units or the exercise of outstanding exercisable options held by Mr. Burgess.
- (15) Mr. Calderoni was appointed to our Board on May 14, 2012.
- (16) Consists of 28,667 shares held by the Michael Cannon 2004 Trust, of which Mr. Cannon is a trustee; and 117,086 shares issuable within 60 days of the date of this table upon vesting of restricted stock units or the exercise of outstanding exercisable options held by Mr. Cannon.
- (17) Includes 203,089 shares issuable within 60 days of the date of this table upon vesting of restricted stock units or the exercise of outstanding exercisable options held by Mr. Daley.
- (18) Ms. Desmond was appointed to our Board on May 14, 2012.
- (19) Consists of 302,446 shares held by the Geschke Family Trust, of which Dr. Geschke is a trustee; 6,431 shares held in the Charles M Geschke and Nancy A Geschke foundation, a 501(c)(3) private non-operating foundation, of which Dr. Geschke is president and Dr. Geschke's spouse is secretary, and as to which Dr. Geschke disclaims any beneficial ownership; and 199,421 shares issuable upon exercise of outstanding options held by Dr. Geschke exercisable within 60 days of the date of this table.
- (20) Includes 7,086 shares issuable within 60 days of the date of this table upon vesting of restricted stock units held by Mr. Rosensweig.
- (21) Includes 169,304 shares issuable within 60 days of the date of this table upon vesting of restricted stock units or the exercise of outstanding exercisable options held by Dr. Sedgewick.
- (22) Consists of 820,523 shares held by the Warnock Family Trust, of which Dr. Warnock is a trustee; 16,088 shares held by Dr. Warnock; and 233,476 shares issuable upon exercise of outstanding options held by Dr. Warnock exercisable within 60 days of the date of this table.
- (23) Includes 4,649,207 shares issuable within 60 days of the date of this table upon vesting of restricted stock units or the exercise of outstanding exercisable options held by our directors and current executive officers. See also footnotes 6-22.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, as well as any person or entity who owns more than 10% of a registered class of our common stock or other equity securities, to file with the SEC certain reports of ownership and changes in ownership of our securities. Executive officers, directors and stockholders who hold more than 10% of our outstanding common stock are required by the SEC to furnish us with copies of all required forms filed under Section 16(a). We prepare Section 16(a) forms on behalf of our executive officers and directors based on the information provided by them.

Based solely on review of this information and written representations by our executive officers and directors that no other reports were required, we believe that, during fiscal year 2012, no reporting person failed to file the forms required by Section 16(a) of the Exchange Act on a timely basis.

EQUITY COMPENSATION PLAN INFORMATION

The following table shows information related to our common stock which may be issued under our existing equity compensation plans as of November 30, 2012, including our 1997 Employee Stock Purchase Plan, 2003 Equity Incentive Plan, and 1994 Performance and Restricted Stock Plan, plus certain non-stockholder-approved equity compensation plans and awards assumed by us (and which were not subsequently voted on by Adobe's stockholders) in connection with our acquisitions of Macromedia, Inc. in December 2005, Omniture, Inc. in October 2009, Day Software Holding AG in October 2010, Demdex, Inc. in January 2011, EchoSign, Inc. in July 2011, Typekit, Inc. in September 2011, Auditudo, Inc. in October 2011, and Efficient Frontier, Inc. in January 2012:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, performance shares and restricted stock units</u>	<u>Weighted-average exercise price of outstanding options, performance shares and restricted stock units</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)</u>
Equity compensation plans approved by Adobe's stockholders.....	38,830,731 ⁽¹⁾	\$18.43	55,776,065 ⁽²⁾
Equity compensation plans not approved by Adobe's stockholders ⁽³⁾	6,143,193	11.59	1,392,089
Total	44,973,924	\$17.49	57,168,154

⁽¹⁾ Includes 1,688,175 shares of common stock issuable pursuant to the terms of our 2012 Performance Share Program at maximum levels (150%) as of November 30, 2012. However, after the 2012 fiscal year end, it was determined that 116% of the target awards (1,305,522 shares) were earned under the terms of this program and the balance (382,653 shares) were forfeited as of January 24, 2013; in addition, 49,518 shares were forfeited due to participants' departure from Adobe prior to the certification date. See "Compensation Discussion and Analysis" in this proxy statement for a discussion of actual results under the 2012 Performance Share Program.

⁽²⁾ Includes 19,205,921 shares that are reserved for issuance under the 1997 Employee Stock Purchase Plan as of November 30, 2012.

⁽³⁾ We assumed the outstanding stock awards and shares remaining available for future issuance under various equity incentive plans maintained by companies we acquired, as follows:

<u>Company</u>	<u>Date of Acquisition</u>
Macromedia, Inc.	December 3, 2005
Omniture, Inc.	October 23, 2009
Day Software Holding AG	October 28, 2010
Demdex, Inc.	January 18, 2011
EchoSign, Inc.	July 15, 2011
Typekit, Inc.	September 28, 2011
Auditudo, Inc.	October 18, 2011
Efficient Frontier, Inc.	January 13, 2012

We also assumed certain non-stockholder approved grants made outside of the assumed equity compensation plans described above. As of November 30, 2012, these assumed grants covered a total of 12,247 shares of our common stock at a weighted average exercise price of \$9.06. The shares to be issued upon exercise of these grants are included in the "Equity compensation plans not approved by stockholders" row of the table.

As part of the assumption of the Macromedia plans, effective December 3, 2005, our Board adopted the Adobe Systems Incorporated 2005 Equity Incentive Assumption Plan (the "Assumption Plan"). The Assumption Plan

permits the grant of non-statutory stock options, stock appreciation rights, stock purchase rights, stock bonuses, restricted stock, restricted stock units, performance shares and performance units using shares reserved under certain of the assumed Macromedia plans (as described below). In connection with our assumption of the Omniture plans, on November 16, 2009, the Assumption Plan was amended by the Board to include shares reserved under certain of the assumed Omniture plans (as described below). The Assumption Plan has not been approved by our stockholders. The terms and conditions of stock awards under the Assumption Plan are substantially similar to those under our 2003 Equity Incentive Plan. In accordance with applicable NASDAQ listing requirements, we may grant new stock awards under the Assumption Plan to our employees who were not employed by or providing services to us or any of our affiliates prior to December 3, 2005 (other than employees of Macromedia before December 3, 2005, and Omniture before October 23, 2009, and their respective affiliates and subsidiaries).

Under the Assumption Plan, an aggregate of 1,392,089 shares of our common stock is reserved for issuance. Such share reserve consists solely of the unused and converted share reserves and potential reversions to the share reserves with respect to certain Macromedia and Omniture plans (as described below). The share reserve is divided into Reserves A through E. As of November 30, 2012, the reserves were as follows:

Reserve ⁽¹⁾	Shares of Common Stock, Including Unused Share Reserve and Reversions (#)	Acquired Plans from which Unused Share Reserve and Reversions Are Comprised	Last Day Stock Can Be Awarded from Reserve
B	54,072	Macromedia, Inc. 2002 Equity Incentive Plan Allaire Corporation 1997 Stock Incentive Plan Allaire Corporation 1998 Stock Incentive Plan Allaire Corporation 2000 Stock Incentive Plan	November 10, 2014
C	692,109	Omniture, Inc. 2006 Equity Incentive Plan	March 23, 2016
D	27,695	Omniture, Inc. 2007 Equity Incentive Plan	June 30, 2015
E	618,213	Omniture, Inc. 2008 Equity Incentive Plan	July 14, 2014

⁽¹⁾ Reserve A, which comprised shares from the Andromedia, Inc. 1999 Stock Plan acquired in connection with the Macromedia acquisition, expired on August 1, 2009.

The Assumption Plan limits the number of shares that may be issued from Reserve B in the form of stock purchase rights, stock bonuses, restricted stock units, performance shares, or performance units to 100,000 shares of our common stock. For each award granted under Reserves C, D or E, the applicable reserve will be reduced by one share of common stock for each stock option or stock appreciation right, and by 1.77 shares of common stock for all other awards. If an award for any reason expires, terminates or is canceled without having been exercised or settled in full, or if shares of stock acquired pursuant to an award are forfeited or repurchased by us, those shares will be added back to the applicable reserve in the amount corresponding to the original reduction and will again be available for issuance under the Assumption Plan.

Our Board may terminate or amend the Assumption Plan at any time subject to applicable rules. In the event of a sale of substantially all of our voting stock, a merger involving us, the sale of substantially all of our assets, or a liquidation or dissolution of us, stock awards covered by the Assumption Plan may be assumed or substituted by a successor entity. In the event that a successor entity elects not to assume or substitute for such stock awards, the stock awards will become fully vested.

In addition to the Assumption Plan, as of the fiscal year ended November 30, 2012, we maintained eight equity compensation plans assumed by us in connection with the Macromedia acquisition, nine plans assumed by us in connection with the Omniture acquisition, two plans assumed by us in connection with the Day Software acquisition, one plan assumed by us in connection with the Demdex acquisition, two plans assumed by us in connection with the EchoSign acquisition, one plan assumed by us in connection with the Typekit acquisition, two plans assumed by us in connection with the Auditude acquisition, and one plan and one non-plan stock option agreement assumed by us in connection with the Efficient Frontier acquisition under which stock awards had been granted by these predecessor entities that remained outstanding at the time of the Macromedia, Omniture, Day Software, Demdex, EchoSign, Typekit, Auditude and Efficient Frontier acquisitions, respectively. The “Equity compensation plans not approved by stockholders” row in the “Equity Compensation Plan Information” table above shows aggregated share reserve

information for these plans and awards. Other than through the Assumption Plan, no future awards may be granted under any of our acquired plans.

Please see Part II, Item 8 “Financial Statements and Supplementary Data” of our 2012 Annual Report on Form 10-K in the notes to Consolidated Financial Statements at Note 12, “Stock-based Compensation” for further information regarding our equity compensation plans and awards.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding our Total Rewards Program during fiscal year 2012 for the following executive officers of Adobe:

- Shantanu Narayen, President and Chief Executive Officer
- Mark Garrett, Executive Vice President and Chief Financial Officer
- Kevin Lynch, Executive Vice President, Chief Technology Officer
- Matthew Thompson, Executive Vice President, Worldwide Field Operations
- David Wadhvani, Senior Vice President and General Manager, Digital Media

These executive officers are referred to in this Compensation Discussion and Analysis and in the accompanying compensation tables as our named executive officers, or “NEOs.”

This Compensation Discussion and Analysis describes the material elements of our Total Rewards Program for our executive officers during fiscal year 2012. It also provides an overview of our executive compensation philosophy, including our principal compensation policies and practices. Finally, it analyzes how and why the Executive Compensation Committee of our Board arrived at the material compensation decisions for our executive officers, including our NEOs, in fiscal year 2012.

Executive Summary

Adobe's vision is to change the world through digital experiences. To support our product and technical innovation with strong execution, we strive to create a dynamic work environment that attracts and retains great people who contribute directly to organizational priorities, innovation, customer focus and growth for Adobe. Our Total Rewards Program plays a fundamental role in creating this environment by rewarding all levels of employees, including our NEOs, for the successful execution of our short- and long-term business objectives.

Business and Compensation Highlights

In fiscal year 2012 our executive officers successfully executed on the promise of a vital transformation of our business model. By launching Creative Cloud, a subscription-based offering that reimagines the creative process for our customers, Adobe's leadership team is driving a shift in our core business toward subscription revenue that is recognized over time, increasing the predictability of our revenues and financial results. Creative Cloud is a comprehensive offering of our Creative Suite desktop applications combined with creative services and community features that together are redefining the content creation process, enabling Adobe to reach a broader customer base by lowering the cost of entry and providing frequent product and feature enhancements as soon as they become available. At the same time, our NEOs have continued to invest in the high-growth digital marketing area—including our strategic acquisitions of Omniture, Day Software, Demdex, Auditudo and Efficient Frontier—building a business that has quickly become a market leader in analytics and digital marketing. In the midst of navigating these transformations successfully and at a pace that exceeded our expectations, our NEOs have continued to deliver strong financial results and achieve target financial milestones. For the fiscal year ending November 30, 2012, we reported:

- record revenue of \$4.4 billion;
- record GAAP operating income of \$1.18 billion; and
- GAAP diluted earnings-per-share of \$1.66.

During the year, our executive officers also exceeded expectations in their achievement of key strategic performance objectives established by the Executive Compensation Committee for fiscal year 2012. These achievements included:

- launching the groundbreaking Creative Cloud and Creative Suite 6 release, and achieving approximately 326,000 Creative Cloud paid memberships and over one million free members, exceeding targeted rates of subscription growth and resulting in our Creative business exiting fiscal year 2012 with \$153 million in annualized recurring revenue (“ARR”), and enabling us to grow total Creative units sold by 13% over fiscal year 2011;

- releasing Adobe Marketing Cloud and delivering 35% year-over-year growth of related revenues, including outstanding Adobe CQ growth above forecasted rates; by consolidating 30 distinct offerings into five Adobe Marketing Cloud solutions, we have simplified our products and made it easier for customers to license and implement our solutions;
- executing a strategic business acquisition of Efficient Frontier and successful integration, resulting in launches of Adobe Social and Adobe AdLens;
- the successful launch of Project Primetime, a unified video platform that helps customers achieve broadcast audience reach, lower operating costs, and boost revenue from ad sales, enabling NBC to deliver live video streams of the London 2012 Olympic Games to its viewers on all major device types;
- outstanding growth in our Digital Publishing Suite business, ahead of forecasted growth rates;
- driving consistent, measurable improvement in customer satisfaction and retention;
- increasing awareness of Adobe’s leadership in digital marketing through social media engagements and the successful launch of the “Metrics Not Myths” brand campaign in the U.S.;
- executing upon key people objectives specific to internal hiring and growth, key talent integration and retention, and transforming the Company’s performance management approach; and
- driving total returns to our stockholders that exceeded those of the NASDAQ 100 Index.

Consistent with these results, the Executive Compensation Committee took the following actions with respect to the incentive compensation of our NEOs for fiscal year 2012:

- determined that, based on strong GAAP revenue results, operating income and the acceleration of our business transformation, their annual cash incentive awards were paid out at 100% of their target award opportunity (for more discussion of cash awards, see section captioned “Other Cash Incentives” below); and
- determined that, based on our achievement of the pre-determined key strategic performance objectives related to our transformation, including the performance of Adobe’s stock price and total stockholder return (“TSR”), overachievement in Creative Cloud subscription adoption and strong year-over-year growth of Adobe Marketing Cloud, their performance share awards were earned at 116% of their target award opportunity.

These decisions were primarily based on our NEOs’ success in achieving annual strategic and financial objectives that further our long-term business objectives and create sustainable long-term stockholder value in a cost-effective manner.

These decisions were also consistent with our objectives of tying the outcomes of our incentive compensation awards for our executive officers, including our NEOs, to the achievement of our key strategic performance objectives and the returns to our stockholders. As a practical matter, because approximately 80% of our NEOs’ target compensation is comprised of equity awards, this means that, unless we achieve our financial and key strategic performance objectives each year and over the long-term, our executive officers do not realize the potential value of their annual and long-term incentive compensation. Further, because Adobe common stock underlies our equity-based compensation awards, the immediate value of these awards is wholly subject to fluctuations in our stock price—thereby strongly aligning the interests of our executive officers with our stockholders.

Response to 2012 Say-on-Pay Vote

Adobe and the Executive Compensation Committee value the input of our stockholders on our Total Rewards Program. We regularly communicate with our stockholders to better understand their opinions on our business strategy and objectives, as well as feedback regarding other matters of investor interest, such as executive compensation. In addition, throughout 2012 we engaged in a focused outreach effort to many of our institutional stockholders to solicit their feedback on our pay programs as well as potential changes for fiscal year 2013. The Executive Compensation Committee carefully considers this feedback as part of its annual review of our Total Rewards Program for our NEOs. In addition, stockholders are invited to express their views to the Executive

Compensation Committee as described under the heading “Communications with the Board” in Proposal 1 of this proxy statement. Finally, the advisory vote on the compensation of our NEOs contained in Proposal 4 of this proxy statement provides stockholders with an opportunity to communicate their views on our executive compensation policies and practices under our Total Rewards Program.

In April 2012, we held an advisory vote on the compensation of our NEOs. While a majority of the votes cast on the proposal voted in support of the compensation paid to our NEOs for fiscal year 2011, a significant portion of our stockholders voted against the proposal. In view of this outcome, as well as the feedback that we gathered through our engagement efforts with many of our stockholders both before and after our 2012 Annual Meeting of Stockholders and as we spoke with stockholders throughout the calendar year, the Executive Compensation Committee has redesigned significant aspects of our Total Rewards Program, including as it pertains to our executive officers. Because the principal actions and decisions with respect to our Total Rewards Program for fiscal year 2012 had already been completed in January, the programs redesigned by our Executive Compensation Committee will initially apply to our fiscal year 2013 Total Rewards Program.

During its deliberations, the Executive Compensation Committee noted that investor feedback centered generally on three themes: (1) desiring a longer performance period for our Performance Share Program; (2) basing our Performance Share Program on objective metrics, such as TSR, to more closely align the compensation opportunity of our NEOs to stockholder interests; and (3) basing our short-term cash incentive program on financial metrics that are distinct from those underlying our long-term equity incentive programs.

In addition to taking stockholder feedback into account, the Executive Compensation Committee evaluated our compensation philosophy in light of our long-term objectives, competitive issues we face in the marketplace, and compensation trends identified by Compensia. Taking these considerations together, the Committee took the following actions for fiscal year 2013 to motivate our executives to drive the Company’s strategic priorities, and to more closely link our NEOs’ target total direct compensation (“TDC”) to longer-term company performance and risk outcomes:

- Redesigned our fiscal year 2013 Performance Share Program to (1) measure performance over a three-year period (as opposed to the one-year period under the fiscal year 2012 program), (2) eliminate the use of multiple strategic objectives, instead measuring long-term performance based on a single measure—relative TSR, and (3) provide that all Performance Shares earned would vest following the Executive Compensation Committee’s certification of results following the three-year performance period.
- Overhauled our Executive Annual Incentive Plan in order to align our NEOs’ cash bonus incentives with the company’s strategic priorities of driving annualized recurring revenue growth in Digital Media and new business bookings in Digital Marketing in order to build significant recurring revenue streams as we continue to transition our business towards subscriptions and cloud-based services, such as Creative Cloud and Adobe Marketing Cloud; as well as tying portions of the cash bonus opportunity to a customer satisfaction objective and an individual goal component tailored to each executive, including in appropriate circumstances, objectives related to profitability.
- Eliminated the \$60,000 supplemental cash bonus pool that could previously be awarded by our Chief Executive Officer to other executive officers.
- Continued to set the aggregate target value of Mr. Narayen’s annual equity award to comprise approximately 80% of his target TDC opportunity, and the average aggregate target value of the annual equity awards for our other NEOs at approximately 78% of their target TDC.

We believe focusing increasingly on our transformation to recurring revenue and the company’s long-term stock performance will (1) better align our executive officers’ interests with those of our stockholders, and (2) motivate our management to drive the Company’s ongoing business model transformation for our Creative business from perpetual licenses to a subscription-based cloud offering, as well as focusing our investment in the areas of digital media and digital marketing.

Role of Our Executive Compensation Committee, External Compensation Consultants and Management

Executive Compensation Committee

The Executive Compensation Committee (the “Committee”) oversees and provides strategic direction to management regarding many elements of our Total Rewards Program. It reviews and approves the compensation and severance benefits of Adobe’s executive officers, including our NEOs. As part of this review, the Committee regularly solicits input from its independent executive compensation consultant. In fiscal year 2012, the Committee met regularly in executive session with its independent compensation consultant and without management present. The Chair of the Committee also met separately with the consultant, both with and without management present. The Committee has the authority to obtain independent advice and assistance from internal or external legal, accounting and other advisors, at Adobe’s expense. The Committee also discusses Mr. Narayan’s performance with the Board and remains solely responsible for making the final decisions on compensation for our executive officers, including our NEOs.

Executive Compensation Consultant

Since 2008, the Executive Compensation Committee has engaged Compensia, Inc. to advise it on executive compensation matters due to Compensia’s expertise in the software industry, its knowledge of our peer group, and its geographical proximity, enabling frequent in-person attendance at Committee meetings. Compensia provided the following services on behalf of the Committee during fiscal year 2012:

- reviewed and provided recommendations on the composition of our peer group, and provided compensation data relating to executives at the selected companies in our peer group;
- conducted a comprehensive review of the total compensation arrangements for all of our executive officers;
- provided advice on our executive officers’ compensation;
- assisted with executive equity program design, including analysis of equity mix, aggregate share usage and target grant levels;
- assisted with design changes for our fiscal year 2013 equity program and Executive Annual Incentive Plan;
- provided updates on NASDAQ listing standards, Say on Pay results, and Dodd-Frank regulatory developments;
- conducted a comprehensive review of compensation paid to the Board and provided recommendations to the Committee and the Board regarding future director pay structure;
- updated the Committee on emerging trends/best practices in the area of executive and board compensation; and
- reviewed the Compensation Discussion and Analysis for inclusion in the 2012 proxy statement.

The Committee conducted a formal review of Compensia’s independence and is satisfied with the qualifications, performance and independence of Compensia. Other than providing limited guidance to our Human Resources department regarding Adobe’s broad-based equity compensation design for all employees (as approved by the Committee), Compensia does not provide any other services to Adobe. Adobe pays for the cost for Compensia’s services.

Management

Our Human Resources, Finance and Legal departments work with our Chief Executive Officer and Compensia to design and develop new compensation programs applicable to our NEOs and other executive officers, to recommend changes to existing compensation programs, to recommend financial and other performance targets to be

achieved under those programs, to prepare analyses of financial data, to prepare peer group compensation comparisons and other committee briefing materials and, ultimately, to implement the decisions of the Committee. Members of these departments and our Chief Executive Officer also meet with Compensia separately from the Committee to convey information on proposals that management may make to the Committee, as well as to allow Compensia to collect information about Adobe to develop its own proposals.

In addition, our Chief Executive Officer conducted reviews of the performance and compensation of the other NEOs, and based on these reviews, made his recommendations for fiscal year 2012 target compensation levels (including adjustments to base salary and target cash and equity incentive levels) directly to the Committee. No NEO was present or participated in the final determinations or deliberations of the Committee regarding the amount of any component of his own fiscal year 2012 compensation package.

Comparative Framework

Adobe regularly reviews relevant market and industry practices on executive compensation. We do so to balance our need to compete for talent with the need to maintain a reasonable and responsible cost structure while aligning our executive officers' interests with those of our stockholders.

Peer Group

Each year, to assist the Committee in its deliberations on executive compensation, the Committee reviews and updates our peer group, as necessary, to ensure that the comparisons are meaningful. Compensia, using the Committee's criteria (described in the table below for fiscal year 2012), provides recommendations on the composition of our "peer group." Based on the factors described in the table below and management's input, for fiscal year 2012, Compensia recommended, and the Committee approved, removing McAfee, Inc. (due to its acquisition by Intel) from our peer group.

Peer Group

General Description	Criteria Considered	Peer Group List
High-technology companies at which our NEOs' positions would be analogous in scope and complexity, which operate in similar or related businesses to Adobe, and with which Adobe competes for talent	Companies with revenues less than \$10 billion and at least three of the following within 0.5x to 2.0x of Adobe's comparable metric (for quantitative criteria): (i) global multi-faceted software/internet company; (ii) revenue; (iii) profit margin; (iv) market capitalization; and (v) number of employees	Activision Blizzard, Inc. Autodesk, Inc. BMC Software, Inc. CA, Inc. Citrix Systems Inc. eBay, Inc. Electronic Arts Inc. Intuit, Inc. Juniper Networks, Inc. NetApp, Inc. NVIDIA Corporation salesforce.com, inc. Symantec Corporation VMWare, Inc. Yahoo! Inc.

Compensia then prepares a compensation analysis compiled from both executive compensation surveys and data gathered from publicly available information for our peer group companies. As this reported compensation data may be up to two fiscal years old (that is, it may reflect decisions made by peer companies 24 months before the Committee is making its decisions), Compensia adjusts the cash compensation data to bring it to presumed levels that our peer companies will be awarding for the coming year. For fiscal year 2012, Compensia adjusted the cash compensation data using an annualized factor of 3% based on industry surveys and market projection. The Committee uses this data to compare the current compensation of our NEOs to the peer group and to determine the relative market value for each NEO position, based on direct, quantitative comparisons of pay levels.

Elements of Compensation

Our Total Rewards Program includes base salary, an annual cash incentive opportunity, equity incentive awards and employee benefits, as well as potential benefits in connection with a change of control. Within the Total Rewards Program, the percentage of performance-based compensation, or “at-risk” pay, increases with job responsibility, reflecting our view of internal pay equity and the ability of a given employee to contribute to our results, and consistent with the practices of our peer group. At the executive officer level, we place the greatest emphasis on linking pay to performance, which also reinforces the alignment of the interests of these individuals with those of our stockholders. Under our Total Rewards Program, when results do not meet our expectations, our NEOs receive compensation that is below our target levels and may be below market in comparison to our peer group. Similarly, when superior results are achieved, our NEOs may receive compensation that is above our target levels and above market. For more information, see the section captioned “Realizable Pay” below.

Compensation Objectives

Compensation Element	Description	Objectives		
		Attract/Retain Key Performers	Reward Short-Term Performance	Reward Long-Term Performance
Base Salary	Base salary provides market competitive compensation in recognition of role and responsibilities.	✓		
Cash Incentives	Cash incentives are earned in full or in part only if (i) we achieve certain pre-established one-year company performance targets, (ii) the recipient achieves individual performance levels or objectives, and (iii) the recipient remains employed with Adobe for the performance period.	✓	✓	
Equity Incentives	Equity incentives are awarded upon hire and then typically annually thereafter. Awards vest over multiple years while also aligning employee interests with stockholder interests.	✓	✓	✓
Employee Benefits and Perquisites	Benefits programs for all Adobe employees provide protection for health, welfare and retirement.	✓		
Change of Control Benefits	Change of control benefits in the form of severance and accelerated vesting provide some certainty to executives so that they can remain focused on business operations and transactions that are in the best interests of our stockholders.	✓		

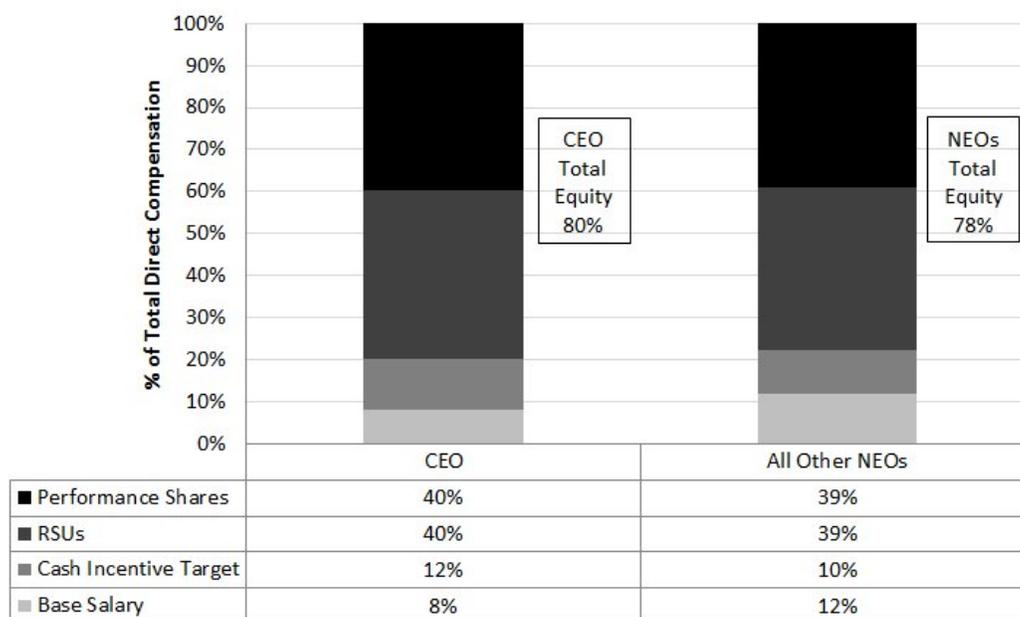
Competitive Positioning

The fiscal year 2012 target TDC for our NEOs was set by the Committee based predominantly on competitive pay practices, as reflected in the peer group data, with additional adjustments made based on an individual NEO’s importance to Adobe, tenure, company and individual performance, anticipated future contributions, internal pay equity and historical pay levels, as well as the level of unvested equity awards and opportunities that we believed were necessary to enable us to retain the NEO in light of potential competing offers from other companies. We also reviewed the positioning of the total target cash and equity elements of compensation, but these individual elements of NEO compensation may vary based on the importance of the other factors in any given year with respect to any given NEO. Because our fiscal year begins earlier than most of our peer companies, our target TDC attempts to foresee what the competitive compensation positioning for each role will be for the coming fiscal year.

Pay Mix

In setting the mix among the different elements of executive compensation, we do not target specific allocations, but generally weight target TDC more heavily toward performance-based compensation, both cash and equity. In determining base salary, cash incentive opportunity and equity incentives, the total target cash compensation opportunity (base salary and cash incentive opportunity) was weighted less than the total target equity compensation opportunity, to increase alignment with our stockholders' interests. The target compensation mix for our Chief Executive Officer and the average compensation mix for the other NEOs at target is illustrated in the following table:

Mr. Narayen's and Other NEOs' Target Pay Mix⁽¹⁾



- ⁽¹⁾ The mechanism for calculating the target equity award values is described in detail below under “Equity Incentives—Equity Compensation Mix.” The amounts shown for our other NEOs presents their average target pay mix.

These allocations reflect our belief that a significant portion of our NEOs' compensation should be performance based and therefore “at risk” based on company and individual performance, as well as NEO service requirements. Since our cash incentive opportunities and equity incentive awards have both upside opportunities and downside risks and our actual performance can deviate from the target goals, the amount of compensation actually earned will differ from the target allocations.

Base Salary

For fiscal year 2012, the Committee reviewed the base salaries of our NEOs, comparing these salaries to the base salary levels at the companies in our peer group, as well as considering the roles and responsibilities and potential performance of the NEOs and their positioning for other elements of their compensation. Following its review, the Committee did not increase the base salaries of any of our NEOs.

Fiscal Years 2011 and 2012 Base Salaries

<u>Name</u>	<u>2011 Salary (\$)</u>	<u>Increase (%)</u>	<u>2012 Salary⁽¹⁾ (\$)</u>
Shantanu Narayen	900,000	—	900,000
Mark Garrett.....	575,000	—	575,000
Kevin Lynch.....	500,000	—	500,000
Matthew Thompson	525,000	—	525,000
David Wadhvani.....	475,000	—	475,000

⁽¹⁾ Actual base salaries earned during the fiscal year are shown below in the “Fiscal Year 2012 Executive Bonus Plan Target Cash Incentives” table.

Cash Incentives

Annual Cash Incentive Plan

At the outset of 2012, the Committee approved the Fiscal Year 2012 Executive Annual Incentive Plan (the “Executive Bonus Plan”), which operates under the terms of a stockholder-approved Master Bonus Plan, to provide cash compensation opportunities to our NEOs based on the company’s achievement of pre-established performance goals. The Committee set threshold, target and maximum performance levels for these goals that were based on our Board-approved operating plan for fiscal year 2012

Target Annual Incentive Opportunity

The Committee set the target annual cash incentive opportunity for fiscal year 2012 (expressed as a percentage of base salary earned during the year) for each NEO in early fiscal year 2012. In setting the target levels, the Committee considered the positioning of the fiscal year 2012 target total cash opportunity against the peer group data provided by Compensia and internal pay equity. With regard to peer pay positioning, the Committee targeted our CEO’s compensation within the 50th to 75th percentile. With regard to internal pay equity, the Committee believes that the target annual cash incentive opportunity should make up a larger portion of an NEO’s target TDC and total target cash compensation as the executive’s level of responsibility increases.

Performance Measures

The Committee determined that, for purposes of earning any award in fiscal year 2012 under the Executive Bonus Plan for fiscal year 2012, we must have achieved:

- a threshold “GAAP Revenue” target funding level (described in the table below), before our NEOs could earn any annual cash incentive award; and
- separate “Adjusted Revenue” and “Adjusted Operating Profit” levels (also described in the table below) which determine the “Corporate Result Percentage.”

If we achieved the GAAP Revenue threshold, each participant would be eligible to earn a maximum benefit of 200% of such participant’s bonus target; the Executive Bonus Plan’s pre-approved matrix (an excerpt from which is included below) reflecting our percentage achievement of the Adjusted Revenue and Adjusted Operating Profit target levels would then be used to determine the Corporate Result Percentage (ranging from 0% for achievement of results at or below the minimum matrix funding levels to 200% for achievement of results well above the matrix target levels, as shown in the excerpt below). If the minimum threshold level for GAAP Revenue was not achieved, or the minimum funding levels of Adjusted Revenue or Adjusted Operating Profit were not achieved, however, our NEOs would earn no annual cash incentive awards under the Executive Bonus Plan.

Fiscal Year 2012 Executive Bonus Plan Measures

Measure and Required Minimum Threshold Achievement	Measure Definition	Threshold Level (\$)	Target (\$)	Actual Company Achievement against Target (%)
GAAP Revenue (threshold funding measure, as percentage of target) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">90%</div>	Board-approved operating plan GAAP revenue target, excluding the effects of any material acquisitions not incorporated into the operating plan	4.04 billion	—	✓
Adjusted Revenue (matrix funding measure, as percentage of target) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">90%</div>	GAAP Revenue target adjusted for shippable backlog	4.04 billion	4.49 billion	98%
Adjusted Operating Profit (matrix funding measure, as percentage of target) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">75%</div>	Board-approved operating plan non-GAAP operating profit target plus the operating profit associated with shippable backlog, and excluding the effects of any material acquisitions not incorporated into the operating plan and the expenses associated with any annual incentive plan payments (including the Executive Bonus Plan). Adobe's non-GAAP operating profit excludes stock-based and deferred compensation expense, restructuring charges, and amortization of purchased intangibles, technology license arrangements and incomplete technology.	1.68 billion	1.75 billion	96%

To illustrate how the Adjusted Revenue and Adjusted Operating Profit interrelate in determining the Corporate Result Percentage, an excerpt of the Corporate Result Percentage matrix is depicted below.

Executive Bonus Plan Matrix Excerpt *

		Corporate Result Percentage				
Adjusted Operating Profit	125%	166%	175%	183%	198%	200%
	110%	116%	125%	133%	148%	164%
	100%	83%	91%	100%	116%	132%
	90%	49%	58%	68%	84%	100%
	80%	16%	26%	36%	52%	68%
	75%	0%	10%	20%	36%	52%
		90%	95%	100%	105%	110%
		Adjusted Revenue				

* The complete matrix was included in Exhibit 10.4 to our Current Report on Form 8-K, filed with the SEC on January 26, 2012, which is incorporated herein by reference.

After determining the Corporate Result Percentage, the amount actually earned by each NEO was determined by multiplying each NEO's target cash incentive opportunity by the Corporate Result Percentage and his Individual Result Percentage, as follows:

Target Cash Incentive (\$)	X	Corporate Result (%)	X	Individual Result (%)	=	Actual Cash Incentive Payment (\$)
<i>Base salary earned during the year multiplied by applicable target cash incentive percentage</i>		<i>Determined based on the Corporate Result Percentage matrix illustrated above. The Corporate Result could not exceed 200%.</i>		<i>Based on (i) each NEO's achievement of individual goals (approved by the Executive Compensation Committee for the Chief Executive Officer and by the Chief Executive Officer for all other NEOs) tied to the internal operating plan and strategic objectives, and (ii) the individual's contributions toward the achievement of the Corporate Result in excess of 100%. The Individual Result could not exceed 100%, allowing for downward discretion if warranted.</i>		

This formula provides that our Executive Bonus Plan places maximum emphasis on the performance of the company as a whole and the achievement of key revenue and operating profit targets, while the inclusion of the Individual Result, specific to each NEO, maintains the flexibility to allow the Committee to adjust individual awards downward if warranted based on an executive's individual performance. If the Committee does not choose to exercise this downward discretion, the Individual Result will typically be set at 100 percent.

As noted above, the Individual Result percentage includes each NEO's achievement of individual goals, which the Committee established at the outset of fiscal 2012 and reviewed achievement of such individual goals for each NEO to determine the NEO's Individual Result percentage. For our CEO, these individual goals in fiscal 2012 included factors such as building stockholder value, ensuring leadership through innovation in digital media and digital marketing, driving strategic growth in digital media and digital marketing, transforming the perception of Adobe's brand, driving continuous improvement in customer satisfaction and retention, and cultivating employee and organizational success. The categories under which our CEO's goals were set are similar to the categories of the performance goals described below for our 2012 Performance Share Program. For our other NEOs, the individual goals in fiscal 2012 were specifically tailored to the functions led by each NEO and aligned to the achievement of our overall operating plan for the period. These included goals such as achieving our fiscal year 2012 operating plan for Mr. Garrett, driving successful launch and adoption of the Creative Cloud for Messrs. Wadhvani and Thompson, and driving product leadership in digital marketing and digital media for Mr. Lynch.

Fiscal Year 2012 Payouts

At the time the corporate and individual goals were set for fiscal year 2012, the Committee believed that the Executive Bonus Plan goals were achievable, but only with significant effort as the operating profit goal was set approximately equal to the strong result achieved in fiscal year 2011, and the revenue goals reflected a significant strategic transformation in Adobe's business from fiscal year 2011, as the company reduced its investment and targeted license revenue in certain enterprise solution product lines in order to align the business around the strategic digital marketing and digital media opportunities.

In fiscal year 2012 our NEOs successfully drove faster adoption of Creative Cloud subscriptions than originally projected at the beginning of the year when the Committee established the targets for determination of the Corporate Results Percentage. When an Adobe customer migrates from a legacy Creative Suite perpetual licensing product to a Creative Cloud subscription, revenue is recognized over time as opposed to at the time of purchase. The overachievement in subscriptions during the year effectively transitioned more perpetual revenue than expected to Creative Cloud subscriptions, resulting in a lower amount of Adjusted Revenue and Adjusted Operating Profit under the Executive Bonus Plan. If the perpetual license option had been selected instead of subscription for the number of

subscriptions by which the Company exceeded expectations, the Committee estimated that Adjusted Revenue and Adjusted Operating Profit would have resulted in a Corporate Result Percentage at 100% (see explanation below).

As shown in the “Fiscal Year 2012 Executive Bonus Plan Measures” table above, we exceeded our GAAP Revenue threshold level, although our corporate results were below our target financial metrics due to the factors discussed directly above. We achieved Adjusted Revenue of approximately \$4.403 billion (98% of target) and Adjusted Operating Profit of \$1.683 billion (96% of target). These results yielded a Corporate Result Percentage of 83%.

The Committee monitored each NEO’s progress toward their individual goals on a periodic basis during the year and measured total achievement at year end to qualitatively determine whether or not to exercise its negative discretion to reduce the Individual Result percentage of any of our NEOs. The Committee determined that our NEOs’ successfully driving the accelerated transformation of our business model to emphasize recurring revenue (including Creative Cloud) contributed significantly, individually and as a team, to the Company’s strong financial results, the overachievement of Creative Cloud subscriptions and momentum in digital marketing. In assessing each NEO’s Individual Result, the Committee considered each NEO’s performance against that NEO’s individual goals, particularly the NEO’s achievement of significant objectives working toward our long-term, transformative strategic plan, including the successful launch of Creative Cloud and 35% year-over-year growth of Adobe Marketing Cloud revenues. Therefore, the Committee determined not to exercise its negative discretion and assessed the Individual Result of all our NEOs at 100%, as shown in the “Fiscal Year 2012 Executive Bonus Plan Target Cash Incentives” table below.

The target annual cash incentive opportunity amounts and actual cash incentive earned under the Executive Bonus Plan for fiscal year 2012 for each NEO were as follows:

Fiscal Year 2012 Executive Bonus Plan Target Cash Incentives

Name	Salary⁽¹⁾ (\$)	Target Cash Incentive Percentage (%)	Target Cash Incentive⁽²⁾ (\$)	Corporate Result (%)	Actual Individual Result (%)	Actual Cash Incentive Earned (\$)
Shantanu Narayan.....	893,182	150	1,339,773	83	100	1,112,011
Mark Garrett.....	570,644	100	570,644	83	100	473,635
Kevin Lynch.....	496,212	75	372,159	83	100	308,892
Matthew Thompson.....	521,023	100	521,023	83	100	432,449
David Wadhvani.....	471,402	75	353,551	83	100	293,447

⁽¹⁾ Actual base salary earned during fiscal year 2012 shown.

⁽²⁾ Target cash incentive amount is calculated based on base salary amounts earned during the fiscal year.

Other Cash Incentives

The Committee retains authority to pay additional discretionary bonuses outside the Executive Bonus Plan if warranted. For fiscal year 2012, the Committee elected to award a one-time discretionary bonus to each of our NEOs in an amount equal to 17% of each NEO’s Target Cash Incentive under the 2012 Executive Bonus Plan as shown in the table set forth below. When combined with the actual cash incentive earned by each of the NEOs under the Executive Bonus Plan, the NEOs received a total cash payment equal to 100% of the target cash incentive shown in the table above under the Executive Bonus Plan.

As discussed above, the Committee determined that payment of total cash awards at 100% of the target cash incentive amount was merited as our NEOs successfully drove faster adoption of Creative Cloud subscriptions than originally projected at the beginning of the year when the Committee established the targets for determination of the Corporate Results Percentage. The overachievement in Creative Cloud subscriptions during the year effectively transitioned more perpetual revenue than expected to recurring revenue recognized ratably over the term of the license, resulting in both Adjusted Revenue and Adjusted Operating Profit that were lower than the levels targeted for 100%

payout under the Executive Bonus Plan. Accordingly, the Committee determined that the discretionary cash bonuses to bring total cash payments to approximately 100% of the target amount under the Executive Bonus Plan was appropriate to reward our NEOs for driving the accelerated transformation of our business toward Creative Cloud.

Other Cash Bonus Amounts Awarded:

	Cash Bonus Amount (\$)
Shantanu Narayen.....	\$227,761
Mark Garrett	\$97,009
Kevin Lynch	\$63,267
Matthew Thompson.....	\$88,574
David Wadhvani	\$60,104

Equity Incentives

Goals of Equity Compensation

We use equity compensation to motivate and reward strong corporate performance and to retain valued executive officers. We also use equity incentive awards as a means to attract and recruit qualified executives. We believe that equity awards serve to align the interests of our NEOs with those of our stockholders by rewarding them for stock price growth and the achievement of key operational goals. By having a significant percentage of our NEOs’ target TDC payable in the form of equity and, thus, subject to higher risk and longer vesting than cash compensation, our NEOs are motivated to take actions that will benefit Adobe and its stockholders in the long term.

Equity Compensation Mix

Each year, the Committee, with input from management, our Chief Executive Officer, legal counsel and Compensia, determines the mix of annual equity incentive awards. For fiscal year 2012, the Committee—based in part on feedback from our stockholder base—eliminated the granting of time-based stock options, which in fiscal year 2011 accounted for approximately 33% of equity compensation of our NEOs. Accordingly, for fiscal year 2012, the mix of equity incentive awards to our NEOs consisted of 50% performance shares and 50% time-based RSUs. The Committee determined that this mix of equity compensation would appropriately balance and meet our compensation objectives, as described in the table below. The Committee calculated the target values for equity to achieve this desired mix, based on a price of \$28.05 per share, the 30-day average of our stock price prior to January 15, 2012, the period just prior to the development of the equity compensation award recommendations. Based on this price per share, the total desired number of targeted shares was determined, was then rounded up to the nearest 5,000 shares and split equally between performance shares and time-based RSUs.

Fiscal Year 2012 Mix of Annual Equity Incentive Awards

Type of Equity/Fiscal Year 2012 Award Value Allocation Percentage	Description	Objectives/Dilutive Effect	Vesting⁽¹⁾
Performance Shares (50%)	Stock-settled awards subject to performance- and time-based vesting conditions; one-year performance period determines the total number of shares eligible to be earned, with significant benefits for overachievement and significant consequences for underachievement, including the potential for no award being earned; no purchase cost to executive, so awards always have value if earned	Focus NEOs on a three-year performance goal tied to long-term stockholder returns while also providing a strong retention incentive, requiring continuous employment to vest; provide significant incentive to grow our stock price	Vest 1/3 upon the later of certification of performance results or the first anniversary of the grant date; the remainder vest in equal annual installments over two additional years (reflecting the three-year strategic plan that the goals support)
RSUs (50%)	Stock-settled awards subject to time-based vesting conditions; no purchase cost to executive, so awards always have value	Provide a strong incentive for our NEOs to remain employed with us, as they require continuous employment while vesting; provide moderate reward for growth in our stock price; and use fewer shares than stock options, so less dilution	Vest in equal annual installments over a period of four years

⁽¹⁾ Our equity awards are also subject to certain acceleration provisions as described below under “Severance and Change of Control Compensation” below and “Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2012—Narrative Summary to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2012 Table—Effect of Retirement, Death and Disability on Equity Compensation Awards.”

Target Value and Award Determination

For fiscal year 2012, the Committee, with input from Compensia, management and our Chief Executive Officer, took a number of factors into account in determining the target value of the equity compensation opportunity for each of our NEOs. Among these factors were the desired peer group positioning, internal pay equity, individual performance of executives, employee retention and the other factors for determining compensation discussed under “Elements of Compensation” above. With regard to peer pay positioning, the Committee reviews the value of equity awards in the aggregate, because of the different mix of equity awards granted by our peers, and the aggregated manner in which this data is presented in the peer group surveys. The Committee set Mr. Narayan’s target equity opportunity for fiscal year 2012 at approximately the level of total equity compensation for fiscal year 2011 as disclosed in our Summary Compensation Table. For fiscal year 2012, the Committee: increased equity award targets for Messrs. Garrett and Thompson on account of their consistent high performance and in order to align their equity compensation with competitive market practices, based on blended peer company data provided by Compensia using proxy filings and Radford salary surveys; and increased the equity award target for Mr. Wadhvani on account of his increased scope of responsibilities in managing our Digital Media business unit, including his management of the transition toward a subscription model in connection with the launch of Creative Cloud in 2012. The equity award target for Mr. Lynch decreased from fiscal year 2011 due to the retention award granted to him in fiscal year 2011 on account of his significant contributions to the definition, development and execution of our Creative Cloud strategy. As with cash incentives, the Committee believes that the target equity incentive compensation opportunity should make up a greater portion of an NEO’s potential TDC as the individual’s level of responsibility increases.

The following table sets forth the total target value determined by the Committee, and the resulting number of performance shares (target, maximum and earned) and RSUs granted to each of our NEOs at the outset of fiscal year 2012.

Equity Awards Granted by the Committee at the outset of Fiscal Year 2012

<u>Name</u>	<u>Performance Share Program</u>				<u>Total Target Value of Equity Award (\$)</u>
	<u>Target Award (#)</u>	<u>Maximum Award⁽¹⁾ (#)</u>	<u>Actual Achievement⁽¹⁾ (#)</u>	<u>RSUs Award(s) (#)</u>	
Shantanu Narayen.....	157,500	200,000	182,700	157,500	8,700,000
Mark Garrett.....	62,500	93,750	72,500	62,500	3,500,000 ⁽²⁾
Kevin Lynch.....	62,500	93,750	72,500	62,500	3,500,000
Matthew Thompson.....	62,500	93,750	72,500	62,500	3,500,000
David Wadhvani.....	55,000	82,500	63,800	55,000	3,000,000

⁽¹⁾ The maximum number was granted (generally 150% of the target award), but that maximum number was reduced to 116%, which was the overall achievement of the other performance goals (the GAAP Revenue funding threshold measure was achieved) that was certified by the Committee.

⁽²⁾ This number represents the target value of Mark Garrett’s RSU awards set by the Committee in January 2012.

In August 2012 Mr. Garrett was additionally granted a one-time retention award of 225,000 RSUs, which had a \$7.0 million target value at the time of grant by the Committee. As we have previously disclosed, the Committee evaluates the levels of compensation for our NEOs and determines, based on the competitive landscape in which we operate and the specific talents and abilities of our NEOs, the levels of equity that are necessary in order to retain them as they are directly responsible for Adobe’s strategic business transformation and because their skills are in high demand in the market. Mr. Garrett is central to the execution of our strategy given his key role as our Executive Vice President and Chief Financial Officer. In response to Mr. Garrett receiving a competitive offer for his services, the Committee granted him a one-time retention RSU award on August 16, 2012 in order to ensure his retention and motivation throughout the implementation of this strategy. The details of this grant are included in “Executive Compensation—Summary Compensation Table.”

2012 Performance Share Program

The Committee established a Performance Share Program for fiscal year 2012 (the “2012 Program”), which was subject to the terms of our Adobe Systems Incorporated 2003 Equity Incentive Plan (the “2003 Plan”). Our Performance Share Program combined company-wide financial metrics and qualitative goals established by the Committee at the beginning of the performance period (see “Performance Goals” below). This program provided incentives to our NEOs to continue to build long-term stockholder value while also motivating them to achieve various strategic and operational priorities. Moreover, any performance shares earned by our NEOs under the 2012 Program vest annually over three years and will only be awarded if an NEO remains providing service to Adobe (or an affiliate) at an applicable vesting date, providing long-term retention value to the company.

In order for our 2012 Program to have awarded any shares, Adobe must have achieved a minimum threshold percentage of 80% of the GAAP Revenue target for fiscal year 2012 set forth in the company’s 2012 operating plan. This measure of GAAP Revenue used the same definition as described above in the table “Fiscal Year 2012 Executive Bonus Plan Measures.” The Committee believed this was a key minimum hurdle to ensure that threshold financial results were achieved before any shares could be earned under the Performance Share Program. If the threshold revenue goal was not achieved, no performance shares would have been earned under the program.

The six sets of performance goals were established and measured by the Committee. The performance goals had weightings ranging from 10% to 25%, as described in further detail below, and the achievement percentage for each performance goal was capped at 150%. The actual award earned was based on the aggregate performance goal achievement percentage resulting from aggregating the achievement levels for each of the six performance goals. If the company met the minimum threshold goal, then the Committee would determine the aggregate performance goal

achievement percentage and calculate the actual awards under our Performance Share Program based on the following formula:

$$\text{Number of Performance Shares in Target Award} \times \text{Performance Goal Achievement \%} = \text{Actual Performance Shares}$$

Any partial share was rounded up to the next whole share, but in no event would such rounding result in an actual award greater than the maximum award of 150% of the target.

Performance Goals

Because the company's GAAP Revenue threshold is not the only measure of performance that the Committee felt should determine compensation under the 2012 Program, the Committee determined that, if the minimum threshold was met, performance share awards would be determined based on the achievement of key strategic and operational priorities that would drive Adobe's long-term success and business transition. These performance goals for the 2012 Program resulted in key operational and strategic incentives that complemented the financial objectives selected under our cash program. Under the 2012 Program, if the GAAP Revenue threshold funding measure of \$3.592 billion was met, the actual number of shares to be earned under the 2012 Program would then be calculated based on the Committee's assessment of the company's achievement of the six categories of performance goals set forth in the table below, according to each category's individual weight.

In order to focus our NEOs on building stockholder value, the Committee added to our 2012 Program a new requirement that 20% of performance share awards would be earned based upon a relative TSR measure. Under this new requirement, the Committee assessed the TSR of our common stock as compared against the TSR of the NASDAQ 100 Index during the course of our 2012 fiscal year to determine 20% of the total performance share opportunity.

The table below describes the six performance goal categories, key accomplishments under each, their respective weights and the Committee’s assessment of their achievement following our 2012 fiscal year:

Other Performance Goals				
Category	Objective	Key Accomplishments	Objective Weight %	Achievement %
Stockholders	Build shareholder value through overall company performance	Total return to our stockholders of 19.9% during fiscal year 2012, relative to the NASDAQ 100 Index stockholder return of 15.3%	20%	109%
Innovation	Ensure leadership through innovation in Digital Media & Digital Marketing	Launching the groundbreaking Creative Cloud and Creative Suite 6 release, as well as Adobe Marketing Cloud, combining 30 point products into five simple solutions. Additional launches and product innovations include Adobe Social, Adobe AdLens and Project Primetime	25%	110%
Growth	Drive strategic growth in Digital Media & Digital Marketing	Achieving approximately 326,000 Creative Cloud paid memberships, 157% of targeted rates in Board-approved operating plan. Delivering 35% year-over-year revenue growth in digital marketing. Outstanding growth in our Digital Publishing Suite and Adobe CQ businesses, ahead of forecasted growth rates	25%	135%

Other Performance Goals

Brand	Transform perception of Adobe brand	Major campaigns developed and executed to reposition Adobe, with an emphasis on digital marketing. Positive response from social and public relations campaigns. Significant improvement of brand metrics	10%	130%
Customers	Drive continuous improvement in customer satisfaction	96% average attainment across four key metrics for individual customer satisfaction, Adobe.com customer satisfaction, digital marketing retention and support customer satisfaction. 100% internal participation in customer immersion program	10%	99%
Employees	Cultivate employee and organizational success	Completed 100% of objectives related to internal hiring, key talent retention, performance management and workforce planning	10%	99%
Overall Achievement:				116%

2012 Results

In fiscal year 2012, Adobe achieved \$4.403 billion in GAAP Revenue, satisfying the minimum threshold under the 2012 Program, so the performance share awards were fully funded. The Committee assessed that the company achieved the strategic goals at the levels of achievement set forth in the table above in the course of a strong year in which our business successfully navigated a strategic transformation. The Committee assessed an Overall Achievement of the performance goals of 116%, based on the individual achievement percentages indicated above, and therefore awarded performance shares under our 2012 Program to each NEO equal to 116% of such NEO's target number of shares. The threshold, target, and maximum awards for our NEOs are set forth in the "Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2012" table.

For more information on performance shares granted during fiscal year 2012, see the "Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2012" table and accompanying narrative.

2012 RSU Program

Recognizing that a substantial portion of our NEOs' compensation is performance based, and therefore inherently at risk, the Committee granted time-based restricted stock units (RSUs) to our NEOs in order to promote retention and continuity in our business. These time-based RSUs are stock-settled awards subject to vesting at a rate of 25% per year on each of the first four anniversaries of the grant date, subject to the NEO's continued service to Adobe.

Accordingly, our RSU program provides our NEOs with strong incentives to remain employed by Adobe, while providing additional rewards for growth in our stock price with less dilution to the company than time-based stock options, which were not granted by Adobe to any executive officer in fiscal year 2012.

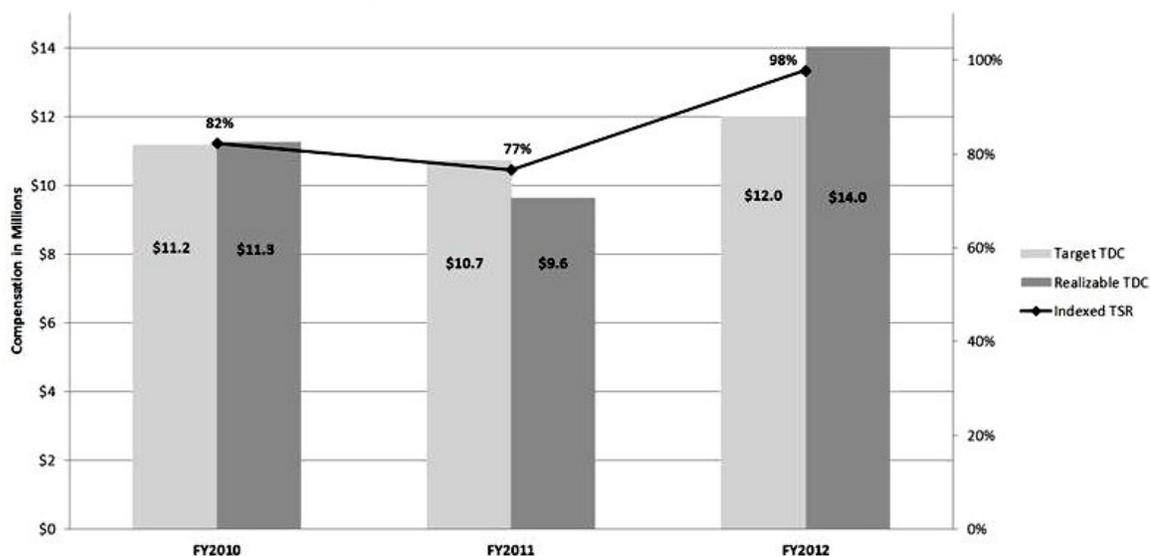
Realizable Pay

Realizable pay reflects the real value of equity awards and increases or decreases with fluctuations in market value. When determining the annual equity grants to our executives in January of each year, the Committee believes it is important to take into account not only the grant date values included in our Summary Compensation Table, but also to consider the effect of the value of our stock on those awards at the end of our fiscal year.

Given that approximately 80 percent of our CEO’s and other NEOs’ target pay is equity based, we consider it especially important to focus on realizable pay when evaluating pay for performance. Stock options awarded in previous years that are “out of the money” may expire without any realized value or dilutive effect to the company. In addition, other stock-based awards may have realizable value that is less than was targeted at the time of grant. Accordingly, a significant portion of our NEOs’ TDC is closely linked to the performance of Adobe’s stock over time.

The following chart demonstrates the relationship between the target and realizable values of our CEO’s total direct compensation and Adobe’s indexed TSR for fiscal years 2010, 2011 and 2012:

CEO Target and Realizable TDC vs. Indexed TSR



Target TDC: Target TDC is calculated using our CEO’s target base salary as disclosed in the “Fiscal Years 2011 and 2012 Base Salaries” table (or, in the case of fiscal year 2010, in our definitive proxy statement dated March 1, 2012), the non-equity incentive target value multiplies the target base salary by the Target Cash Incentive % in the “Fiscal Year 2012 Executive Bonus Plan Target Cash Incentives” table, and equity award target values as disclosed in the “Summary Compensation Table” using grant date value. No target value for All Other Compensation is included.

Realizable TDC: Realizable TDC is calculated using our CEO’s actual earned base salary, bonus, non-equity incentive plan compensation, and all other compensation as disclosed in the “Summary Compensation Table,” and equity award values of all restricted stock units and performance shares granted in each year multiplied by the stock price on the last day of fiscal year 2012 of \$34.61, and in the case of stock options the paper value of all vested and unvested awards granted in each year calculated by subtracting the exercise price from the stock price on the last day of fiscal year 2012 of \$34.61.

Indexed TSR: Indexed TSR is calculated by taking the stock price on the last day of fiscal years 2010, 2011, and 2012 of \$29.14, \$27.11, and \$34.61 respectively, and dividing each by the stock price on the last day of fiscal year 2009 of \$35.38.

Retirement and Deferred Compensation Plan Benefits

We do not provide our employees, including our NEOs, with a defined benefit pension plan, any supplemental executive retirement plans or retiree health benefits, except as required by local law or custom for employees outside the United States. Our NEOs may participate on the same basis as other U.S. employees in our Section 401(k) Retirement Savings Plan (the “401(k) Plan”). The 401(k) Plan provides for a matching contribution by Adobe of 50% of the first 6% of the employee’s eligible compensation up to a maximum matching cash contribution of \$7,500 for the 2012 plan year. We also provide a “true-up” for participants who did not receive their maximum matching contribution during a 401(k) Plan year as a result of meeting their contribution limits early in the year. Adobe makes a matching contribution to help attract and retain employees and to provide an additional incentive for our employees to save for their retirement in a tax-advantaged manner.

We also maintain an unfunded, nonqualified deferred compensation plan (the “Deferred Compensation Plan”) for our executives and our Board. The Deferred Compensation Plan allows executives at the director level and above, including our NEOs, the ability to defer receipt of income to a later date, which may be an attractive tax planning opportunity. We offer this Deferred Compensation Plan to remain attractive to current and potential NEOs in a highly competitive market for executive talent. We generally do not contribute to the Deferred Compensation Plan on behalf of the participants; therefore, our cost to maintain the Deferred Compensation Plan is limited to administration expenses, which are minimal. No NEOs participated in or had an accrued balance under the Deferred Compensation Plan in fiscal year 2012.

Perquisites and Additional Benefits and Programs

We provide limited perquisites to our executives, including our NEOs. In considering potential perquisites, the Committee considers the cost to Adobe as compared to the perceived value to our employees. We offer our executives at the director level and above, including our NEOs, an annual physical exam paid for by us. We believe that the good health of our executives is important to our business.

In addition, we maintain a limited membership in a Marquis Jet Card Program. Our policy related to this program, adopted to allow for efficient travel by the participating executive officers, allows our Chief Executive Officer the use of a private jet for business travel only. Other executive officers and employees may accompany our Chief Executive Officer only if required for business purposes, and none of our executives or employees are permitted to use our private jet program for personal or other non-business-related travel. Our policy allows family members to accompany a participating executive during business travel, if related costs for the family members are paid for by the executive officer. No family members accompanied our executive officers on the aircraft during fiscal year 2012.

We also provide the following benefits to our NEOs, on the same terms and conditions as provided to all other eligible employees:

- health, dental and vision insurance;
- life insurance;
- an Employee Stock Purchase Plan;
- medical and dependent care flexible spending account;
- short- and long-term disability, accidental death and dismemberment; and
- patent award program (cash awards made to any employee, including an NEO, who is an inventor of, or a direct manager of an inventor of, an Adobe patent that is filed with the U.S. Patent and Trademark Office, with a further award if the patent is issued).

We believe these benefits are consistent with benefits provided by companies with which we compete for executive-level talent.

Granting Guidelines for Equity Compensation

Adobe maintains written equity grant guidelines setting forth our grant practices and procedures for all equity awards, as described below under “Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2012—Narrative Summary to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2012 Table—Granting Guidelines for Equity Compensation.”

Ownership Guidelines and Policies

Stock Ownership Guidelines

As part of our overall corporate governance and compensation practices, in 2003, our Board adopted stock ownership guidelines for our executive officers and directors, which the Committee reviews annually. These guidelines are designed to align our executive officers’ interests with our stockholders’ long-term interests by promoting long-term share ownership, which reduces the incentive for excessive short-term risk taking. The Committee reviews quarterly reports of the stock activity of our executive officers and directors. As of November 30, 2012, each of our NEOs was in compliance with the applicable guidelines. The guidelines currently state that the executives in the following positions should hold 25% of the net shares acquired from Adobe for two years unless, following the sale of such shares, the total number of Adobe shares held by that executive equals or exceeds the following amounts:

<u>Position</u>	<u>Shares (#)</u>
Chief Executive Officer.....	150,000
President, Executive Vice President or Chief Financial Officer.....	50,000
Senior Vice President.....	25,000

For purposes of these guidelines, an “acquired share” includes shares of vested restricted stock, RSUs, performance shares, performance units and shares issued upon the exercise of vested options. “Net shares acquired” means acquired shares remaining after deducting acquired shares sold to cover the exercise price and withheld taxes, and excluding shares acquired through our Employee Stock Purchase Plan. Shares that count toward the minimum share ownership include shares owned outright or beneficially owned, shares acquired through the Employee Stock Purchase Plan, vested restricted stock, vested RSUs, performance shares and performance units in our Deferred Compensation Plan, and shares issued from the exercise of vested options.

Our Board may evaluate whether exceptions should be made in the case of any covered person who, due to his or her unique financial circumstances, would incur a hardship by complying with these guidelines. No such exceptions were granted or were in place in fiscal year 2012 and all directors and officers were in compliance with the guidelines during fiscal year 2012.

Hedging Policy

Our policies explicitly prohibit any employees, including our NEOs, from “hedging” their ownership by engaging in short sales or trading in any derivatives involving Adobe securities.

Employment Agreements

Each of our NEOs is employed “at will.” Except in limited circumstances, such as when an employment agreement that provides for severance is assumed or renegotiated as part of a corporate transaction, we only enter into agreements providing for severance benefits with our U.S. executive officers in relation to a change of control of Adobe or an executive transition plan.

Severance and Change of Control Compensation

Each of our NEOs is, or could be, an eligible participant in our Executive Severance Plan for Prior Participants in the Event of a Change of Control (the “Prior Participant Change of Control Plan”), which provides for severance payments and fully accelerated vesting of outstanding equity awards to our NEOs and other members of

senior management upon an involuntary termination of employment upon or following a qualifying change of control. The Prior Participant Change of Control Plan replaces the former executive change of control severance plan (the “Former Plan”), which expired in December 2011, for all employees who were eligible under the Former Plan upon its expiration, on substantially the same terms as the Former Plan. We also adopted a change of control severance plan for members of senior management who were not eligible under the Former Plan upon its expiration, but all of our NEOs were eligible and therefore would be covered by the Prior Participant Change of Control Plan. The Committee believes that change of control vesting and severance benefits, if structured appropriately, serve to minimize the distraction caused by a potential transaction and reduce the risk that an executive departs Adobe before an acquisition is consummated. We believe that a pre-existing plan will allow our executives to focus on continuing normal business operations and on the success of a potential business combination, rather than on seeking alternative employment. We further believe that the two plans ensure stability and will enable our executives to maintain a balanced perspective in making overall business decisions during a potentially uncertain period. Severance payments and benefits under both plans are provided only upon a qualifying termination of employment upon or following a change of control so that an acquirer that wishes to retain our management team during a transition period or over the long term will have an opportunity to do so.

We have also entered into a Retention Agreement with Mr. Narayan (unchanged since December 2010), which provides similar benefits but does not require termination of his employment in order for him to receive the equity acceleration, as described below under “Executive Compensation—Change of Control—Chief Executive Officer Retention Agreement.”

The two change of control plans and the individual Retention Agreement with Mr. Narayan do not provide for reimbursements or “gross-ups” of excise tax amounts under Section 4999 of the Code. Rather, under all of these arrangements, benefits would be reduced if doing so would result in a better after-tax economic position for the affected executive. We believe this is an appropriate allocation of the tax cost of these arrangements between Adobe and the executive and is consistent with market practice.

Our change of control arrangements are designed to be competitive with the pay practices of our peer group. The Committee periodically reviews the terms and conditions of our change of control arrangements and will make adjustments when and to the extent it deems appropriate. The Committee approved the Prior Participant Change of Control Plan effective as of December 13, 2011 upon the automatic expiration of the Former Plan on December 12, 2011. The Prior Participant Change of Control Plan will expire on December 13, 2014.

Additional details regarding our Prior Participant Change of Control Plan, the Former Plan, and the individual Retention Agreement with Mr. Narayan, including estimates of amounts payable in specified circumstances as of the last day of fiscal year 2012, are disclosed in the “Executive Compensation—Change of Control—Potential Payments upon Termination and/or a Change of Control” table contained in this proxy statement.

Tax Considerations and Compensation Recovery Policies

Tax Deductibility

Section 162(m) of the Code generally disallows a tax deduction to public corporations for compensation greater than \$1 million paid for any fiscal year to the corporation’s Chief Executive Officer and the three other most highly compensated executive officers as of the end of any fiscal year, other than the Chief Financial Officer. However, certain types of performance-based compensation are excluded from the \$1 million deduction limit if specific requirements are met. The Committee considers the impact of Section 162(m) when designing our executive compensation program and structured our Executive Bonus Plan, stock plans and performance share programs so that a number of awards would be granted under these plans and programs in a manner that complies with the requirements imposed by Section 162(m). Tax deductibility is not the primary factor used by the Committee in setting compensation, however, and corporate objectives may not necessarily align with the requirements for full deductibility under Section 162(m). For instance, in paying the discretionary bonuses described under “Other Cash Incentives,” Adobe will not treat any portion of those bonuses, or the incentive payments under the Executive Bonus Plan, as “performance-based compensation” for purposes of determining whether the Section 162(m) deductibility limits have been exceeded. We estimate that we will incur an additional tax cost of approximately \$1,100,000 as a result. In addition, the Committee has granted and may continue to grant awards, such as time-based RSU awards and the one-time cash awards granted this year as described above, under which payments may not be deductible under Section 162(m) when it determines that such non-deductible arrangements are otherwise in the best interests of Adobe and its stockholders.

Compensation Recovery Policies

As a public company subject to Section 304 of the Sarbanes-Oxley Act of 2002, if we are required to restate our financial results as the result of misconduct or due to our material noncompliance with any financial reporting requirements under the federal securities laws, our chief executive officer and chief financial officer may be legally required to reimburse us for any bonus or incentive-based or equity-based compensation they receive. In addition, we will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and anticipate that we will adopt a compensation recovery policy once final regulations on the subject have been adopted. Our fiscal year 2013 compensation plans explicitly provide for any such required recovery.

REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE*

The Executive Compensation Committee has reviewed and discussed with management the “Compensation Discussion and Analysis” contained in this proxy statement. Based on this review and discussion, the Executive Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012 and in this proxy statement.

Respectfully submitted,

EXECUTIVE COMPENSATION COMMITTEE

Daniel Rosensweig, Chair

Amy Banse

Kelly Barlow

Edward W. Barnholt

Robert Sedgewick

* *The material in this report is not “soliciting material,” is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of Adobe under the Securities Act of 1933 or the Securities Exchange Act of 1934, except our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information regarding the compensation for services performed during fiscal years 2012, 2011 and 2010 awarded to, paid to or earned by the NEOs, which include (i) our Chief Executive Officer, (ii) our Chief Financial Officer and (iii) our three other most highly compensated executive officers, as determined by reference to total compensation for fiscal year 2012, who were serving as executive officers at the end of fiscal year 2012.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards ⁽¹⁾ (\$)	Option Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽³⁾ (\$)	All Other Compensation ⁽⁴⁾ (\$)	Total (\$)
Shantanu Narayen.....	2012	893,182	227,761 ⁽⁵⁾	9,749,250	—	1,112,011	30,747	12,012,951
President and Chief Executive Officer	2011	896,434	—	6,295,550	2,403,773	1,198,980	30,373	10,825,110
	2010	909,583	—	6,490,400	2,660,286	2,160,259	7,686	12,228,214
Mark Garrett	2012	570,644	97,009 ⁽⁵⁾	11,440,000 ⁽⁶⁾	—	473,635	7,782	12,589,070
Executive Vice President and Chief Financial Officer	2011	568,844	—	2,007,770	777,691	608,663	9,180	3,972,148
	2010	551,641	—	2,835,280	449,497	1,048,117	7,938	4,892,473
Kevin Lynch	2012	496,212	63,267 ⁽⁵⁾	3,868,750	—	308,892	11,247	4,748,368
Executive Vice President, Chief Technology Officer	2011	488,711	25,000 ⁽⁷⁾	3,232,850	1,246,073	392,191	42,020	5,426,845
	2010	443,529	—	2,835,280	449,497	625,209	9,354	4,362,869
Matthew Thompson...	2012	521,023	88,574 ⁽⁵⁾	3,868,750	—	432,449	29,427	4,940,223
Executive Vice President, Worldwide Field Operations	2011	519,042	—	1,803,590	680,480	555,375	27,992	3,586,479
	2010	499,252	—	2,698,640	394,456	948,578	7,938	4,548,864
David Wadhvani ⁽⁸⁾	2012	471,402	60,104 ⁽⁵⁾	3,404,500	—	293,447	8,967	4,238,420
Senior Vice President, Digital Media Business Unit	2011	457,605	—	1,803,590	680,480	364,116	8,312	3,314,103

⁽¹⁾ These amounts do not reflect the actual economic value realized by the NEO. In accordance with SEC rules, this column represents the grant date fair value of performance shares, assuming the probable outcome of related performance conditions at target levels, and RSUs. Pursuant to SEC rules, the amounts shown disregard the impact of estimated forfeitures. For reference, the grant date fair value for the performance share awards, assuming the highest level of achievement had been met, is as follows:

Name	2012 (\$)	2011 (\$)	2010 (\$)
Shantanu Narayen	6,190,000	4,645,095	4,867,800
Mark Garrett.....	2,901,563	1,480,305	819,840
Kevin Lynch.....	2,901,563	2,399,115	819,840
Matthew Thompson	2,901,563	1,327,170	717,360
David Wadhvani.....	2,553,375	1,327,170	*

* Not applicable. See footnote 8 below.

No stock awards reflected in this table were forfeited by any of our NEOs. For additional information on the valuation assumptions, see Part II, Item 8 “Financial Statements and Supplementary Data” of our 2012 Annual Report on Form 10-K and the Notes to Consolidated Financial Statements at Note 12, “Stock-based Compensation.”

- (2) No option awards were granted in fiscal year 2012 pursuant to the Committee’s actions to eliminate the use of stock options for all employees.

Prior year amounts do not reflect the actual economic value realized by the NEO. In accordance with SEC rules, this column represents the grant date fair value of stock options, in accordance with applicable accounting guidance related to stock-based compensation. Pursuant to SEC rules, the amounts shown disregard the impact of estimated forfeitures related to service-based vesting conditions. No stock options reflected in this table were forfeited by any of our NEOs. For additional information on the valuation assumptions, see Part II, Item 8 “Financial Statements and Supplementary Data” of our 2011 Annual Report on Form 10-K and the Notes to Consolidated Financial Statements at Note 12, “Stock-based Compensation.”

- (3) These amounts consist solely of amounts earned under the Executive Bonus Plan, and equivalent predecessor plans, each of which is a cash bonus plan adopted under our Master Bonus Plan and its predecessor. Amounts earned under the Executive Bonus Plan are payable in the subsequent fiscal year.
- (4) These amounts for fiscal year 2012 include matching contributions under Adobe’s 401(k) Plan (including an additional matching contribution made by Adobe early in the applicable fiscal year to eligible participants who did not previously receive the maximum matching contribution during the prior 401(k) Plan year), and life insurance premiums for all NEOs. In addition, for Mr. Narayen, Mr. Lynch, and Mr. Wadhvani, the amounts include the cost of an executive physical; for Mr. Narayen and Mr. Thompson, they include the taxable value of the Platinum Club trip for the NEO and his spouse (\$20,918 for Mr. Narayen and \$21,762 for Mr. Thompson).
- (5) One-time bonus awarded by the Committee in an amount equal to 17% of each NEO’s Target Cash Incentive under the 2012 Executive Bonus Plan as described above in “Compensation Discussion and Analysis—Cash Incentives—Other Cash Incentives.”
- (6) Includes a one-time retention award of 225,000 RSUs, which had a \$7.0 million target value at the time of grant by the Committee. As discussed above in “Compensation Discussion and Analysis—Equity Incentives,” this one-time retention award was granted by the Committee on August 16, 2012 in response to Mr. Garrett receiving a competitive offer for his services.
- (7) Special recognition bonus awarded by our Chief Executive Officer in recognition of Mr. Lynch’s extended assignment in Hamburg, Germany.
- (8) Mr. Wadhvani was not a named executive officer in fiscal year 2010.

Grants of Plan-Based Awards in Fiscal Year 2012

The following table shows all plan-based awards granted to the NEOs during fiscal year 2012. The equity awards granted in fiscal year 2012 identified in the table below are also reported in “Outstanding Equity Awards at 2012 Fiscal Year End.” For additional information regarding incentive plan awards, please refer to the cash incentives and equity incentives sections of our “Compensation Discussion and Analysis.”

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options ^(#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Shantanu Narayen	—	—	1,339,773	2,679,545	—	—	—	—	—	—	—
	1/24/2012	—	—	—	—	157,500	200,000	—	—	—	4,874,625 ⁽⁵⁾
	1/24/2012	—	—	—	—	—	—	157,500	—	—	4,874,625
Mark Garrett..	—	—	570,644	1,141,288	—	—	—	—	—	—	—
	1/24/2012	—	—	—	—	62,500	93,750	—	—	—	1,934,375 ⁽⁵⁾
	1/24/2012	—	—	—	—	—	—	62,500	—	—	1,934,375
Kevin Lynch..	8/16/2012	—	—	—	—	—	—	225,000	—	—	7,571,250
	1/24/2012	—	—	—	—	62,500	93,750	—	—	—	1,934,375 ⁽⁵⁾
	1/24/2012	—	—	—	—	—	—	62,500	—	—	1,934,375
Matthew Thompson ...	—	—	521,023	1,042,045	—	—	—	—	—	—	—
	1/24/2012	—	—	—	—	62,500	93,750	—	—	—	1,934,375 ⁽⁵⁾
	1/24/2012	—	—	—	—	—	—	62,500	—	—	1,934,375
David Wadhvani.....	—	—	353,551	707,102	—	—	—	—	—	—	—
	1/24/2012	—	—	—	—	55,000	82,500	—	—	—	1,702,250 ⁽⁵⁾
	1/24/2012	—	—	—	—	—	—	55,000	—	—	1,702,250

(1) These columns represent awards granted under our Executive Bonus Plan for performance in fiscal year 2012. These columns show the awards that were possible at the threshold, target and maximum levels of performance. Minimum performance under the Executive Bonus Plan could have resulted in a threshold amount equal to \$0. Actual cash incentive awards earned in fiscal year 2012 by the NEOs under the Executive Bonus Plan are shown in the column titled “Non-Equity Incentive Plan Compensation” in the “Summary Compensation Table.”

(2) These columns represent awards granted under our 2012 Performance Share Program, which was adopted under our 2003 Plan, for performance in fiscal year 2012. These columns show the awards that were possible at the threshold, target and maximum levels of performance. The Committee had full discretion not to award shares under the 2012 Performance Share Program regardless of the performance level achieved, and, as a result, the threshold amount could have equaled zero shares. Actual awards earned in fiscal year 2012 by the NEOs under this program are shown in the table “Equity Awards Granted by the Committee at the outset of Fiscal Year 2012” in the “Compensation Discussion and Analysis.”

(3) This column represents awards of RSUs granted under our 2003 Plan.

(4) These amounts do not reflect the actual economic value realized by the NEO. In accordance with SEC rules, this column represents the grant date fair value of each equity award. For additional information on the valuation assumptions, see Part II, Item 8 “Financial Statements and Supplementary Data” of our 2012

Annual Report on Form 10-K and the Notes to Consolidated Financial Statements at Note 12, “Stock-based Compensation.”

- (5) The grant date fair value included in this column for awards granted under our 2012 Performance Share Program is based on the target award amount listed in this table, as this amount was estimated to be the probable outcome of the performance conditions associated with these grants determined as of the grant date, excluding the effect of estimated forfeitures. See footnote 1 to the “Summary Compensation Table” for more information regarding the grant date fair value for these awards at the maximum payout levels.

Narrative Summary to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2012 Table

The material terms of the NEOs’ annual compensation, including base salaries, the Executive Bonus Plan (which is a cash plan adopted under our Master Bonus Plan), the performance share program, and the explanations of the amounts of salary, cash incentives and equity values in proportion to total compensation are described under “Compensation Discussion and Analysis” in this proxy statement. Our equity award granting practices are described below and our severance benefits are described under “Change of Control” in this proxy statement. None of our NEOs have entered into a written employment agreement with Adobe.

As discussed in greater detail in “Compensation Discussion and Analysis,” the fiscal year 2012 non-equity incentive awards were granted pursuant to the Executive Bonus Plan, with amounts earned based on the achievement of certain financial targets as well as individual performance goals applicable to each respective NEO. Cash incentives were fully vested when earned.

As discussed in greater detail in “Compensation Discussion and Analysis,” the fiscal year 2012 performance share awards were granted in the form of stock-settled RSUs subject to the terms of our 2012 Performance Share Program. Awards earned under the 2012 Performance Share Program were determined based on the results achieved during the one-year performance period, as certified by the Committee. Each NEO was granted an award for the maximum number of shares that he could earn based on the maximum achievement of the pre-established performance goals, with the actual award earned subject to a reduction from the maximum award based on actual achievement of the other performance goals. The first 1/3 of the shares earned vested on the first anniversary of the grant date, and the remaining 2/3 of the shares earned is subject to equal annual time-based vesting over the two years after the first anniversary of the grant date, contingent upon the NEO’s continued service to Adobe.

The RSUs granted pursuant to our 2003 Plan vest over four years with 25% vesting on each anniversary of the grant date. There is no purchase price associated with performance share or RSU awards. We did not pay dividends on our common stock during fiscal year 2012.

Granting Guidelines for Equity Compensation

Adobe has adopted written guidelines setting forth our grant practices and procedures for all equity awards. Pursuant to these guidelines:

- the effective grant date for our annual equity awards granted to our employees, including the NEOs, is January 24 of each year, or the first trading day thereafter, unless another date is approved and documented by the Committee;
- the effective grant date for executive officer new hire RSU and performance share awards is the executive officer’s hire date, unless the performance share program for the applicable fiscal year has not yet been adopted (in which case the performance share award and any accompanying RSU award will be granted when the program is adopted); and
- the effective grant date for non-executive officer new hire stock option, performance share and RSU awards is the 15th day of the month following the month of the employee’s hire date, or, if that is not a trading day, the first trading day thereafter, unless the performance share program for the applicable fiscal year has not yet been adopted (in which case the performance share award and any accompanying RSU award will be granted when the program is adopted).

Because the grant dates are pre-established, the timing of the release of material nonpublic information does not affect the grant dates for equity awards, and Adobe does not time the release of material nonpublic information based on equity award grant dates.

The Committee approves all grants made to our executive officers on or before the grant date. The Committee also has the authority to approve non-executive officer stock option, performance share and RSU awards on or before the grant date. Our Board has also delegated to a Management Committee for Employee Equity Awards the authority to approve stock option, performance share and RSU awards to non-executive officer employees in accordance with the granting guidelines described above. Pursuant to its charter, the Committee has the authority to establish the terms and conditions of our equity awards; therefore, the Committee may make exceptions to Adobe's granting guidelines.

All stock option awards are granted with an exercise price equal to or greater than (in some instances for awards outside the United States) the fair market value of the underlying stock on the effective grant date or, in accordance with the terms of our approved equity plans, the fair market value of the underlying stock on the last trading day prior to the effective grant date, if an award is granted on a non-trading day.

Effect of Retirement, Death and Disability on Equity Compensation Awards

The terms and conditions of our stock option and RSU awards provide that if a recipient's employment is terminated due to death or disability, the recipient will be given credit for an additional 12 months of service, resulting in vesting for the applicable award accelerating by 12 months. In addition, our U.S. and certain other stock option agreements provide that if a recipient's employment terminates on or after age 65, the individual will be given credit for an additional 12 months of service, resulting in vesting for the applicable award accelerating by 12 months. The terms and conditions of our performance share awards provide that if a recipient's employment is terminated due to death or disability before certification of the performance goals, the recipient will receive a pro-rated target award based on the number of months of service provided during the performance period, for which the vesting will be accelerated by an amount equal to the percentage amount scheduled to vest on the next annual vesting date for each award. If a recipient's employment is terminated due to death or disability after certification of the performance goals, the recipient will receive accelerated vesting of the actual award equal to the percentage amount scheduled to vest on the next annual vesting date for each award.

Outstanding Equity Awards at 2012 Fiscal Year End

The following table sets forth information regarding outstanding equity awards as of November 30, 2012, for each NEO. All vesting is contingent upon continued employment with Adobe. Market values and payout values in this table are calculated based on the closing market price of our common stock as reported on NASDAQ on November 30, 2012, which was \$34.61 per share.

<u>Name</u>	Option Awards ⁽¹⁾				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Shantanu Narayen	200,000	—	39.39	2/2/2013	—	—	—	—
	225,000	—	39.69	1/24/2014	—	—	—	—
	603,000	—	34.64	1/24/2015	—	—	—	—
	268,000	—	34.64	1/24/2015	—	—	—	—
	—	—	—	—	32,000 ⁽³⁾	1,107,520	—	—
	273,411	11,889 ⁽⁴⁾	19.93	1/26/2016	—	—	—	—
	—	—	—	—	11,887 ⁽⁵⁾	411,409	—	—
	205,416	84,584 ⁽⁶⁾	34.16	1/25/2017	—	—	—	—
	—	—	—	—	47,500 ⁽⁷⁾	1,643,975	—	—
	—	—	—	—	42,750 ⁽⁸⁾	1,479,578	—	—
	124,666	147,334 ⁽⁹⁾	34.03	1/24/2018	—	—	—	—
	—	—	—	—	70,500 ⁽¹⁰⁾	2,440,005	—	—
	—	—	—	—	78,866 ⁽¹¹⁾	2,729,552	—	—
	—	—	—	—	157,500 ⁽¹²⁾	5,451,075	—	—
—	—	—	—	—	—	200,000	6,922,000	
Mark Garrett.....	275,000	—	39.25	2/15/2014	—	—	—	—
	120,000	—	34.64	1/24/2015	—	—	—	—
	121,324	5,276 ⁽⁴⁾	19.93	1/26/2016	—	—	—	—
	—	—	—	—	5,275 ⁽⁵⁾	182,568	—	—
	34,708	14,292 ⁽⁶⁾	34.16	1/25/2017	—	—	—	—
	—	—	—	—	25,000 ⁽¹³⁾	865,250	—	—
	—	—	—	—	8,500 ⁽⁷⁾	294,185	—	—
	—	—	—	—	7,200 ⁽⁸⁾	249,192	—	—
	40,332	47,668 ⁽⁹⁾	34.03	1/24/2018	—	—	—	—
	—	—	—	—	22,500 ⁽¹⁰⁾	778,725	—	—
	—	—	—	—	25,113 ⁽¹¹⁾	869,853	—	—
	—	—	—	—	62,500 ⁽¹²⁾	2,163,125	—	—
	—	—	—	—	—	—	93,750	3,244,688
	—	—	—	—	225,000 ⁽¹⁴⁾	7,787,250	—	—

Name	Option Awards ⁽¹⁾				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Kevin Lynch.....	13,910	—	24.66	2/24/2015	—	—	—	—
	26,863	—	26.53	9/14/2015	—	—	—	—
	120,750	—	32.10	11/30/2015	—	—	—	—
	90,000	—	38.52	1/3/2013	—	—	—	—
	150,000	—	39.69	1/24/2014	—	—	—	—
	120,000	—	34.64	1/24/2015	—	—	—	—
	26,434	5,276 ⁽⁴⁾	19.93	1/26/2016	—	—	—	—
	—	—	—	—	5,275 ⁽⁵⁾	182,568	—	—
	34,708	14,292 ⁽⁶⁾	34.16	1/25/2017	—	—	—	—
	—	—	—	—	25,000 ⁽¹³⁾	865,250	—	—
	—	—	—	—	8,500 ⁽⁷⁾	294,185	—	—
	—	—	—	—	7,200 ⁽⁸⁾	249,192	—	—
	64,624	76,376 ⁽⁹⁾	34.03	1/24/2018	—	—	—	—
	—	—	—	—	36,000 ⁽¹⁰⁾	1,245,960	—	—
	—	—	—	—	40,733 ⁽¹¹⁾	1,409,769	—	—
—	—	—	—	62,500 ⁽¹²⁾	2,163,125	—	—	
—	—	—	—	—	—	93,750	3,244,688	
Matthew Thompson	250,000	—	40.05	1/16/2014	—	—	—	—
	94,000	—	34.64	1/24/2015	—	—	—	—
	—	—	—	—	4,125 ⁽⁵⁾	142,766	—	—
	94,873	4,127 ⁽⁴⁾	19.93	1/26/2016	—	—	—	—
	30,458	12,542 ⁽⁶⁾	34.16	1/25/2017	—	—	—	—
	—	—	—	—	25,000 ⁽¹³⁾	865,250	—	—
	—	—	—	—	7,500 ⁽⁷⁾	259,575	—	—
	—	—	—	—	6,300 ⁽⁸⁾	218,043	—	—
	35,290	41,710 ⁽⁹⁾	34.03	1/24/2018	—	—	—	—
	—	—	—	—	20,250 ⁽¹⁰⁾	700,853	—	—
	—	—	—	—	22,533 ⁽¹¹⁾	779,867	—	—
	—	—	—	—	62,500 ⁽¹²⁾	2,163,125	—	—
—	—	—	—	—	—	93,750	3,244,688	

Name	Option Awards ⁽¹⁾				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
David Wadhvani.....	20,699	—	25.41	2/11/2015	—	—	—	—
	35,000	—	30.79	6/22/2013	—	—	—	—
	25,000	—	39.69	1/24/2014	—	—	—	—
	30,000	—	34.64	1/24/2015	—	—	—	—
	9,000	—	35.75	4/15/2015	—	—	—	—
	16,041	1,959 ⁽⁴⁾	19.93	1/26/2016	—	—	—	—
	—	—	—	—	1,958 ⁽⁵⁾	67,766	—	—
	—	—	—	—	15,000 ⁽¹⁵⁾	519,150	—	—
	20,293	8,357 ⁽⁶⁾	34.16	1/25/2017	—	—	—	—
	—	—	—	—	6,974 ⁽⁷⁾	241,370	—	—
	—	—	—	—	10,000 ⁽¹⁶⁾	346,100	—	—
	35,290	41,710 ⁽⁹⁾	34.03	1/24/2018	—	—	—	—
	—	—	—	—	20,250 ⁽¹⁰⁾	700,853	—	—
	—	—	—	—	22,533 ⁽¹¹⁾	779,867	—	—
	—	—	—	—	55,000 ⁽¹²⁾	1,903,550	—	—
	—	—	—	—	—	—	82,500	2,855,325

- (1) All stock option awards were granted pursuant to our 2003 Plan, except certain stock option grants to Mr. Lynch and Mr. Wadhvani. Mr. Lynch's grants for 13,910, 26,863 and 120,750 shares and Mr. Wadhvani's grant for 20,699 were made pursuant to the Macromedia, Inc. 2002 Equity Incentive Plan.
- (2) These amounts represent the maximum number of shares that could have been earned under our 2012 Performance Share Program. The performance period ended at the end of fiscal year 2012, and certification was completed on January 24, 2013. The first 1/3 of the performance shares earned vested on January 24, 2013, the first anniversary of the grant date, and the remaining 2/3 of the shares earned is subject to annual time-based vesting over the two years after the first anniversary of the grant date. Shares fully vest on January 24, 2015. See the table "Equity Awards Granted by the Committee at the outset of Fiscal Year 2012" in the "Compensation Discussion and Analysis" for actual achievement amounts.
- (3) RSUs granted pursuant to our 2003 Plan. Five-year vesting with 50% vesting on the fourth anniversary of the grant date and 50% vesting on the fifth anniversary of the grant date. Shares fully vest on January 24, 2013.
- (4) Four-year vesting in equal monthly installments. Options fully vest on January 26, 2013.
- (5) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 25% vesting on each anniversary of the grant date. Shares fully vest on January 26, 2013.
- (6) Four-year vesting in equal monthly installments. Options fully vest on January 25, 2014.
- (7) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 25% vesting on each anniversary of the grant date. Shares fully vest on January 25, 2014.
- (8) These amounts represent awards actually earned under our 2010 Performance Share Program. Three-year vesting with 1/3 vesting on the each anniversary of the grant date. Shares fully vest on January 25, 2013.
- (9) Four-year vesting in equal monthly installments. Options fully vest on January 24, 2015.

- (10) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 25% vesting on each anniversary of the grant date. Shares fully vest on January 24, 2015.
- (11) These amounts represent awards actually earned under our 2011 Performance Share Program. Three-year vesting with 1/3 vesting on the each anniversary of the grant date. Shares fully vest on January 24, 2015.
- (12) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 25% vesting on each anniversary of the grant date. Shares fully vest on January 24, 2016.
- (13) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 50% vesting on the second anniversary of the grant date and 25% vesting on the third and fourth anniversaries of the grant date. Shares fully vest on January 25, 2014.
- (14) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 25% vesting on each anniversary of the grant date. Shares fully vest on August 26, 2016.
- (15) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 50% vesting on the second anniversary of the vesting commencement date and thereafter as to 25% on each of the third and fourth anniversaries of the vesting commencement date. Shares fully vest on December 15, 2013.
- (16) RSUs granted pursuant to our 2003 Plan. Four-year vesting with 25% vesting on each anniversary of the grant date. Shares fully vest on June 22, 2014.

Option Exercises and Stock Vested in Fiscal Year 2012

The following table sets forth information regarding each exercise of stock options and the vesting during fiscal year 2012 of time-based stock-settled RSUs, and performance-based stock-settled RSUs granted under our 2008, 2010, and 2011 Performance Share Programs for each of the NEOs, on an aggregate basis. The value realized on the exercise of option awards is calculated as follows (i) if the exercise involves a sale of some or all of the exercised shares, the difference between the actual price at which the exercised shares were sold and the exercise price of the options, or (ii) in all other cases, the difference between the closing market price of our common stock as reported on NASDAQ on the date of exercise and the exercise price of the options. The value realized on vesting of stock awards is based on the closing market price of our common stock as reported on NASDAQ on the vesting date of the stock-settled RSUs.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)</u>	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (\$)</u>
Shantanu Narayen	200,000	292,000	199,981	6,218,081
Mark Garrett.....	—	—	73,882	2,302,077
Kevin Lynch.....	49,746	525,815	86,182	2,682,762
Matthew Thompson	—	—	66,492	2,072,546
David Wadhvani.....	20,000	271,105	47,493	1,409,518

Nonqualified Deferred Compensation

Under the terms of our Deferred Compensation Plan, eligible employees, including each of the NEOs, and directors may elect to defer the receipt of a portion of cash and equity compensation they would otherwise have received when earned. Amounts deferred under the Deferred Compensation Plan are deemed invested in the investment funds selected by the participant with similar options as available under the Adobe 401(k) Plan. We do not contribute to the Deferred Compensation Plan on behalf of our employees, or match the deferrals made by participants, with the exception of situations in which an election to defer under the Deferred Compensation Plan would prevent a participant from receiving the full 401(k) company match as described in the “Compensation Discussion and Analysis—Retirement and Deferred Compensation Plan Benefits” section of this proxy statement. In those situations, we make a contribution to the Deferred Compensation Plan equal to the foregone 401(k) company match. No such contribution was made in fiscal year 2012. As a result, amounts payable under the Deferred Compensation Plan generally are entirely determined by participant contributions and fund elections.

Employee participants in the Deferred Compensation Plan may elect to contribute 1% to 75% of their base salary and 1% to 100% of other specified compensation, including commissions and bonuses. Participants may also contribute 100% per vesting tranche of their RSU and performance share awards. Participants elect the payment of benefits to begin on a specified date at least three years in the future in the form of a lump sum or annual installments of 5, 10 or 15 years. Upon termination of a participant’s employment with Adobe, the participant will receive a distribution in the form of a lump sum payment. Each participant shall elect whether to keep his or her account balance in the Deferred Compensation Plan or to receive a lump sum distribution upon a change of control. In addition, if a participant experiences an unforeseeable emergency during the deferral period, the participant may petition to receive a partial or full payout from the Deferred Compensation Plan. All distributions are made in cash, except that deferred RSUs and performance shares are settled in Adobe stock.

No NEOs participated in, or had an accrued balance under, the Deferred Compensation Plan in fiscal year 2012.

Change of Control

Each of the NEOs is eligible to receive severance benefits in the event of certain terminations of employment upon or after a change of control of Adobe, pursuant to the terms of our Prior Participant Change of Control Plan applicable to each of our current NEOs or, in the case of our Chief Executive Officer, upon or after a change of control of Adobe, in some cases whether or not his employment is terminated, pursuant to his individual Retention Agreement. Mr. Narayan would need to waive all benefits under his Retention Agreement to receive any benefits under the Prior Participant Change of Control Plan.

On December 12, 2011, the Former Plan expired by its terms; our Executive Compensation Committee approved the Prior Participant Change of Control Plan effective as of December 13, 2011, and our NEOs became eligible participants under this new plan at that time. The material terms of, and payments due under, the Prior Participant Change of Control Plan are similar to the Former Plan. Participants of the Former Plan are eligible to participate in the Prior Participant Change of Control Plan. The Prior Participant Change of Control Plan will expire on December 13, 2014, unless extended by Adobe or unless a change of control occurs prior thereto, in which case the Prior Participant Change of Control Plan will terminate following the later of the date which is at least two years after the occurrence of a change of control or the payment of all severance benefits due under the Prior Participant Change of Control Plan. The Committee also approved an additional change of control severance plan that would apply to certain employees who were not eligible under the Former Plan upon its expiration, and therefore are not eligible under the Prior Participant Change of Control Plan.

Pursuant to the terms of the Prior Participant Change of Control Plan and Mr. Narayan's Retention Agreement, a "change of control" of Adobe is generally defined as one of the following:

- a person or entity becomes the beneficial owner of Adobe securities representing 30% or more of the combined voting power of our then outstanding securities entitled to vote in the election of directors;
- during any period of two consecutive years, a majority of our directors who were nominated by a vote of at least 3/4 of the directors in office at the beginning of the period cease to be directors;
- as a result of a reorganization, merger, consolidation or other corporate transaction involving Adobe, our stockholders immediately prior to the transaction do not retain ownership of more than 50% of the combined voting power of Adobe or resulting entity;
- all or substantially all of our assets are sold, liquidated or distributed; or
- a "change of control" or a "change in the effective control" of Adobe within the meaning of Section 280G of the Code occurs.

Executive Severance Plans

Pursuant to the Prior Participant Change of Control Plan, if there is a qualifying change of control of Adobe, and within two years following the change of control, Mr. Garrett, Mr. Lynch, Mr. Thompson or Mr. Wadhvani experiences a separation from service as a result of Adobe (or any successor) terminating the executive officer's employment without cause, or as a result of his disability, or if he resigns for good reason, the executive officer would be eligible to receive:

- 24 months of salary and target bonus plus one month of salary and bonus per year of service up to an additional 12 months;
- pro-rata target bonus for the fiscal year of termination;
- COBRA premiums for the eligible executive and covered dependents until the earlier of (i) the last month in which the executive and his covered dependents are eligible for and enrolled in COBRA coverage and (ii) 24 months plus the number of years of service with Adobe (up to a maximum of 12); and
- accelerated vesting of all outstanding equity awards (including, to the extent credited, for performance shares).

In the event that any amount under the Prior Participant Change of Control Plan would constitute an excess parachute payment within the meaning of Section 280G of the Code, the amounts payable will not exceed the amount

which produces the greatest after-tax benefit to the affected individual. All of the benefits under the Prior Participant Change of Control Plan are conditioned upon the executive officer signing a release of claims.

Chief Executive Officer Retention Agreement

Effective January 12, 1998, Adobe entered into a Retention Agreement with Mr. Narayan, which was amended twice, the first time effective February 11, 2008, based on his promotion to Chief Executive Officer, and the second on December 17, 2010, in order to clarify the manner of compliance with, or exemption from, Section 409A of the Code, in light of updates to, and interpretations of, applicable tax regulations.

Pursuant to his Retention Agreement, if there is a qualifying change of control of Adobe, and within two years following the change of control Mr. Narayan experiences a separation from service as a result of Adobe (or any successor) terminating his employment without cause, or as a result of his disability, or if he resigns for good reason, Mr. Narayan would be eligible to receive:

- 36 months of salary and target bonus;
- pro-rata target bonus for the fiscal year of termination; and
- COBRA premiums for him and covered dependents until the earlier of (i) the last month in which he and his covered dependents are eligible for and enrolled in COBRA coverage and (ii) 36 months.

Upon a change of control, regardless of whether his employment is terminated, or his death or disability, Mr. Narayan would be eligible to receive accelerated vesting of all outstanding equity awards (including, to the extent credited, for performance shares) and all stock options will become fully exercisable.

In the event that any amount under Mr. Narayan's Retention Agreement would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the amounts payable will not exceed the amount which produces the greatest after-tax benefit to Mr. Narayan. All benefits provided under the Retention Agreement are conditioned upon his signing a release of claims. The Retention Agreement has no expiration date.

2003 Plan

See "Proposal 2—Summary of the 2003 Plan—Change of Control" for a description of the treatment of awards under the 2003 Plan in the event of a change of control.

Performance Share Programs

Pursuant to our Performance Share Programs, in the event of a change of control prior to the certification date, there will be an automatic crediting to each NEO of a pro-rated (based on time elapsed during the performance period) target award immediately prior to the date of the change of control, but the applicable time-based service vesting requirements will continue to apply. The Prior Participant Change of Control Plan and Mr. Narayan's Retention Agreement may provide for acceleration of some or all of the awards held by the NEOs, as described above.

Potential Payments upon Termination and/or a Change of Control

The following table sets forth the estimated potential payments and benefits payable to each NEO under the Prior Participant Change of Control Plan (which was in effect on November 30, 2012) in the event of a termination of employment and/or a change of control of Adobe ("COC"), as if such termination or COC event had occurred on November 30, 2012, the last day of fiscal year 2012. The value of the stock awards is based on the closing market price of our common stock as reported on NASDAQ on November 30, 2012, which was \$34.61 per share. Each NEO must sign a release of claims to receive any of the benefits below except those for Death/Disability, COC Only (continued employment), or COC Only/Equity Not Assumed or Substituted.

Triggering Event ⁽¹⁾	Target Bonus ⁽²⁾ (\$)	Lump Sum Severance ⁽³⁾ (\$)	Accelerated Stock Options ⁽⁴⁾ (\$)	Accelerated Performance Awards ⁽⁵⁾ (\$)	Accelerated Restricted Stock Units ⁽⁶⁾ (\$)	Cont. Health Insurance Coverage (present value) ⁽⁶⁾ (\$)	Total ⁽⁷⁾ (\$)
Shantanu Narayen							
Death/Disability ⁽⁸⁾	—	—	246,596	6,478,404	4,517,020	—	11,242,020
Voluntary Termination/ Involuntary Termination with Cause	—	—	—	—	—	—	—
Involuntary Termination Without Cause/Resignation for Good Reason	—	—	—	—	—	—	—
Involuntary Termination/Resignation for Good Reason upon COC ⁽⁹⁾	1,350,000	6,750,000	298,047	15,111,280	11,053,984	42,166	34,605,477
COC Only (continued employment) ⁽¹⁰⁾	—	—	298,047	15,111,280	11,053,984	—	26,463,311
COC Only/Equity Not Assumed or Substituted ⁽¹¹⁾	—	—	298,047	15,111,280	11,053,984	—	26,463,311
Mark Garrett							
Death/Disability ⁽⁸⁾	—	—	95,724	2,126,231	3,509,454	—	5,731,409
Voluntary Termination/ Involuntary Termination with Cause	—	—	—	—	—	—	—
Involuntary Termination Without Cause/Resignation for Good Reason	—	—	—	—	—	—	—
Involuntary Termination/Resignation for Good Reason upon COC ⁽⁹⁾	575,000	764,002 ⁽¹³⁾	111,531	5,445,295	12,071,103	42,166	19,009,097
COC Only (continued employment) ⁽¹⁰⁾	—	—	—	—	—	—	—
COC Only/Equity Not Assumed or Substituted ⁽¹¹⁾	—	—	111,531	5,445,295	12,071,103	—	17,627,929
Kevin Lynch							
Death/Disability ⁽⁸⁾	—	—	103,409	2,396,189	1,718,387	—	4,217,985
Voluntary Termination/ Involuntary Termination with Cause	—	—	—	—	—	—	—
Involuntary Termination Without Cause/Resignation for Good Reason	—	—	—	—	—	—	—
Involuntary Termination/Resignation for Good Reason upon COC ⁽⁹⁾	375,000	2,625,000 ⁽¹²⁾	128,181	5,985,211	4,751,088	32,593	13,897,073
COC Only (continued employment) ⁽¹⁰⁾	—	—	—	—	—	—	—
COC Only/Equity Not Assumed or Substituted ⁽¹¹⁾	—	—	128,181	5,985,211	4,751,088	—	10,864,480
Matthew Thompson							
Death/Disability ⁽⁸⁾	—	—	76,587	2,050,066	1,479,578	—	3,606,231
Voluntary Termination/ Involuntary Termination with Cause	—	—	—	—	—	—	—
Involuntary Termination Without Cause/Resignation for Good Reason	—	—	—	—	—	—	—
Involuntary Termination/Resignation for Good Reason upon COC ⁽⁹⁾	525,000	2,537,500	90,420	5,324,160	4,131,569	41,660	12,650,309
COC Only (continued employment) ⁽¹⁰⁾	—	—	—	—	—	—	—
COC Only/Equity Not Assumed or Substituted ⁽¹¹⁾	—	—	90,420	5,324,160	4,131,569	—	9,546,149

Triggering Event ⁽¹⁾	Target Bonus ⁽²⁾ (\$)	Lump Sum Severance ⁽³⁾ (\$)	Accelerated Stock Options ⁽⁴⁾ (\$)	Accelerated Performance Awards ⁽⁵⁾ (\$)	Accelerated Restricted Stock Units ⁽⁵⁾ (\$)	Cont. Health Insurance Coverage (present value) ⁽⁶⁾ (\$)	Total ⁽⁷⁾ (\$)
David Wadhvani							
Death/Disability ⁽⁸⁾	—	—	43,440	1,658,996	1,330,581	—	3,033,017
Voluntary Termination/ Involuntary Termination with Cause	—	—	—	—	—	—	—
Involuntary Termination Without Cause/Resignation for Good Reason	—	—	—	—	—	—	—
Involuntary Termination/ Resignation for Good Reason upon COC ⁽⁹⁾	356,250	1,537,032 ⁽¹²⁾⁽¹⁴⁾	56,711	4,586,967	3,778,789	42,166	10,357,915
COC Only (continued employment) ⁽¹⁰⁾	—	—	—	—	—	—	—
COC Only/Equity Not Assumed or Substituted ⁽¹¹⁾	—	—	56,711	4,586,967	3,778,789	—	8,422,467

- ⁽¹⁾ While Adobe's standard form of stock option agreement under the 2003 Plan provides for the acceleration of 12 months of vesting in the event the person is age 65 or older upon terminating employment with Adobe, the table does not reflect this retirement vesting because none of the NEOs is at least age 65.
- ⁽²⁾ This amount represents the fiscal year 2012 target annual cash incentive opportunity under the Executive Bonus Plan calculated according to the terms of the Prior Participant Change of Control Plan, which means it is based on the then-current base salary of the NEO (not the actual amount of salary earned during the fiscal year). The cash incentive opportunity amount is pro-rated for the elapsed time in the current incentive period, assuming that all performance targets have been met; therefore, the amount reported is 100% of the target annual cash incentive opportunity. Actual fiscal year 2012 bonuses earned by each NEO's are reported in the column titled "Non-Equity Incentive Plan Compensation" in the "Summary Compensation Table."
- ⁽³⁾ Based on the base salary and target bonus on November 30, 2012.
- ⁽⁴⁾ This amount is calculated by aggregating the sums determined by multiplying, for each award, (i) the number of accelerated stock options times (ii) the difference between the closing price per share (\$34.61) of our common stock on November 30, 2012, and the option exercise price per share.
- ⁽⁵⁾ This amount includes pro-rated shares under the 2012 Performance Share Program based on the elapsed time in the performance period; because the performance period ended on November 30, 2012, but was not yet certified, the amount reported is based on 100% of target award amount.
- ⁽⁶⁾ Amounts reported represent the present value of 18 months of COBRA payments with an estimated 5% premium increase every 12 months. The present value is calculated by using 120% of the short term applicable federal rate of 0.26%.
- ⁽⁷⁾ In accordance with the terms of the Prior Participant Change of Control Plan and Mr. Narayen's Retention Agreement, all of the benefits in this table are subject to a reduction in the event the amounts payable would constitute an excess parachute payment within the meaning of Section 280G of the Code, to the extent the amounts payable do not exceed the amount which produces the greatest after-tax benefit to the NEOs. Only Mr. Garrett's and Mr. Wadhvani's benefits were so reduced. See footnote 13 below.
- ⁽⁸⁾ For an explanation of benefits to be received by our NEOs as a result of death or disability, see "Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2012—Narrative Summary to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2012 Table—Effect of Retirement, Death and Disability on Equity Compensation Awards" above.
- ⁽⁹⁾ For an explanation of benefits received by our NEOs as a result of an involuntary termination or resignation for good reason upon a COC, see "Change of Control" above.

- (10) Assumes that all equity awards were assumed or substituted by the hypothetical acquiring company. No benefits are payable to the NEOs pursuant to the terms of the Prior Participant Change of Control Plan and there is no accelerated vesting pursuant to the terms of the applicable equity award agreements if the NEOs' employment continues after a COC; however, Mr. Narayen's Retention Agreement provides that all outstanding equity awards (to the extent credited, for performance shares) accelerate and are immediately exercisable and vested in full upon a COC, regardless of whether his employment is terminated.
- (11) Assumes that equity awards were not assumed or substituted by the hypothetical acquiring company. Pursuant to the terms of the applicable equity plans generally, any unexercised and/or unvested portions of any outstanding equity awards that are not assumed or substituted by the acquiring company are immediately exercisable and vested in full as of the date immediately prior to the effective date of the COC.
- (12) Mr. Lynch and Mr. Wadhvani both receive credit under the Prior Participant Change of Control Plan for their service time at Macromedia, Inc., which was acquired by Adobe in 2005. Mr. Lynch's service began in July 1996, and Mr. Wadhvani's service began in April 2002.
- (13) Mr. Garrett's severance amount exceeded the 280G threshold and therefore triggered a reduction pursuant to the Prior Participant Change of Control Plan. His lump sum severance amount would have been \$2,779,167 without this provision.
- (14) Mr. Wadhvani's severance amount exceeded the 280G threshold and therefore triggered a reduction pursuant to the Prior Participant Change of Control Plan. His lump sum severance amount would have been \$2,355,208 without this provision.

DIRECTOR COMPENSATION

The following table sets forth certain information with respect to compensation awarded to, paid to or earned by each of Adobe's non-employee directors during fiscal year 2012. Mr. Barlow was appointed to our Board on December 4, 2012, which was after the close of our 2012 fiscal year. Accordingly, Mr. Barlow's compensation as a director is not addressed in this section.

Name	Fees Earned or Paid in Cash (⁽¹⁾⁽²⁾⁽³⁾ (\$))	Stock Awards ⁽⁴⁾⁽⁵⁾⁽⁶⁾ (\$)	Option Awards ⁽⁴⁾⁽⁷⁾⁽⁸⁾ (\$)	Total (\$)
Charles M. Geschke.....	110,000	—	184,998	294,998
John E. Warnock.....	110,000	—	184,998	294,998
Amy Banse	39,560	439,585 ⁽⁹⁾	—	479,145
Edward W. Barnholt.....	90,000	235,113	—	325,113
Robert K. Burgess.....	80,000	235,113	—	315,113
Frank Calderoni	41,703	439,585 ⁽⁹⁾	—	481,288
Michael R. Cannon.....	80,000	235,113	—	315,113
James E. Daley	107,500	235,113	—	342,613
Laura Desmond	36,346	439,585 ⁽⁹⁾	—	475,931
Daniel Rosensweig	97,500	235,113	—	332,613
Robert Sedgewick.....	75,000	235,113	—	310,113

(1) Director fees were paid at the end of the quarter for which services were provided.

(2) The following table provides a breakdown of the annual retainers and committee fees earned or paid in cash:

Name	Annual Board Retainers (\$)	Audit Committee Fees (\$)	Executive Compensation Committee Fees (\$)	Nominating and Governance Committee Fees (\$)	Total (\$)
Dr. Geschke.....	110,000*	—	—	—	110,000
Dr. Warnock.....	110,000*	—	—	—	110,000
Ms. Banse **	33,132	—	6,428	—	39,560
Mr. Barnholt.....	60,000	—	15,000	15,000	90,000
Mr. Burgess.....	60,000	20,000	—	—	80,000
Mr. Calderoni **	33,132	8,571	—	—	41,703
Mr. Cannon	60,000	20,000	—	—	80,000
Mr. Daley	60,000	40,000	—	7,500	107,500
Ms. Desmond**	33,132	—	—	3,214	36,346
Mr. Rosensweig.....	60,000	—	30,000	7,500	97,500
Dr. Sedgewick.....	60,000	—	15,000	—	75,000

* Includes \$60,000 annual Board member fee and \$50,000 annual Board Chair fee.

** Retainers and fees for Ms. Banse, Mr. Calderoni and Ms. Desmond were pro-rated based on joining the Board on May 14, 2012. Committee fees for Ms. Banse, Mr. Calderoni and Ms. Desmond were pro-rated based on appointments to their respective committees on June 28, 2012.

(3) Mr. Calderoni, Mr. Daley and Ms. Desmond each deferred all cash fees pursuant to Adobe's Deferred Compensation Plan. For more information on this plan, see "Deferred Compensation Plan" below.

(4) On April 13, 2012, each non-employee director then sitting on Adobe’s Board received a grant of stock options, RSUs or a 50% combination of each (as elected by each director in his or her discretion prior to the end of the previous fiscal year), per the terms of the Board’s Non-Employee Director Compensation Policy, as described below. Mr. Daley deferred his 2012 RSU grant pursuant to Adobe’s Deferred Compensation Plan. For more information on this plan, see “Deferred Compensation Plan” below.

(5) These amounts do not reflect the actual economic value realized by the director for these awards. In accordance with SEC rules, this column reflects the grant date fair value of 7,086 RSUs for each director (other than Ms. Banse, Mr. Calderoni and Ms. Desmond) electing to receive RSUs, disregarding estimates of forfeitures related to service-based vesting conditions. For the assumptions and methodology used to calculate these amounts, please see Part II, Item 8 “Financial Statements and Supplementary Data” of our 2012 Annual Report on Form 10-K and the Notes to Consolidated Financial Statements at Note 12, “Stock-based Compensation.”

(6) At 2012 fiscal year end, each non-employee director held the following aggregate number of unvested RSUs:

<u>Name</u>	<u>Aggregate Shares Subject to Unvested RSUs (#)</u>
Dr. Geschke	—
Dr. Warnock.....	—
Ms. Banse	13,639
Mr. Barnholt	7,086
Mr. Burgess.....	7,086
Mr. Calderoni.....	13,639
Mr. Cannon.....	7,086
Mr. Daley.....	7,086
Ms. Desmond.....	13,639
Mr. Rosensweig.....	7,086
Dr. Sedgewick.....	7,086

(7) These amounts do not reflect the actual economic value realized by the director for these awards. In accordance with SEC rules, this column reflects the grant date fair value of 21,258 stock options with an exercise price of \$33.18 in fiscal year 2012 for each director electing to receive stock options, in accordance with applicable accounting guidance related to stock-based compensation, disregarding estimates of forfeitures related to service-based vesting conditions. For the methodology of how this amount is calculated, please see Part II, Item 8 “Financial Statements and Supplementary Data” of our 2012 and 2011 Annual Reports on Form 10-K and the Notes to Consolidated Financial Statements at Note 12, “Stock-based Compensation.”

- (8) At 2012 fiscal year end, each non-employee director held stock options, including vested and unvested options, to purchase the following aggregate number of shares of our common stock:

<u>Name</u>	<u>Aggregate Shares Subject to Outstanding Options (#)</u>
Dr. Geschke	199,421
Dr. Warnock.....	233,476
Ms. Banse	—
Mr. Barnholt	131,887
Mr. Burgess.....	131,887
Mr. Calderoni.....	—
Mr. Cannon.....	110,000
Mr. Daley.....	276,003
Ms. Desmond.....	—
Mr. Rosensweig.....	—
Dr. Sedgewick.....	212,218

- (9) Ms. Banse, Mr. Calderoni and Ms. Desmond joined the Board on May 14, 2012; each received an initial grant of RSUs in an amount valued (based on the estimated value on the grant date) at \$450,000 according to our 2012 Non-Employee Director Compensation Policy, described below under “Equity Awards.”

Compensation Philosophy

The general philosophy of our Board is that compensation for non-employee directors should be a mix of cash and equity-based compensation to reward directors for a year of service in fulfilling their oversight responsibilities. Adobe does not compensate its management director (our Chief Executive Officer) for Board service in addition to his regular employee compensation. Each year, the Executive Compensation Committee evaluates the appropriate level and form of compensation for non-employee directors and recommends changes, if any, to the Board. The Executive Compensation Committee considers advice from Compensia, when appropriate. Our Board reviews the Executive Compensation Committee’s recommendations and then determines the amount of director compensation.

Fees Earned or Paid in Cash

In fiscal year 2012, each non-employee director received an annual retainer of \$60,000 (and in addition, each Chairman of the Board received a Board Chair fee of \$50,000) plus committee fees for each committee on which he or she served, as follows:

<u>Committee</u>	<u>Chair (\$)</u>	<u>Members (\$)</u>
Audit.....	40,000	20,000
Executive Compensation.....	30,000	15,000
Nominating and Governance.....	15,000	7,500

Our Board retained the same levels of cash compensation for fiscal year 2013.

Equity Awards

Our Board approved a 2012 Non-Employee Director Compensation Policy, effective December 4, 2011, which included equity award grants to non-employee directors as follows:

- an initial grant of RSUs in an amount valued (based on the estimated value on the grant date) at \$450,000 that is converted into a number of RSUs based on the average closing market price over the 30 calendar days ending the day prior to the grant date. The award vests 50% each year on the anniversary of the grant date over a two-year period. Directors receiving an initial grant will not be eligible to receive an

annual grant until the second annual meeting of stockholders after joining the Board; directors who first join our Board upon being elected at an annual meeting of stockholders will receive the initial award and will also receive an annual award at the next annual meeting; and

- an annual grant of stock options, RSUs or a 50% combination of each (to be elected by each director in his or her discretion in the previous fiscal year), which vests 100% on the day immediately preceding our next annual meeting of stockholders. The annual award is valued at \$240,000 (based on the estimated value on the date of grant), and is converted into a number of RSUs based on the average closing market price over the 30 calendar days ending the day prior to the grant date. If the director elects to receive the annual award partially or entirely in the form of stock options, the RSU award amount (either 50% or 100%, depending on the mix the director previously elected) is multiplied by three to determine the number of stock options.

Our Board retained the same equity compensation for fiscal year 2013.

Non-employee directors may only exercise the stock options once they vest. Stock options are generally exercisable until not later than three months after termination of director status (except in the case of termination due to death or disability), but that period is extended for non-employee directors with at least four years of Board service to Adobe, to one year following termination of director status or the expiration date of the stock option, if earlier. If a non-employee director's service terminates due to death or disability, the director will be given credit for an additional 12 months of service for the vesting of both stock options and RSUs, and stock options will remain exercisable for one year following the termination or until the expiration of the stock option, if earlier.

In the event of a change of control, any unvested portion of a non-employee director option shall become fully vested and exercisable as of immediately prior to the transaction resulting in a change of control, subject to the consummation of the change of control. If the stock option is not assumed or substituted by the acquiring company, it will terminate to the extent it is not exercised on or before the date of such a transaction. Any unvested portion of RSUs will become vested in full immediately prior to the effective date of a change of control.

Deferred Compensation Plan

Our Deferred Compensation Plan allows non-employee directors to defer from 5% up to 100% of their cash compensation, which amounts are deemed invested in the investment funds selected by the director from the same fund options as generally available in Adobe's 401(k) Plan (other than the individual direct brokerage account and Retirement Savings Trust). Participants may also contribute 100% per vesting tranche of their RSU awards. Deferred Compensation Plan participants must elect irrevocably to receive the deferred funds on a specified date at least three years in the future in the form of a lump sum or annual installments over 5, 10 or 15 years. Mr. Calderoni, Mr. Daley and Ms. Desmond participated in the Deferred Compensation Plan with respect to 100% of their respective retainers and committee fees for their services in fiscal year 2012. Mr. Daley also elected to defer 100% of his RSU award granted in 2012. See "Executive Compensation—Nonqualified Deferred Compensation" in this proxy statement for more information regarding our Deferred Compensation Plan.

Expenses

We reimburse our directors for their travel and related expenses in connection with attending Board and committee meetings, as well as costs and expenses incurred in attending director education programs and other Adobe-related seminars and conferences.

Other Benefits

Non-employee directors are offered an opportunity to purchase certain Adobe health, dental, and vision insurance while serving as a Board member. Participating directors pay 100% of their own insurance premiums.

Stock Ownership Guidelines

We have adopted stock ownership guidelines for members of our Board. Under these guidelines, each non-employee director should hold 25% of the net shares acquired from Adobe until the total number of shares held by such non-employee director equals or exceeds 6,000 shares. Once achieved, this 6,000 share guideline should be

maintained going forward. An “acquired share” includes shares of vested restricted stock, RSUs, performance shares, performance units and shares issued upon the exercise of vested options. “Net shares acquired” means acquired shares remaining after deducting acquired shares sold to cover the exercise price and withheld for taxes. Shares that count toward the minimum share ownership include shares owned outright or beneficially owned, shares acquired through the Employee Stock Purchase Plan, vested restricted stock, vested RSUs, and shares issued upon the exercise of vested options, as well as vested performance shares or performance units deferred into our Deferred Compensation Plan. As of November 30, 2012, each of our non-employee directors were in compliance with these guidelines.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of our Executive Compensation Committee for fiscal year 2012 prior to June 28, 2012, were Mr. Barnholt, Mr. Rosensweig and Dr. Sedgewick. Effective June 28, 2012 and for the remainder of fiscal year 2012, the members of our Executive Compensation Committee were Ms. Banse, Mr. Barnholt, Mr. Rosensweig and Dr. Sedgewick. Effective December 4, 2012, the members of our Executive Compensation Committee were Ms. Banse, Mr. Barlow, Mr. Barnholt, Mr. Rosensweig and Dr. Sedgewick. There are no members of our Executive Compensation Committee who were officers or employees of Adobe or any of our subsidiaries during fiscal year 2012. No members were formerly officers of Adobe or had any relationship otherwise requiring disclosure hereunder. During fiscal year 2012, no interlocking relationships existed between any of our executive officers or members of our Board or Executive Compensation Committee, on the one hand, and the executive officers or members of the board of directors or compensation committee of any other entity, on the other hand.

TRANSACTIONS WITH RELATED PERSONS

Review, Approval or Ratification of Transactions with Related Persons

Adobe's Code of Business Conduct requires that all employees and directors avoid conflicts of interests that interfere with the performance of their duties or are not in the best interests of Adobe.

In addition, pursuant to its written charter, the Nominating and Governance Committee considers and approves or disapproves any related person transaction as defined under Item 404 of Regulation S-K promulgated by the SEC, after examining each such transaction for potential conflicts of interest and other improprieties. The Nominating and Governance Committee has not adopted any specific written procedures for conducting such reviews and considers each transaction in light of the specific facts and circumstances presented.

Transactions with Related Persons

Since the beginning of fiscal year 2012, there have not been any transactions, nor are there any currently proposed transactions, in which Adobe was or is to be a participant, the amount involved exceeded \$120,000, and any related person had or will have a material direct or indirect interest.

HOUSEHOLDING OF PROXY MATERIALS

We have adopted a procedure approved by the SEC known as "householding." This procedure allows multiple stockholders residing at the same address the convenience of receiving a single copy of our Notice, 2012 Annual Report and proxy materials, as applicable, unless we have received contrary instructions from one or more of the stockholders. This allows us to save money by reducing the number of documents we must print and mail, and helps reduce the environmental impact as well.

Householding is available to both registered stockholders and beneficial owners of shares held in street name.

Registered Stockholders

If you are a registered stockholder and have consented to our mailing of proxy materials and other stockholder information to only one account in your household, as identified by you, we will deliver or mail a single copy of our Notice, 2012 Annual Report and proxy materials, as applicable, for all registered stockholders residing at the same address. Your consent will be perpetual unless you revoke it, which you may do at any time by contacting Broadridge Financial Solutions, Inc., either by calling 1-800-542-1061 (toll free), or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, NY 11717. If you revoke your consent, we will begin sending you individual copies of future mailings of these documents within 30 days after we receive your revocation notice. If you received a householded mailing this year, and you would like to receive additional copies of our Notice, 2012 Annual Report and proxy materials, as applicable, mailed to you, please submit your request to Broadridge who will promptly deliver the requested copies.

Registered stockholders who have not consented to householding will continue to receive copies of our Notice, Annual Reports and proxy materials, as applicable, for each registered stockholder residing at the same

address. As a registered stockholder, you may elect to participate in householding and receive only a single copy of annual reports or proxy statements for all registered stockholders residing at the same address by contacting Broadridge as outlined above.

Street Name Holders

Stockholders who hold their shares through a brokerage may elect to participate in householding or revoke their consent to participate in householding by contacting their respective brokers.

ANNUAL REPORT

Accompanying this proxy statement is our Annual Report on Form 10-K for the fiscal year ended November 30, 2012. The 2012 Annual Report contains audited financial statements covering our fiscal years ended November 30, 2012, December 2, 2011 and December 3, 2010. Copies of our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, as filed with the SEC, are available free of charge on our website at www.adobe.com/aboutadobe/invrelations or you can request a copy free of charge by calling 408-536-4700 or sending an email to adobe@kpcorp.com. Please include your contact information with the request.

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON APRIL 11, 2013

This proxy statement and our 2012 Annual Report on Form 10-K for the fiscal year ended November 30, 2012, as filed with the SEC, are available at <http://materials.proxyvote.com/00724F>.

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Stockholder proposals may be included in our proxy statement for an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting to be held in 2014, we must receive the proposal at our principal executive offices, addressed to the Corporate Secretary, no later than November 1, 2013. In addition, a stockholder proposal that is not intended for inclusion in our proxy statement under Rule 14a-8 may be brought before the 2014 annual meeting so long as we receive information and notice of the proposal in compliance with the requirements set forth in our Bylaws, addressed to the Corporate Secretary at our principal executive offices, not later than December 16, 2013 nor earlier than November 16, 2013 for nominations for election to the Board of Directors and for all other business, not later than November 1, 2013 nor earlier than October 2, 2013.



Michael Dillon
Senior Vice President, General Counsel &
Corporate Secretary

March 1, 2013
San Jose, California