ADOBE SYSTEMS INC
Form DEF 14A
February 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)
Filed by the Registrant x
Filed by a Party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under §240.14a-12

Adobe Systems Incorporated
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
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(4) Date Filed:

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held April 9, 2015

Dear Stockholders:

You are cordially invited to attend our 2015 Annual Meeting of Stockholders to be held on Thursday, April 9, 2015 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 amendment to the 2003 Equity Incentive Plan to increase the available share reserve by 10 million shares;
3. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for our fiscal year ending on November 27, 2015;
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 13, 2015, 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 2014 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 2014 Annual Report and a form of proxy 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.

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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 signing, dating and mailing your proxy card or voting instruction card in the envelope provided.

Sincerely,

Michael Dillon
Senior Vice President, General Counsel &
Corporate Secretary

February 27, 2015
San Jose, California

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ADOBE SYSTEMS INCORPORATED
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Annual Meeting of Stockholders
To Be Held April 9, 2015
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ADOBE SYSTEMS INCORPORATED

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

Our Board of Directors (the “Board”) is soliciting proxies for our 2015 Annual Meeting of Stockholders (the “2015 Annual Meeting”) to be held on Thursday, April 9, 2015, 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 and our 2014 Annual Report, are being distributed and made available on or about February 27, 2015. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the 2015 Annual 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 February 27, 2015 to most of our stockholders who owned our common stock at the close of business on the record date, February 13, 2015. 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 $15,000 for its services and will reimburse Innisfree for reasonable out-of-pocket expenses. 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 2015 Annual Meeting?

A: Our Board set February 13, 2015 as the record date for the meeting. If you owned our common stock at the close of business on February 13, 2015, 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 13, 2015, there were 500,922,824 shares of our common stock outstanding and entitled to vote at the meeting.

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Q: What is the quorum requirement for the 2015 Annual 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 2015 Annual 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 an amendment to the 2003 Equity Incentive Plan to increase the available share reserve by 10 million shares;
- Ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending November 27, 2015; 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. 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 and enroll for online delivery of annual meeting and proxy voting materials.

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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 broker, 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.

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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 you sign, date 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 best judgment 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 elections 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 27, 2015 (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 to increase the available share reserve by 10 million shares (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?

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 8, 2015 (your latest telephone or internet proxy is counted); or by attending the meeting and voting in person by ballot. 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.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our Board of Directors

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

Nominees for Election for a One-Year Term Expiring in 2016

Name	Principal Occupation During Last Five Years and Relevant Experience, Qualifications, Attributes or Skills	Age	Director Since
Amy L. Banse	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. Ms. 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. 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 operational, financial and strategic issues. She also brings to the Board a deep expertise in global media and technology organizations in online business.	55	2012
Kelly J. Barlow	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 previously served as a director of KAR Auction Services, Inc. from December 2011 to September 2013, 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. Mr. Barlow's years of experience as a seasoned investor with financial expertise and public company board experience bring significant value to our Board. He also provides the Board a unique perspective as a representative of a major stockholder.	46	2012

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Name	Principal Occupation During Last Five Years and Relevant Experience, Qualifications, Attributes or Skills	Age	Director Since
Edward W. Barnholt	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. 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.	71	2005
Robert K. Burgess	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 board of NVIDIA Corporation, a provider of programmable graphics processing technologies. He previously served on the board of IMRIS Inc. from September 2010 to November 2013. Mr. Burgess holds a B.Com. from McMaster University in Canada. 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	57	2005

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.

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Name	Principal Occupation During Last Five Years and Relevant Experience, Qualifications, Attributes or Skills	Age	Director Since
Frank A. Calderoni	Mr. Calderoni currently serves as an Executive Advisor 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. From 2008 to January 2015, Mr. Calderoni served as Executive Vice President and Chief Financial Officer at Cisco, 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, a global services, software and systems company, 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. As a result of his positions 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.	57	2012
Michael R. Cannon	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, Lam Research Corporation, a semiconductor wafer fabrication equipment company, and Dialog Semiconductor, a mixed signal semiconductor company. He previously served as a director of Elster Group SE from October 2010 to August 2012. Mr. Cannon studied mechanical	62	2003

engineering at Michigan State University and completed the Advanced Management Program at Harvard Business School.

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 four other public companies, Mr. Cannon offers our Board a deep understanding of corporate governance matters.

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Name	Principal Occupation During Last Five Years and Relevant Experience, Qualifications, Attributes or Skills	Age	Director Since
James E. Daley	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. 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 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.	73	2001
Laura B. Desmond	Ms. Desmond is the Global Chief Executive Officer of Starcom MediaVest Group (SMG), a global marketing and media services company which is part of the Publicis Groupe. She is also a member of the Publicis Groupe P12, an executive committee, and the Directoire+, a management board, which are both 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. Ms. Desmond previously served as a director of Tremor Video, Inc. from January 2012 to September 2013. She holds a B.B.A. in Marketing from the University of Iowa. 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 past service on other boards gives her valuable knowledge and perspective.	49	2012

Charles M. Geschke	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. 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 provide the Board with significant leadership, operations and technology experience, as well as important perspectives on innovation, management development, and global challenges and opportunities. As Co-Chairman of the Board, Dr. Geschke has a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.	75	1983

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Name	Principal Occupation During Last Five Years and Relevant Experience, Qualifications, Attributes or Skills	Age	Director Since
Shantanu Narayen	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 Pfizer Inc., a multinational pharmaceutical corporation. He previously served as a director of Dell Inc. from September 2009 to October 2013. 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. As our President and Chief Executive Officer and as an Adobe employee for more than 17 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. In addition, his service on other boards gives him a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.	51	2007
Daniel L. Rosensweig	Mr. Rosensweig is currently President, Chief Executive Officer and Chairman 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	53	2009

B.A. in Political Science from Hobart College.

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.

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Name	Principal Occupation During Last Five Years and Relevant Experience, Qualifications, Attributes or Skills	Age	Director Since
Robert Sedgewick	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.	68	1990
	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.		
	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.		
	As a Professor and the founding Chairman of the Department of Computer Science at Princeton, 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.		
John E. Warnock	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.	74	1983

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 provide the Board with significant leadership, operations and technology experience, as well as important perspectives on innovation, management development, and global challenges and opportunities. As Co-Chairman of the Board of Directors of Adobe and Chairman of the Board 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.

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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 are: 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; overseeing Adobe's worldwide investment policy; 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 also oversees the company's initiatives related to cyber-security, including the prevention and response to any cyber-attacks. 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 regulations 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 each Audit Committee member is an "audit committee financial expert" 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/investor-relations/governance.html.

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/investor-relations/governance.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 and Adobe at that point in time. In reviewing potential candidates, the Nominating and Governance 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 be a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act") and an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (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 2016 Annual Meeting of Stockholders, a stockholder's notice to our Corporate Secretary must be delivered to our principal executive offices no later than December 14, 2015 nor earlier than November 14, 2015. 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.

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, 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 and Places, within parameters established by the Executive Compensation

Committee. In addition, the Executive Compensation Committee reviews our stock ownership guidelines for senior management, which are described below in "Compensation Discussion and Analysis—Equity-Related 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

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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 Exchange Act and "outside directors" for purposes of Section 162(m) of 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/investor-relations/governance.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 our 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 might encourage is not reasonably likely to materially harm our business or financial condition, after considering mitigating controls. Additionally, the Audit Committee considered the risk assessment and the findings of the Executive Compensation Committee.

Although the majority of target total direct compensation provided to our executive officers is incentive 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. Incentive-based employee compensation programs typically make up a smaller percentage of our other employees' overall compensation and therefore provide less motivation for risk taking. The design of these broad-based 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:

- While our Executive Bonus Plans for fiscal years 2014 and 2015 focus on the achievement of bookings and recurring revenue targets and customer advocacy goals, they also include an individual goal component with objectives for many of our executives relating to operating metrics; together with our long-term equity incentive program for fiscal years 2014 and 2015 that motivate our executives to build stockholder value, our fiscal year 2014 and 2015 compensation programs (which are described further below in the "Compensation Discussion and Analysis" section of this proxy statement) continue to provide balanced objectives while driving our short- and long-term business strategies.
- Our Performance Share Program is based on Adobe's total stockholder return ("TSR") over a three-year period relative to the companies in the NASDAQ 100 Index, so unlike stock options, the program will not reward short-term spikes in the price of our stock, but instead requires sustained, measurable performance over a three-year period. In the event Adobe's TSR places in the bottom 25% relative to the companies in the NASDAQ 100 Index, no shares will be awarded, meaning our executives will be rewarded only when Adobe's stock is performing relative to the market.
- 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 a 200% cap of the target awards. We believe this cap limits 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") that vest over three or four years. Annual equity incentive awards for our executive officers and certain senior employees for

fiscal years 2014 and 2015 include RSUs that vest one-third each year over three years and performance shares that vest 100% after a three-year cliff, encouraging executive officers and such other employees to focus on sustained stock price appreciation over the long term. Stock options

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are not granted to members of our Board, our executive officers or any other employees generally, which our Executive Compensation Committee believes further mitigates the potential value 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—Equity-Related Policies—Stock Ownership Guidelines,” which encourage a level of stock ownership that we believe appropriately aligns their long-term interests with those of our stockholders. As described below under “Compensation Discussion and Analysis—Equity-Related Policies—Stock Ownership Guidelines,” the Executive Compensation Committee amended our stock ownership guidelines for senior executives during our 2014 fiscal year to require threshold ownership levels to be maintained indefinitely, further strengthening the alignment between our executives’ and stockholders’ interests.
- Our Insider Trading Policy prohibits all employees from pledging shares, engaging in short sales or hedging transactions involving Adobe’s securities.
- We have a clawback policy for certain performance-based incentive compensation of our executive officers.

Meetings of the Board and Committees

During fiscal year 2014, our Board held five meetings, and its three standing committees—Audit Committee, Executive Compensation Committee, and Nominating and Governance Committee—collectively held 22 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 2014. Members of our Board are encouraged to attend our annual meetings of stockholders. Ten of our thirteen Board members attended our 2014 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 2014:

Name	Board	Audit	Executive Compensation	Nominating and Governance
Ms. Banse	X		X	
Mr. Barlow	X		X	
Mr. Barnholt	X		X	Chair
Mr. Burgess	X	X		
Mr. Calderoni	X	X		
Mr. Cannon	X	X		
Mr. Daley	X	Chair *		X
Ms. Desmond	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 2014	5	11	7	4

* Effective April 9, 2015, Mr. Calderoni will replace Mr. Daley as the Chair of the Audit Committee.

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,

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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 Dr. Geschke and Dr. Warnock, Adobe's founders and 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, our corporate culture and the industries in which we compete, as is the case with Dr. Geschke and Dr. 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 and committee 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, cyber-security 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

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any of our compensation policies and programs has the potential to encourage excessive risk-taking, which determination is reviewed by our Audit Committee.

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/investor-relations/governance.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/investor-relations/governance.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/company/integrity.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 2014.

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. This Code of Business Conduct is publicly available on our website at http://www.adobe.com/company/integrity.html. There were no waivers of the Code of Business Conduct for any of our directors or executive officers during fiscal year 2014.

Board Evaluation

Every other year, including during 2014, we engage an outside advisor to confidentially interview each of the members of our Board and to conduct a comprehensive Board self-evaluation to assess the effectiveness of our Board and committees. The Board then meets with the outside advisor to review and discuss the evaluation results and any actions to be taken as a results of the discussion. The evaluation aims to find opportunities where our Board and committees can improve their performance and effectiveness, as well as to assure that our Board and committees are operating in accordance with our Corporate Governance Guidelines and committee charters.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common stock as of February 13, 2015 by each entity or person who is known to beneficially own 5% or more of our common stock, each of our directors, each named executive officer ("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][3]		Percent of Class
PRIMECAP Management Company 225 South Lake Avenue, No. 400 Pasadena, CA 91101	38,410,166	(4)	7.67%
FMR LLC 245 Summer Street Boston, MA 02210	27,905,360	(5)	5.57%
Entities associated with BlackRock, Inc. 55 East 52nd Street New York, NY 10022	26,175,688	(6)	5.23%
Shantanu Narayen	658,458	(7)	*
Mark Garrett	58,722	(8)	*
Matthew Thompson	51,296		*
David Wadhwani	27,026	(9)	*
Bradley Rencher	117,777	(10)	*
Amy L. Banse	24,365	(11)	*
Kelly J. Barlow	3,986	(12)	*
Edward W. Barnholt	84,698	(13)	*
Robert K. Burgess	84,698	(14)	*
Frank A. Calderoni	17,625	(15)	*
Michael R. Cannon	84,698	(16)	*
James E. Daley	93,776	(17)	*
Laura B. Desmond	17,625	(18)	*
Charles M. Geschke	442,245	(19)	*
Daniel L. Rosensweig	48,142	(20)	*
Robert Sedgewick	163,139	(21)	*
John E. Warnock	813,429	(22)	*
All directors and current executive officers as a group (23 persons)	3,105,388	(23)	0.62%

*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 500,922,824 shares outstanding on February 13, 2015, adjusted as required by rules promulgated by the SEC.

(3) Holdings reported include any equity awards deferred under our deferred compensation plan.

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(4) Includes 38,410,166 shares beneficially held by PRIMECAP Management Company ("PRIMECAP") as of December 31, 2014, with sole dispositive power as to all shares and sole voting power as to 6,042,233 shares. Of those shares beneficially held by PRIMECAP, Vanguard-related entities have sole voting power over 28,681,570 shares. This information is based on a Schedule 13G/A filed with the SEC on February 13, 2015 by PRIMECAP and additional information provided by a representative of PRIMECAP on February 17, 2015.

(5) FMR LLC has the sole power to vote or direct the vote of 2,369,625 shares and the sole power to dispose or direct the disposition of all 27,905,360 shares of common stock held by certain of its subsidiaries and affiliates. FMR LLC is controlled by Edward C. Johnson 3d, its Director and Chairman, and Abigail P. Johnson, its Director, Vice Chairman, Chief Executive Officer and President. This information is based solely upon a Schedule 13G/A filed on February 13, 2015.

(6) Based solely on a Schedule 13G filed with the SEC on February 3, 2015, reporting beneficial ownership as of December 31, 2014. Such entities have sole dispositive power as to all shares and sole voting power with respect to 22,171,924 shares.

(7) Consists of 276,181 shares held by the Narayen Family Trust, of which Mr. Narayen is a trustee, and 382,277 shares issuable upon exercise of outstanding options held by Mr. Narayen exercisable within 60 days of the date of this table.

(8) Consists of 50,000 shares held by the Garrett Living Trust, of which Mr. Garrett is a trustee; 107 shares held by the Garrett Family Investment Partnership LP; and 8,615 shares held by Mr. Garrett.

(9) Includes 1,605 shares issuable upon exercise of outstanding options held by Mr. Wadhwani exercisable within 60 days of the date of this table.

(10) Includes 72,400 shares issuable upon exercise of outstanding options held by Mr. Rencher exercisable within 60 days of the date of this table.

(11) Includes 3,986 shares issuable within 60 days of the date of this table upon vesting of restricted stock units held by Ms. Banse.

(12) Includes 3,986 shares issuable within 60 days of the date of this table upon vesting of restricted stock units. After vesting, the shares will be transferred to ValueAct Capital. As a partner of ValueAct Capital, Mr. Barlow may be deemed to be the beneficial owner of additional shares held by the ValueAct entities, totaling 16,006,753 shares. Mr. Barlow disclaims beneficial ownership except to the extent of his pecuniary interest in each applicable ValueAct entity.

(13) Consists of 5,000 shares held by a family trust, of which Mr. Barnholt is a trustee; 25,712 shares held by Mr. Barnholt; and 53,986 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 29,092 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 53,986 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) Includes 3,986 shares issuable within 60 days of the date of this table upon vesting of restricted stock units held by Mr. Calderoni.

(16) Consists of 5,000 shares held by the Michael Cannon 2004 Trust, of which Mr. Cannon is a trustee; 25,712 shares held by Mr. Cannon; and 53,986 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 73,102 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.

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(18) Includes 3,986 shares issuable within 60 days of the date of this table upon vesting of restricted stock units held by Ms. Desmond.

(19) Consists of 272,074 shares held by the Geschke Family Trust, of which Dr. Geschke is a trustee; and 170,171 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. Geschke.

(20) Consists of 44,156 shares held by The Rosensweig 2012 Irrevocable Children's Trust, of which Mr. Rosensweig is a trustee and 3,986 shares issuable within 60 days of the date of this table upon vesting of restricted stock units held by Mr. Rosensweig.

(21) Includes 91,204 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 723,703 shares held by the Warnock Family Trust, of which Dr. Warnock is a trustee; 18,882 shares held by Dr. Warnock; and 70,844 shares issuable upon vesting of restricted stock units or the exercise of outstanding options held by Dr. Warnock exercisable within 60 days of the date of this table.

(23) Includes 1,092,909 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 7 through 22.

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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 2014, no reporting person failed to file the forms required by Section 16(a) of the Exchange Act on a timely basis.

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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 28, 2014, 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, Auditude, Inc. in October 2011, Efficient Frontier, Inc. in January 2012, Behance, Inc. in December 2012, Neolane in July 2013 and Aviary in September 2014:

Plan Category	Number of securities to be issued upon exercise of outstanding options, performance shares and restricted stock units	Weighted-average exercise price of outstanding options, performance shares and restricted stock units[(1)]	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by Adobe's stockholders	17,563,690[(2)]	$4.51	58,559,793[(3)]
Equity compensation plans not approved by Adobe's stockholders[(4)]	2,560,731	$4.90	28,643
Total	20,124,421	$4.56	58,588,436

(1) Weighted-average exercise prices include performance shares and RSUs, which do not have any exercise price and therefore decrease the reported average.

(2) Includes 1,634,850 shares of common stock issuable pursuant to the terms of our 2013 Performance Share Program at maximum levels (200%) as of November 28, 2014. This number does not include 256,150 shares at maximum levels (200%) under our 2013 Performance Share Program that were forfeited due to participants' departure from Adobe prior to the certification date. Includes 1,399,200 shares of common stock issuable pursuant to the terms of our 2014 Performance Share Program at maximum levels (200%) as of November 28, 2014. This number does not include 17,900 shares at maximum levels (200%) under our 2014 Performance Share Program that were forfeited due to participants' departure from Adobe prior to the certification date.

(3) Includes 12,898,604 shares that are reserved for issuance under the 1997 Employee Stock Purchase Plan as of November 28, 2014 and 45,661,189 shares that are reserved for issuance under the 2003 Equity Incentive Plan.

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

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Company	Date of Acquisition
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
Auditude, Inc.	October 18, 2011
Efficient Frontier, Inc.	January 13, 2012
Behance, Inc.	December 20, 2012
Neolane	July 22, 2013
Aviary, Inc.	September 22, 2014

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 Executive Compensation Committee 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 28,644 shares of our common stock were reserved for issuance as of November 28, 2014. 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 28, 2014, 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
C	8,117	Omniture, Inc. 2006 Equity Incentive Plan	March 23, 2016
D	20,527	Omniture, Inc. 2007 Equity Incentive Plan	June 30, 2015

(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. Reserve B, which comprised shares from the Macromedia, Inc. 2002 Equity Incentive Plan and Allaire Corporation 1997, 1998 and 2000 Stock Incentive Plans acquired in connection with the Macromedia acquisition, expired on November 10, 2014. Reserve E, which comprised shares from the Omniture, Inc. 2008 Equity Incentive Plan acquired in connection with the Omniture acquisition, expired on July 14, 2014.

For each award granted under Reserves C or D, 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 until such time as the applicable reserve expires. The shares remaining available for issuance under Reserves C and D, and the potential number of shares that could revert back into such reserves upon cancellation is minimal. The Executive Compensation Committee, as administrator of the Assumption Plan, has

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determined that in light of the small number of shares and potential shares remaining, it is reasonable to discontinue use of Reserves C and D to alleviate the burden and cost of administering the Assumption Plan. Accordingly, in February 2015, the Executive Compensation Committee approved the retirement of Reserves C and D. The Assumption Plan will remain outstanding to govern the awards issued and outstanding thereunder.

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 28, 2014, we maintained equity compensation plans covering stock awards that were assumed by us as follows: four plans in connection with the Macromedia acquisition; seven plans in connection with the Omniture acquisition; two plans in connection with the Day Software acquisition; one plan in connection with the Demdex acquisition; one plan in connection with the EchoSign acquisition; one plan in connection with the Typekit acquisition; two plans in connection with the Auditude acquisition; one plan and one non-plan stock option agreement in connection with the Efficient Frontier acquisition; one plan in connection with the Behance acquisition; two plans in connection with the Neolane acquisition; and one plan in connection with the Aviary acquisition, in each case under which stock awards had been granted by these predecessor entities that remained outstanding at the time of the respective acquisition. We did not assume the reserves of the plans from which these awards were issued. The “Equity compensation plans not approved by Adobe’s stockholders” row in the “Equity Compensation Plan Information” table above shows aggregated share reserve information for these awards in addition to the Assumption Plan. 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 2014 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.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding our executive compensation programs during fiscal year 2014 for the following executive officers of Adobe:

- Shantanu Narayen, President and Chief Executive Officer
- Mark Garrett, Executive Vice President and Chief Financial Officer
- Matthew Thompson, Executive Vice President, Worldwide Field Operations
- Bradley Rencher, Senior Vice President and General Manager, Digital Marketing
- David Wadhwani, 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 executive compensation programs for our executive officers during fiscal year 2014. It also provides an overview of our executive compensation philosophy, including our principal compensation programs. Finally, it analyzes how and why the Executive Compensation Committee of our Board (the "Committee") arrived at its material compensation decisions for our executive officers, including our NEOs, in fiscal year 2014.

Fiscal Year 2014 Business Highlights

Over the past several years, Adobe has been in the midst of a vital transformation of our business model, shifting from a focus on pre-packaged software to a services-based business built around subscription offerings and recurring revenue. In fiscal year 2014 this transformation culminated with most of our revenue coming from recurring sources by the end of the fiscal year. With the continued growth of Creative Cloud, Adobe's leadership team has achieved a monumental shift in our core Digital Media business, driving growth and increasing the predictability of our financial results. At the same time, our NEOs have continued to drive growth in our Digital Marketing business that has achieved leadership in its category. While executing on this strategy, our NEOs have continued to produce strong financial results. For the fiscal year ended November 28, 2014:

- Our Creative Annualized Recurring Revenue ("ARR") grew to $1.68 billion, and our total Digital Media ARR grew to $1.95 billion-growing more than $1 billion during the fiscal year;
- Adobe added more than 2 million paid Creative Cloud subscriptions, exiting the fiscal year with over 3.4 million paid subscriptions;
- Adobe Marketing Cloud achieved a record $1.17 billion in annual revenue, with record annual bookings;
- Adobe repurchased 10.9 million shares during the fiscal year, returning approximately $689 million of cash to stockholders; and
- During the fiscal year, the price of Adobe's common stock increased nearly 30%, delivering significant returns to our stockholders.

Our executive officers also delivered on key strategic performance objectives established by the Committee for fiscal year 2014 and other corporate initiatives. These achievements included:

- Thought leadership in digital marketing, with our Digital Marketing Cloud being named the leader in the first Forrester Wave report and Gartner Magic Quadrant report addressing the space generally;
- Delivering value to our Creative Cloud customers throughout the year to improve the end-to-end customer experience, including two milestone releases in June and October;
- Adobe being recognized as one of the world's top 100 brands according to Interbrand's Best Global Brands survey;
- Recognition as one of the "Best Places to Work" around the globe by a number of publications, including Glass Door's top 50 list;

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- Achieving the number three ranking on Newsweek's "Top 10 Green Companies in the World," recognizing our emphasis on environmental responsibility, as we exited the year with 70% of Adobe's global office space having obtained LEED Certified status; and
- Continued emphasis on key corporate social responsibility objectives as Adobe continues to impact our community, donating millions of dollars to charitable causes (directly and through the Adobe Foundation), reaching over 45,000 youth through the Adobe Youth Voices program, and serving in the community through our employees, who contributed thousands of hours volunteering through pro bono initiatives and Adobe-sponsored programs.

Fiscal Year 2014 Compensation Highlights

Our executive compensation programs are designed to directly tie the outcomes of our incentive compensation awards for our executive officers to the achievement of our key strategic performance objectives and returns to our stockholders, and drive the creation of sustainable long-term stockholder value. Our fiscal year 2014 compensation programs reflected this philosophy, and compensation earned reflected our business achievements discussed above.

- Our financial and operational results were substantially in line with the high expectations our Executive Compensation Committee set for our NEOs at the outset of the fiscal year, including record ARR in our Digital Media business and net bookings in our Digital Marketing business, as well as achievement of key customer advocacy objectives. Accordingly, the Committee determined that the annual cash incentive awards for our NEOs were achieved at 96.4% of their target award opportunity (for more discussion of cash awards, see section captioned "Cash Incentives" below).
- Because our Performance Share Program transitioned to a three-year performance period starting in fiscal year 2013, none of those awards will be eligible to be earned or vest until the beginning of 2016 (and in subsequent years). Accordingly, no performance shares were earned this year.
- Approximately 86% of our CEO's target compensation in fiscal year 2014 was comprised of equity awards (and approximately 80% for our other NEOs as a group). A substantial percentage (50%) of this equity value is comprised of awards based on relative total stockholder return ("TSR") over a three-year performance period issued under our Performance Share Program, with the balance of equity value issued as time-based RSUs that vest annually over three years. This means that, unless we achieve our performance objectives each year and over the long-term, our executive officers likely will not realize the full potential value of their 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, strongly aligning the interests of our executive officers with those of our stockholders.
- In order to more closely align the long-term interests of our NEOs with those of our stockholders, early in fiscal year 2014 our Board amended Adobe's stock ownership guidelines to require our executive officers to hold 50% of net shares acquired (up from 25% under the previous guidelines) until they satisfy (and continue to satisfy) threshold share ownership requirements. The Board also amended the two-year holding period to now require that threshold share ownership levels be maintained indefinitely, as long as the individual remains an executive of Adobe. For more information, see the section below captioned "Equity-Related Policies—Stock Ownership Guidelines."

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Our pay-for-performance philosophy is reflected in the chart below, which depicts the composition of our CEO and other NEOs' targeted 2014 compensation:

Mr. Narayen's and Other NEOs' Target Pay Mix[1]

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(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 represents their average target pay mix.

Response to 2014 Say-on-Pay Vote

Adobe values the input of our stockholders on our compensation programs. We hold an advisory vote on executive compensation on an annual basis. We also regularly communicate with our stockholders to better understand their opinions on governance issues, including compensation. The Executive Compensation Committee carefully considers the outcome of each vote and this stockholder outreach feedback as part of its annual review of our executive compensation programs for our NEOs. At our 2014 annual stockholders meeting, over 90% of the votes cast approved, on an advisory basis, our NEO compensation and disclosures for fiscal year 2013. This high percentage of votes in favor of our compensation approach validated the updates to our compensation programs in response to stockholder feedback received in previous years. In particular, we believe this improvement was driven by a number of changes to our fiscal year 2013 executive compensation programs, including: (1) lengthening the performance period under our Performance Share Program to three years; (2) basing our Performance Share Program on a single objective metric—relative TSR—to more closely align the compensation opportunity of our NEOs to long-term stockholder interests; and (3) basing our short-term cash incentive program on financial metrics that align with our corporate growth strategy.

In addition to taking stockholder feedback into account, the Committee has evaluated a number of other factors discussed below in making decisions about our executive compensation approach. Following this evaluation, the Committee determined not to make significant changes to our executive cash bonus plan or equity compensation programs for fiscal year 2015, continuing the general approaches from the two previous fiscal years. These programs were designed to align with our three-year operating plan and the multi-year growth strategy of our Digital Media and Digital Marketing businesses as our executives guide Adobe through a significant business transformation. The Committee believes it is important to maintain consistency in our compensation programs for executives as we complete this transformation.

These compensation decisions included input from a representative of one of the company's major stockholders who serves as a director and member of the Committee, bringing a key stockholder voice into our executive compensation process and enabling us to better align the incentives of our NEOs with our stockholders' long-term interests.
Additional information regarding our fiscal year 2015 executive compensation programs is available in our Current Report on Form 8-K filed with the SEC on January 28, 2015.

Compensation Philosophy and Objectives

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 drive successful business outcomes, growth, innovation and customer focus for Adobe. Our executive compensation programs play a fundamental role in creating this environment by rewarding our senior management, including our NEOs, for the successful execution of our short- and long-term business objectives. Our compensation directly links pay to both corporate and individual performance, reinforcing the alignment of our executives' interests with our business objectives and the interests of our stockholders.

We believe that the skills, experience and dedication of our executive officers are critical factors that contribute directly to our operating results, thereby enhancing stockholder value. In order to continue to develop and bring to market the products that drive our financial performance, we must attract, motivate, and retain the top talent within our industry. As such, our compensation programs for our employees generally, including our executives officers, are designed: (1) to provide competitive compensation opportunities that attract, as needed, individuals with the skills necessary for us to achieve our business objectives and retain those top performing individuals; (2) to relate directly to our corporate performance and meaningfully drive our business objectives; (3) to reward and motivate strong individual performance, but with a substantial majority of compensation tied to corporate objectives; (4) to avoid undue compensation-related risk; and (5) to create direct alignment with our stockholders by providing equity ownership in the company. Further, the following aspects of our compensation program underscore our continued commitment to corporate governance and compensation best practices:

- Our executives' total compensation is designed to pay for performance and is comprised of elements addressing both short-term and long-term financial performance. Our cash bonus payouts align with the company's financial performance over the prior fiscal year, while our equity compensation aligns with long-term financial performance.
- Our Insider Trading Policy prohibits transactions involving pledging, hedging or short sales of Adobe equity.
- Our officers at the senior vice president level and above are subject to stock ownership guidelines.
- We do not provide golden parachute excise tax gross-up payments.
- We do not provide company-paid retirement benefits.
- We have a clawback policy for certain performance-based incentive compensation of our executive officers.

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.

Peer Group and Competitive Positioning

The Committee 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.

Each year, to assist the Committee in its deliberations on executive compensation, the Committee reviews and updates our list of peer companies as points of comparison, as necessary, to ensure that the comparisons are meaningful. Our independent compensation consultant, using the Committee's criteria (described in the table below), provides recommendations on the composition of our compensation "peer group." This compensation peer group was

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determined in fiscal year 2013 and market data relating to this group was evaluated in connection with making compensation decisions for fiscal year 2014. Based on the factors described in the table below and management's input, the independent compensation consultant recommended, and the Committee approved, removing BMC Software, Inc. and Electronic Arts Inc. from our peer group because BMC was in the process of being acquired and because Electronic Arts' market cap fell below Adobe's 30-day average market cap range. No companies were added to our peer group list for fiscal year 2014.

Peer Group for Fiscal Year 2014

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 within 0.5x to 2.0x of Adobe's and market capitalization within 0.3x to 3.0x of Adobe's, and at least three of the following criteria: (1) global multi-faceted software/internet company; (2) profit margin within 0.5x to 2.0x of Adobe's; (3) number of employees within 0.5x to 2.0x of Adobe's; (4) company names Adobe as peer; and (5) stockholder advisory firm names company as Adobe's peer	Activision Blizzard, Inc. Autodesk, Inc. Broadcom Corporation CA, Inc. Citrix Systems Inc. Intuit, Inc. Juniper Networks, Inc. NetApp, Inc. NVIDIA Corporation salesforce.com, inc. Symantec Corporation VMware, Inc. Yahoo! Inc.

Our independent compensation consultant then prepares a compensation analysis compiled from both executive compensation surveys and data gathered from publicly available information for our peer group companies. 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. In addition, because Adobe's market cap is within the top quartile of its peer companies, the Committee and management also specifically consider position of market cap relative to peers when reviewing equity and target total direct compensation levels.

Pay Mix

Our executive compensation programs include base salary, an annual cash incentive opportunity, equity incentive awards and employee benefits. The percentage of performance-based compensation, or "at risk" pay, for Adobe's management and other employees generally increases with job responsibility, reflecting our view of internal pay equity and the ability of a given employee to contribute to our results. We also generally align our compensation strategy with the practices of our peer group when possible and to the extent consistent with our business model. Our executive compensation programs focus on linking pay to performance and reinforcing the alignment of our executives' interests with those of our stockholders. If results do not meet our expectations, our NEOs will 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.

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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.	ü		
Cash Incentives	Cash incentives are earned in full or in part only if (1) we achieve certain pre-established one-year company performance targets, (2) the recipient achieves individual performance levels or objectives, and (3) the recipient remains employed with Adobe for the performance period.	ü	ü	
Equity Incentives	Equity incentives are awarded upon hire and then typically annually thereafter. Awards are both performance based and time based, each vesting over multiple years, aligning employee interests with stockholder interests.	ü	ü	ü
Employee Benefits and Perquisites	Benefits programs for all Adobe eligible employees provide protection for health, welfare and retirement.	ü		

In setting the mix among the different elements of executive compensation, we do not target specific allocations, but generally emphasize performance-based compensation, both cash and equity, in our executive officers' compensation. Total target cash compensation opportunity (base salary and cash incentives) represents less of our executive officers' total target compensation than the total target equity compensation opportunity, to increase alignment with our stockholders' interests and motivate performance that creates sustainable long-term stockholder value.

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.

The fiscal year 2014 target total direct compensation ("TDC") for our NEOs was set by the Committee based on a number of factors, including: competitive pay practices reflected in the peer group data; each executive's importance and contribution to Adobe; company and individual performance; anticipated future contributions; internal pay equity; and historical pay levels. The Committee also reviewed the positioning of the total target cash and equity elements of compensation against levels at our peer companies, but these individual elements of NEO compensation may vary based on the importance of the other factors noted above 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. Our fiscal year 2014 target TDC pay mix for each NEO is summarized above under "Fiscal Year 2014 Compensation Highlights."

Base Salary

For fiscal year 2014, 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, performance and potential performance of the NEOs and their mix of other compensation elements (cash and equity incentives). Following its review, the Committee determined to moderately increase the base salaries of our NEOs as shown in the table below. The moderate increases were based on individual performance as well as our independent compensation consultant’s survey of comparable salaries at our peer companies.

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Fiscal Years 2013 and 2014 Base Salaries

Name	2013 Salary ($)	Increase (%)		2014 Salary[1] ($)
Shantanu Narayen	950,000	5	%	1,000,000
Mark Garrett	625,000	4	%	650,000
Matthew Thompson	600,000	4	%	625,000
Bradley Rencher	500,000	6	%	530,000
David Wadhwani	525,000	5	%	550,000

(1) The salaries for 2014 shown in the table above were effective as of February 2014. Actual base salaries earned during the fiscal year are shown below in the "Fiscal Year 2014 Executive Bonus Plan Target Cash Incentives" table.

Cash Incentives

Annual Cash Incentive Plan

At the outset of 2014, the Committee approved the Fiscal Year 2014 Executive Annual Incentive Plan (the "Executive Bonus Plan"), which operates under the terms of a stockholder-approved 2011 Executive Cash Performance 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 2014 (the "Operating Plan").

Plan Design and Target Annual Incentive Opportunity

The Committee set the target annual cash incentive opportunity for fiscal year 2014 (expressed as a percentage of base salary earned during the year) for each NEO early in the fiscal year. In setting the target levels, the Committee considered each NEO's fiscal year 2014 target total cash opportunity against the peer group data provided by our independent compensation consultant, internal pay equity and the roles and responsibilities of the NEOs. The Committee set the fiscal year 2014 cash incentive targets for Messrs. Narayen, Garrett and Thompson at the same percentage as their target opportunities in fiscal year 2013, resulting in modest increases to the dollar values of their targets on account of the salary increases described above. The Committee moderately increased the percentage targets for Messrs. Rencher and Wadhwani on account of their increased leadership and importance to Adobe's business and to better align their compensation with peer group practices. The Committee believes that the target annual cash incentive opportunity should make up a larger portion of an NEO's total target cash compensation as the executive's level of responsibility increases.

As with our fiscal year 2013 program, the Executive Bonus Plan was designed to align our NEOs' cash bonus incentives with the company's strategic priorities of driving ARR growth in Digital Media and net bookings ("Bookings") in Digital Marketing in order to build significant recurring revenue streams as we continued to transition our business towards subscriptions and cloud-based services, such as Creative Cloud and Adobe Marketing Cloud. As discussed in our recent Annual Reports, the Committee and the company's management feel that these metrics are the best indicators of the forward-looking health of Adobe's business while we near completion of a significant business transition, during which perpetual revenue (recognized up front) has been largely replaced with subscription or SaaS revenue that is recognized over time. During this transformation, traditional financial metrics such as revenue and profitability have been less reliable indicators of the performance of our core businesses as we shift our focus toward recurring revenue.

Portions of the cash opportunity for each NEO are also tied to a customer advocacy objective and an individual goal component tailored to each executive, including in appropriate circumstances, objectives related to profitability.

The Committee determined that, for purposes of earning any award under the Executive Bonus Plan for fiscal year 2014, we must have achieved a threshold goal of 85% of the GAAP Revenue set forth in the Operating Plan. If

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the threshold goal was not achieved, none of the participants in the Executive Bonus Plan would be eligible to earn any annual cash incentive award. If we achieved the GAAP Revenue threshold, each participant would be eligible to earn a maximum award of 200% of such participant's bonus target.

Actual awards earned by each participant (which are a reduction from the maximum award funded once the GAAP Revenue threshold is met) are based on a formula with the company's achievement of its performance goals (ARR, Bookings and Customer Advocacy, collectively referred to as the Corporate Result) weighted at 75% of the participant's target award, and achievement of the participant's individual goals weighted at 25% of the participant's target award, as follows:

ARR for Digital Media (30%)	+	Net Bookings for Adobe Marketing Cloud (30%)	+	Customer Advocacy (15%)	+	Individual Goal (25%)

Corporate Result

The Corporate Result (expressed as a percentage) is the weighted average of three elements: (1) the ARR result (weighted at 2x); (2) the Bookings result (weighted at 2x) and (3) the Customary Advocacy result (weighted at 1x). The Corporate Result is also subject to adjustment by the Committee by up to 20 percentage points up or down based on the Committee's assessment of the company's qualitative performance during the fiscal year (with a maximum achievement of 200%).

The results for ARR and Bookings are based upon the company's performance against the fiscal year targets as set forth in the Operating Plan. As described in our 2014 Annual Report, we define annualized recurring revenue in our Digital Media business as the sum of (1) the number of current paid subscriptions, multiplied by the average subscription price paid per user per month, multiplied by twelve months; plus (2) twelve months of contract value of Enterprise Term License Agreements where the revenue is ratably recognized over the life of the contract, plus (3) twelve months of Adobe Digital Publishing Suite contract value where the revenue is ratably recognized.

The ARR target is based on the ARR target for specified products and services set forth in the Operating Plan, and the actual percentage achievement of the ARR component moves up or down (with a maximum achievement of 200%) based on the company's Digital Media ARR achievement, as shown on Exhibit A of the Executive Bonus Plan.

The Bookings target for Adobe Marketing Cloud is also based on the target set forth in the Operating Plan. Our Bookings measure is a proprietary formula that we use to monitor the value of our new business in the Adobe Marketing Cloud. As with the ARR component under our Executive Bonus Plan, the actual percentage achievement of the Net Bookings component moves up or down (with a maximum achievement of 200%) based on the company's Digital Marketing Bookings achievement, as shown on Exhibit B of the Executive Bonus Plan.

To illustrate further, in order for either the ARR result or Bookings result to exceed 100%, our performance in those areas would have to exceed the respective target set forth in the Operating Plan. The potential results based on ARR and Bookings achievement are included in Exhibit 10.5 to our Current Report on Form 8-K filed with the SEC on January 29, 2014.

The Customer Advocacy result is based on quantitative and qualitative analysis of the company's improvement of the customer experience by achievement of customer advocacy objectives. If the average of the ARR result and Bookings result (equally weighted) is at or below 100%, then the maximum percentage of the Customer Advocacy result permitted will be 100%. If the average of the ARR result and Bookings result (equally weighted) is above 100%, then the maximum percentage of the Customer Advocacy result permitted will be equal to the average of the ARR result and Bookings result (equally weighted), up to a maximum achievement of 200%.

Individual Goals

As noted above, each NEO's achievement of individual goals constitutes 25% of the NEO's target award opportunity under the Executive Bonus Plan. An executive's individual goals result may range from 0% to 200%. These individual goals were selected by the Committee in consultation with our CEO (other than with respect to his own goals) at the outset of fiscal year 2014, and the Committee reviewed the achievement of such individual goals for

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each NEO to determine the NEO's individual goals achievement. For our CEO, these individual goals for fiscal year 2014 included driving the strategic direction of the company. For our other NEOs, the individual goals for fiscal year 2014 were specifically tailored to the functions led by each NEO and aligned to the achievement of our overall Operating Plan, as shown in the table below:

Executive Officer	Individual Goal
Mark Garrett	Drive profitability and process improvements
Matthew Thompson	Improve sales productivity
Bradley Rencher	Drive Digital Marketing product innovation, strategic partnerships and operational efficiency
David Wadhwani	Drive Digital Media product innovation and operational efficiency

Fiscal Year 2014 Results and Payouts

At the time the corporate and individual goals were set for fiscal year 2014, the Committee believed that the Executive Bonus Plan goals were achievable, but only with significant effort.

In fiscal year 2014 we achieved $4.147 billion of revenue, exceeding our GAAP Revenue threshold level. Our business generated ARR approximately in line with our internal goals at 98.2% of the Operating Plan target, generating an ARR result of 98% under the Executive Bonus Plan. In our Digital Marketing business, Bookings performance was also approximately in line with our Operating Plan target at 98.1%, resulting in a Bookings result of 98%. The Committee set the Customer Advocacy result at 90%, resulting in a Corporate Result of 96.4%, which the Committee viewed as outstanding achievement in light of the relative difficulty of the targets under the Executive Bonus Plan. The Committee chose not to exercise its discretion to adjust the Corporate Result.

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. The Committee determined that our NEOs successfully drove the accelerated transformation of our business model to emphasize recurring revenue through ARR in our Digital Media business and Bookings in our Digital Marketing business, which generated growth and value for the company's stockholders. In assessing each NEO's individual goals achievement at 96.4%, the Committee focused on the Corporate Result and coordinated teamwork among the executives, as well as each executive's high level of contribution and key role in driving the business transformation in each of their respective areas.

Based on a Corporate Result of 96.4% (accounting for 75% of each NEO's bonus opportunity) and an individual goals achievement percentage of 96.4% for each NEO (accounting for the remaining 25% of the bonus opportunity), the actual payout percentage for each NEO under our 2014 Executive Bonus Plan was 96.4%. This resulted in the Committee awarding the cash bonuses shown in the following table:

Fiscal Year 2014 Executive Bonus Plan Target Cash Incentives

Name	Salary[(1)] ($)	Target Cash Incentive Percentage (%)	Target Cash Incentive[(2)] ($)	Actual Payout Percentage (%)	Actual Cash Incentive Earned ($)
Shantanu Narayen	991,667	150	1,487,500	96.4	1,433,950
Mark Garrett	645,833	100	645,833	96.4	622,583
Matthew Thompson	620,833	100	620,833	96.4	598,483
Bradley Rencher	525,000	95	498,750	96.4	480,795
David Wadhwani	545,833	95	518,541	96.4	499,874

(1) Actual base salary earned during fiscal year 2014 shown.

(2) Target cash incentive amount is calculated based on base salary amounts earned during the fiscal year at 100% payout.

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Other Cash Incentives

The Committee retains authority to pay additional discretionary bonuses outside the Executive Bonus Plan but declined to grant any such awards in fiscal year 2014.

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. By having a significant percentage of our NEOs' target TDC payable in the form of multi-year 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

For fiscal year 2014, the mix of equity incentive awards to our NEOs consisted of 50% performance share awards 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 $59.27 per share, the 30-day average of our stock price as of January 15, 2014, 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 and then rounded up to the nearest 100 shares and split equally between performance share awards and time-based RSUs.

Fiscal Year 2014 Mix of Annual Equity Incentive Awards

Type of Equity/Fiscal Year 2014 Award Value Allocation Percentage	Description	Objectives/Dilutive Effect	Vesting[1]
Performance Share Awards (50%)	Stock-settled awards subject to performance- and time-based vesting conditions; three-year performance period determines the total number of shares 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; and use fewer shares than stock options, so less dilution	Performance shares vest upon the certification of performance results following a three-year performance period
Time-Based 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 three years

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(1) Our NEOs' equity awards are also subject to certain acceleration provisions as described below under "Severance and Change of Control Compensation" and "Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2014—Narrative Summary to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2014 Table—Effect of Retirement, Death and Disability on Equity Compensation Awards."

Target Value and Award Determination

For fiscal year 2014, the Committee, with input from its independent compensation consultant, 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 individual performance of executives, peer group positioning, internal pay equity, employee retention and the other factors for determining compensation discussed under "Compensation Philosophy and Objectives" 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 increased Mr. Narayen's target equity opportunity in fiscal year 2014 to reflect individual and company performance achievements, to better position his equity in relation to high market cap peer companies, to create better alignment with our stockholders and to enhance the retentive value of his total compensation. For our other NEOs, the Committee increased their target equity opportunities to better align their equity in relation to higher market cap companies in our peer group as well as to better align internal pay equity. Likewise, Mr. Garrett's target value was returned to a position aligned with both peer and internal equity practices after it had been decreased in fiscal year 2013 on account of a one-time retention award issued to him in fiscal year 2012. 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, as well as the resulting number of performance shares (target, maximum and earned) and RSUs granted to each of our NEOs at the outset of fiscal year 2014.

Equity Awards Granted by the Committee at the Outset of Fiscal Year 2014

Name	Total Target Value of Equity Award ($)[1]	Performance Share Program			RSUs Award(s) (#)
		Target Award (#)	Maximum Award (#)	Actual Achievement (#)[2]	
Shantanu Narayen	$15,000,000	126,550	253,100	—	126,550
Mark Garrett	$4,250,000	35,900	71,800	—	35,900
Matthew Thompson	$4,750,000	40,100	80,200	—	40,100
Bradley Rencher	$3,250,000	27,450	54,900	—	27,450
David Wadhwani	$3,750,000	31,650	63,300	—	31,650

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(1) Amount of performance shares and RSUs awarded to each NEO based on target value of equity award is described above under "Equity Compensation Mix."

(2) Achievement of performance shares granted in 2014 will be certified by the Committee following the three-year performance period.

2014 Performance Share Program

As with our 2013 Performance Share Program, under our 2014 Performance Share Program shares are earned based on a single objective financial measure—relative TSR over a three-year performance period. All earned performance share awards will vest upon the Committee's certification of results, which will occur following the expiration of the three-year performance period. 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

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be awarded if an NEO remains providing service to Adobe (or an affiliate) upon the date of the Committee's certification of results following the end of the three-year performance period. Moreover, the economics of our Performance Share Program will result in strengthened retention incentives for our executives during periods over which the company is delivering favorable returns to our investors.

Under the 2014 Performance Share Program, the participants can earn between 0% and 200% (the payout cap under our program) of the target amount of performance shares. The three-year TSR measure compares the TSR of our common stock against the TSR of the companies included in the NASDAQ 100 Index as of November 30, 2013, using a cumulative 90 calendar day look-back as of the beginning and the end of the three-year period. This TSR metric creates accountability since the payout depends upon our stockholder return being better than other companies in the NASDAQ 100 Index, which companies the Committee and Adobe's management believe constitute the most relevant market benchmark for Adobe's performance. Also, the NASDAQ 100 (as opposed to our peer group) is broad enough to accommodate the high amount of consolidation and acquisition in our industry sector without significantly impacting the overall makeup of comparative companies between the start and end of the performance 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. The Performance Share Program pays above target for significant market performance. To summarize:

Company Percentile Rank as Compared to Index Companies	Shares of Stock That May Be Earned (as a Percentage of Target Shares)
Below 25th (Threshold Percentile Rank)	0%
25th	38%
35th	63%
50th (Target Percentile Rank)	100% (Maximum if Company TSR is not positive)
75th	163%
90th	200% (Maximum if Company TSR is positive)
100th	200%

Because our 2014 Program is based on a three-year performance period, none of the performance shares can be earned until the performance period closes at the outset of our 2017 fiscal year.

For more information on performance shares granted during fiscal year 2014, see the "Executive Compensation—Grants of Plan-Based Awards in Fiscal Year 2014" table and accompanying narrative.

2014 RSU Program

Recognizing that a substantial portion of our NEOs' compensation is performance based, and therefore inherently at risk, the Committee granted time-based RSUs to our NEOs in order to promote retention and continuity in our business. In fiscal year 2014, our time-based RSUs were subject to vesting at a rate of 1/3 per year over three years to provide additional retention incentives. 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 2014.

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 86 percent of our CEO's and 80 percent of our other NEOs' target pay is equity based, the Committee and the company consider it especially important to focus on realizable pay when evaluating pay for performance. If stock options awarded in previous years were “out of the money,” they could expire without any

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realized value or dilutive effect to the company. In addition, decreases in our stock price could cause other stock-based awards to have realizable values that are less than what was targeted at the time of grant.

As the table below illustrates, when the company's stock price increases and generates positive returns for Adobe's stockholders, the increase impacts an executive's realizable pay during the present fiscal year and for past fiscal years during which the executive received equity awards that are held or still subject to vesting. Accordingly, a significant portion of our NEOs' TDC is closely linked to the performance of Adobe's stock over time, motivating our executives to generate positive returns to Adobe's stockholders.

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 2012, 2013 and 2014:

Target TDC: Target TDC is calculated using (1) our CEO's target base salary as disclosed in the "Fiscal Years 2013 and 2014 Base Salaries" table (or, in the case of fiscal year 2012, in our definitive proxy statement dated February 28, 2014), (2) cash bonus targets, which are based on a percentage of target base salary, and (3) equity award target values based on the number of RSUs and performance shares granted in each year using grant date fair value. No target value for All Other Compensation is included.

Realizable TDC: Realizable TDC is calculated using (1) our CEO's actual earned base salary, (2) cash bonus and all other non-equity compensation as disclosed in the "Summary Compensation Table," (3) equity award values (based on the stock price on the last day of fiscal year 2014 of $73.68) of all restricted stock units granted in each year, and (4) equity award values (based on the stock price on the last day of fiscal year 2014 of $73.68) of the number of performance shares credited under the fiscal year 2012 performance award program and the number of performance shares that would be credited under the fiscal year 2013 and 2014 performance share programs if performance achievement were measured as of mid-November 2014 rather than the end of the applicable performance period (accordingly, the number of performance shares that may be credited under these two programs will vary).

Indexed TSR: Indexed TSR is calculated by taking the stock price on the last day of fiscal years 2012, 2013 and 2014 of $34.61, $56.78 and $73.68 respectively, and dividing each by the stock price on the last day of fiscal year 2011 of $27.11.

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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”) with a company-sponsored match component.

We also maintain an unfunded, nonqualified deferred compensation plan (the “Deferred Compensation Plan”). Our executives and our Board members are eligible to participate at their election. The Deferred Compensation Plan provides the ability to defer receipt of income to a later date, which may be an attractive tax planning opportunity. 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 2014.

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 as well as other corporate governance and employee relations factors. We offer our executives at the director level and above, including our NEOs, an annual comprehensive physical examination that is fully funded by Adobe, as an added benefit to the Adobe medical insurances provided. Alternatively, our NEOs may choose to enroll in a health concierge service. Adobe recognizes the significant role of its executives and offers this program to encourage a focus on keeping well.

In addition, we maintain a limited membership in a private jet program. Our policy related to this program, adopted to enable efficient travel, allows our Chief Executive Officer the use of a private jet for business travel only. A limited number of 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 the CEO during business travel only if additional costs for the family members are paid for by the executive officer. The CEO complied with this policy at all times during fiscal year 2014.

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; health savings account; medical and dependent care flexible spending account; and short- and long-term disability, accidental death and dismemberment. We believe these benefits are consistent with benefits provided by companies with which we compete for executive-level talent.

Equity-Related Policies

Stock Ownership Guidelines

In 2003, our Board adopted stock ownership guidelines for all employees at the senior vice president level and above (including our executive officers) and directors, which the Committee reviews periodically. The Board amended the guidelines during our 2014 fiscal year to require our executive officers to hold 50% of net shares acquired (up from 25% under the previous guidelines) until they satisfy (and continue to satisfy) the threshold share ownership requirements listed in the table below, and to require that such threshold ownership levels be maintained indefinitely, as long as the individual remains an employee at the senior vice president level and above of Adobe. These guidelines are designed to align our 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 officers and directors. As of November 28, 2014, each of our NEOs was in compliance with the applicable guidelines. Under the guidelines, the executives in the following positions should hold 50% of the net shares acquired from Adobe unless, following the sale of such shares, the total number of Adobe shares held by that executive equals or exceeds the following amounts:

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Position	Shares (#)
Chief Executive Officer	150,000
President, Executive Vice President or Chief Financial Officer	50,000
Senior Vice President	25,000

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 2014 and all directors and officers were in compliance with the guidelines during fiscal year 2014.

Anti-Hedging and Anti-Pledging Policy

Our insider trading policy explicitly prohibits any employee, including our NEOs, from hedging their equity ownership in Adobe by engaging in short sales or trading in any derivatives involving Adobe securities. Our employees are also prohibited from holding Adobe stock in a margin account or otherwise pledging Adobe stock or using financial instruments such as prepaid forwards, equity swaps, collars and exchange funds.

Performance-Based Compensation Recovery Policy

With the recommendation of our Executive Compensation Committee, in February 2015 the Board adopted a Clawback Policy. The Clawback Policy is applicable in the event of a material restatement of our financial statements that results from the intentional misconduct or fraud of a Section 16 executive officer. The Clawback Policy enables the Board to require repayment or cancellation of the incremental portion of the performance-based incentive compensation paid or payable to such officer in excess of the amount that would have been paid or payable based on the restated financial results. We will also continue to monitor rule-making actions of the SEC and NASDAQ related to clawback policies.

In addition, 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.

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 (subject to compliance with Section 162(m), as deemed advisable by the Committee); 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.

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Because the grant dates are pre-established, the timing of the release of material non-public information does not affect the grant dates for equity awards, and Adobe does not time the release of material non-public 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, consisting of the Chief Executive Officer and the SVP, People & Places, the authority to approve RSU awards to non-executive officer employees in accordance with the granting guidelines described above and subject to Committee-approved vesting schedules and share limits. In addition, our Board has delegated to an Acquired Company & Retention Equity Awards Committee, consisting of the CEO in his capacity as a member of the Board, the authority to approve the assumption of outstanding awards in an acquisition, and the granting of stock option, performance share and RSU awards to employees of the acquired company that continue as non-executive officer employees. 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.

In the event we award stock options, all stock option awards would be 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.

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

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. The Committee and the company 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. Further, a pre-existing plan ensures stability and will enable our executives to maintain a balanced perspective in making overall business decisions during a potentially uncertain period. To that end, Adobe provides certain change of control benefits as described below.

From and after December 13, 2014, each of our NEOs is, or could