

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999 Commission File Number: 0-18805

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

ELECTRONICS FOR IMAGING, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

94-3086355  
(I.R.S. Employer  
Identification No.)

303 Velocity Way, Foster City, CA  
(Address of principal executive offices)

94404  
(Zip Code)

(650) 357-3500  
(Registrant's telephone number, including area code)

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

None.

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

Common Stock, \$.01 Par Value  
(Title of Class)

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

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The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 11, 2000.

Common Stock, \$.01 par value: \$1,370,167,760 \*\*

The number of shares outstanding of each of the registrant's classes of common stock as of March 11, 2000.

Common Stock, \$.01 par value: 53,696,238

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on May 11, 2000 are incorporated by reference into Part III hereof.

\*\* Based upon the last trade price of the Common Stock reported on the NASDAQ National Market on March 11, 2000. Excludes approximately 16,974,824 shares of common stock held by Directors, Officer and holders of 5% or more of the Registrant's outstanding Common Stock on December 31, 1999. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the Registrant, or that such person is controlled by or under common control with the Registrant.

## PART I

This Annual Report on Form 10-K includes certain registered trademarks and trademarks of Electronics for Imaging, Inc. ("EFI or the Company") and others. EFI, the EFI logo, Fiery, the Fiery logo, Fiery Driven, the Fiery Driven logo, ColorWise, RIP-While-Print, PowerPage, the PowerPage logo, PowerBand, PowerSmooth, PSClone, PSView, EDOX and Solitaire are registered trademarks of Electronics for Imaging, Inc. with the U.S. Patent and Trademark Office, and certain other foreign jurisdictions. Fiery Prints, Fiery ZX, Fiery LX, Fiery SI, Fiery XJ, Fiery XJe, Fiery XJ-W, BookletMaker, Fiery Downloader, Fiery Scan, Fiery Spooler, Fiery FreeForm, Fiery Link, Fiery Driver, PowerWise Architecture, RIPChips, WebTools, WebSpooler, WebInstaller, WebStatus, Command Workstation, Continuous Print, DocBuilder, EFICOLOR, EFICOLOR Works, FreeForm, Memory Multiplier, NetWise, STARR Compression, Mousitometer, Spot-One, Check Mate, EDOX Profile Manager, RIP Ahead, Instant Reprint, Document Recovery, Sapphire, Opal and eBeam are trademarks of Electronics for Imaging, Inc. All other terms and product names may be registered trademarks or trademarks of their respective owners, and are hereby acknowledged.

Certain of the information contained in this Annual Report on Form 10-K, including without limitation, statements made under this Part I, Item 1 "Business" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" which are not historical facts, may include "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. When used herein, the words "anticipate," "believe," "estimate," "expect," "intend," "will" and similar expressions, as they relate to the Company or its management, are intended to identify such statements as "forward-looking statements." Such statements reflect the current views of the Company and its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Important factors that could cause the Company's actual results to differ materially from those included in the forward-looking statements made herein include, without limitation, those factors discussed in Item 1 "Business - Competition," in "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That Could Adversely Affect Performance" and elsewhere in this Annual Report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission, including the Company's most recent Quarterly Report on Form 10-Q. The Company assumes no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

### Item 1: Business.

#### General

Electronics for Imaging, Inc., a Delaware corporation (the "Company" or "EFI") was founded in 1989 by Efraim Arazi. EFI designs and markets products that support color and black-and-white printing on a variety of peripheral devices. Its Fiery(R) products incorporate hardware and software technologies that transform digital copiers and printers from many leading copier manufacturers into fast, high-quality networked printers. The Company's Fiery products include stand-alone servers, which are connected to digital copiers and other peripheral devices, and Fiery controllers, which are embedded in digital copiers and desktop color laser printers. The Company sells its products primarily to original equipment manufacturers in North America, Europe and Japan.

The Company was founded to develop innovative solutions to enable color desktop publishing. In pursuit of this goal, the Company first developed the Fiery(R) line of color servers ("Fiery Color Servers") to enable in-house, short-production run color printing, together with application and system software to facilitate color correction and device-independent color. Fiery Color Servers are sophisticated, stand-alone computers that enable digital copier machines to accept, process, and print digital images from personal computers and computer networks. Historically, the Company primarily focused its efforts on its stand-alone Fiery Color Servers that support printing on digital color copiers and, until 1998, substantially all of its revenue resulted from the development and sale of these stand-alone products. During 1998, the Company expanded its focus to include several additional embedded solutions that support printing on a broader range of devices, including digital black-and-white

copiers and desktop color laser and inkjet printers ("Fiery Controllers" and, together with Fiery Color Servers, "Fiery Products"). In 1998, the Company also developed stand-alone Fiery Color Servers for wide-format color inkjet printers and restructured its sales model by entering into direct relationships with the manufacturers of such wide-format printers rather than selling to sales distributors.

In 1999, the Company continued to develop Fiery Products and new software applications for existing and new generations of a variety of peripheral devices. In 1999, the Company also expanded its line of digital color servers through its acquisition of Management Graphics, Inc. ("MGI") and its EDOX(R) line of digital color servers ("EDOX Color Servers"). In an effort to expand its product lines and markets, the Company recently announced EFI Professional Services in an effort to provide technical support, training and strategic consulting to end users. See "-Growth and Expansion Strategies - Develop and Expand Professional Services." Additionally, in 1999, the Company introduced its first Internet appliance product, eBeam™. See "-Growth and Expansion Strategies - Proliferate and Expand Product Lines."

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#### The Electronics for Imaging Solution

The Company develops products with a wide range of price and performance levels designed to make high-quality color printing in short-run productions easier and more accessible to the broader market. The Company believes that consumers generally prefer color as evidenced by the migration of photographs, motion pictures and television from black-and-white to color. In the personal computer field, EFI believes this preference is shown by the almost exclusive use of color monitors with color oriented graphical user interfaces, application software and Internet content. In each of these cases, once the enabling technology developed sufficiently, consumer adoption of color quickly followed. The Company believes that consumers prefer color in documents created through desktop publishing. Until recently, however, the technology was not available to do this in a high quality, quick and cost-effective manner due to the complexity of accurate color reproduction. EFI's Fiery Color Servers permit users of digital color copiers to transmit and convert digital data from a computer to a color copier so that the color copier can print color documents easily, quickly and cost-effectively. As a result, Fiery Color Servers transform digital color copiers into fast, high-quality networked color printers.

The Company also believes that the black-and-white copier market is migrating toward the development and use of digital black-and-white copiers. Thus, in addition to Fiery Color Servers and EDOX Color Servers for digital color copiers, the Company has leveraged its technology to develop and manufacture other products that support both color and black-and-white printing. These products include: (i) Fiery servers for digital black-and-white copiers; (ii) Fiery Color Servers for wide-format inkjet printers; and (iii) embedded Fiery Controllers for digital black-and-white copiers and desktop color laser printers. See "-Products and Technology."

#### Growth and Expansion Strategies

The Company's overall objective is to continue its pattern of growth in sales and profitability by introducing new generations of Fiery Products, new software applications, and other new product lines. With respect to its current products, the Company's primary goal is to provide a range of processing and printing solutions that address broad sections of the color printing market and to continue to leverage its technology to enable digital black-and-white printing on additional peripheral devices including digital black-and-white copiers and multi-function devices. The Company's strategy to accomplish these goals consists of five key elements.

#### Proliferate and Expand Product Lines

The Company intends to continue to develop new Fiery Products that are scalable and offer a broad range of features and performance when connected to or integrated with digital color and black-and-white copiers, as well as desktop color laser printers. Historically, the Company sold products that supported digital color copiers. In 1996 the Company expanded its line of color servers to drive a wide range of output devices including desktop color laser printers and wide-format color inkjet printers with poster-size output. In 1997, the Company further expanded the use of its technology, shipping its first products that support black-and-white printing systems and copiers. In 1998, the Company

introduced its next generation of products based upon EFI's Fiery ZX and Fiery X2 platforms. In 1999, the Company again introduced its next generation of products based upon EFI's new Fiery Z4 and Fiery X4 platforms. These new platforms include more advanced hardware and EFI's latest technology innovations, including ColorWise(R) 2.0, NetWiseTM 2.0, DocBuilderPro and PowerWise Architecture which provide for advances in color performance, networking capabilities and workflow productivity. By utilizing the advantages of these new platforms, the Company intends to continue to develop new Fiery Products. The Company also intends to continue to develop new software applications that advance the performance and usability of its Fiery servers and embedded controllers. The Company is currently developing a new line of software designed to maximize workflow efficiencies which includes VelocityBalanceTM, VelocitySplitTM and VelocityDesignTM. These new software applications are the first of many Velocity software offerings from the Company.

On August 31, 1999, the Company acquired MGI in a stock-for-stock merger, valued at approximately \$30.1 million. MGI was a Minneapolis, Minnesota-based corporation that developed and manufactured digital print on demand products and other digital imaging products, including EDOX(R) Document Servers and Solitaire(R), SapphireTM and OpalTM film recorders. The acquisition of MGI adds to EFI's engineering talent and complements the Company's product strategy of bringing high-performance, cost-effective digital printing technology to a wide range of markets. EFI's Minnesota office will retain responsibility for MGI's current product lines.

The Company also plans to expand its product line to include Internet appliance products. In November, 1999, the Company introduced the first in a new family of Internet appliance products, eBeamTM. eBeamTM converts any whiteboard into a digital workspace, allowing users to capture meeting-notes and diagrams in real time on their personal computers. Words and images can be viewed, edited and shared across the world using a web browser. eBeamTM will be competing in a new market for EFI: the market for office supplies and meeting-related services. Currently, eBeamTM is being sold through resellers and distributors, as well as directly to consumers via the Web and a toll-free number.

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#### Develop and Expand Professional Services

The Company recently announced EFI Professional Services. While contract-based technical support has been available from EFI, an expanded-services group has been formed and is offering end users greater options for technical support, training with both standardized and customized curriculums, and strategic consulting. EFI strategic consultants are offering large organizations expertise in network print architecture and support, printer management, data visualization, and document management. EFI believes that offering professional services will help to lower the total cost of networked corporate printing, lead to greater productivity, and improve the overall quality and visual appeal of documents. EFI believes that offering professional services will also help accelerate the migration of color printing in the corporate marketplace.

#### Develop and Expand Relationships with Key Industry Participants

The Company has established relationships with such companies as Canon, Danka Business Systems, ENCAD, Epson, Fuji-Xerox, Hewlett-Packard, Hitachi, Ikon Office Solutions, Konica, Minolta, Océ, Ricoh, Sharp, Toshiba, and Xerox (collectively, the "Strategic Partners"). EFI seeks to expand its relationships with its Strategic Partners in pursuit of the goal of offering Fiery and EDOX products for additional digital color and black-and-white devices produced by its Strategic Partners. The Company is also seeking to establish relationships with other digital copier and printer companies for the distribution of Fiery and EDOX products with their copiers and printers.

#### Establish Enterprise Coherence

In its development of new products and platforms, EFI seeks to establish coherence across its entire product line by designing products that provide a consistent "look and feel" to the end-user. EFI believes enterprise coherence should create higher productivity levels as a result of shortened learning curves. Additionally, enterprise coherence should lower the total cost of ownership by providing one source for sales, support and training. The Company

believes that this effort to achieve enterprise coherence will continue to engender goodwill among its Strategic Partners and the end-users of its products and assist in the development of new strategic relationships and markets for the Company.

#### Leverage Color Expertise to Expand the Scope of Products and Markets

The Company has assembled an experienced team of technical personnel with backgrounds in color reproduction, electronic pre-press, image processing and software and hardware engineering. By applying its expertise in color imaging, the Company expects to continue to expand the scope and sophistication of its products and gain access to new markets.

#### Products and Technology

The Company is a leader in enabling networked printing solutions. EFI technology allows copiers, printers and digital presses to be shared across work groups, the enterprise and the Internet. The Company develops products with a wide range of price and performance levels designed to make high-quality, short-run color and black and white digital printing easier and more accessible to the broader market. The Company has a model for almost every major digital printing technology today, including:

- |X| desktop color laser printers,
- |X| high-end desktop ink jet printers,
- |X| wide-format printers,
- |X| mid-range color copiers,
- |X| mid-range digital black and white copiers,
- |X| production color copiers and
- |X| high-speed digital presses.

Thus, the Company's products are attractive to a variety of end users including, a multimedia author, advertising agency, print-for-pay business, graphic designer, pre-press provider or small to large business. The Company currently has two main product lines that support color and black-and-white printing: (i) stand-alone servers which are connected to digital copiers and other peripheral devices and (ii) controllers which are embedded in digital copiers and desktop laser printers. All of EFI's products incorporate EFI's proprietary software and hardware features.

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#### EFI Technology

From its inception, EFI has invested heavily in research and development. EFI has focused on developing technologies that could be implemented in a variety of products. Examples of such technologies include Fiery DocBuilder™, which enables electronic collation, reverse order printing, job merging and editing, and Fiery WebTools™ which enables print job management from different computer platforms via a Java™-enabled Web Browser. Fiery WebTools™ also provides remote access to the print queue so an administrator can obtain instant updates on job status and error messages, allowing for a timely response to problems, and provides job accounting and job security capabilities which are essential in network printing environments. Other examples of EFI technologies include, RIP-While-Print(R) which allows one page to be printed while subsequent pages are simultaneously processed, and Continuous Print™ which allows processed pages to be stored in memory before printing, eliminating the need for the copier or printer to cycle down between unique pages. In addition to such software innovations, EFI custom designs its hardware to increase productivity. For example, EFI's custom designed RipChips™, application specific integrated circuit ("ASIC") chips, decrease overall print times by off-loading data movement from the microprocessor. The Company continues to refine these printing technologies.

In 1999, the Company continued its efforts to improve its products' performance, features and ease of use. The Company developed and announced the new PowerWise™ architecture which combines the benefits of Fiery hardware, an advanced Intel processor and a high-speed PCI bus to provide the throughput required for maximum printing productivity. Software features developed by the Company during 1999 include: (i) ColorWise(R)2.0, EFI's next-generation color management system which simplifies color printing for beginners through features

like automatic Pantone-matching and the ability to process multiple files on the same page while providing expert users with even greater color control and accuracy; (ii) NetWise™ 2.0, EFI's second generation networking architecture which simplifies network installation, configuration and maintenance; (iii) the next generation DocBuilder Pro™ which provides users with all of the classic DocBuilder Pro™ capabilities but now at the pre-RIP stage; (iv) Fiery Driver™ which is a unified printing interface that simplifies the printing process; (v) Fiery Link™ which provides users with information on print job status and connected Fierys allowing users to monitor the status of any print job, its position in the queue, as well as general information on the Fiery and paper and toner levels from any workstation; and (vi) ECT compression, an improved and more advanced compression scheme than EFI's previous STARR™ compression technologies, which offers definite compression ratios and virtually lossless image quality. Compression software decreases the amount of memory necessary to store documents during processing and enables faster printing of documents.

#### Stand-Alone Servers

Fiery Color Servers and EDOX Color Servers permit users of digital color copiers to transmit and convert digital data from a computer to a color copier so that the color copier can print color documents easily, quickly and cost-effectively. As a result, Fiery Color Servers and EDOX Color Servers transform digital color copiers into fast, high-quality networked color printers. In addition to Fiery Color Servers and EDOX Color Servers for digital color copiers, the Company has leveraged its technology to develop and manufacture other products that support both color and black-and-white printing. These products include Fiery servers for digital black-and-white copiers and Fiery Color Servers for wide-format inkjet printers. EDOX Color Servers also support wide-format inkjet printers.

Since the introduction of the first Fiery Color Server in 1991, the Company has expanded its product line. In 1995, the Company introduced its third-generation platform, the Fiery XJ. During 1996, the Company shifted the majority of its product line to the XJ platform and later refined these products by transitioning to a variation of the XJ platform known as the Fiery XJ+. During 1998, the Company introduced two new platforms, the Fiery ZX and the Fiery X2, which included software features developed or further refined by the Company during 1998, and began migrating its product line to these platforms. In 1999, the Company again focused its development efforts on improvements to its products' performance, features and ease of use and again introduced two new server platforms, the Fiery Z4 and the Fiery X4. The Fiery Z4 and X4 product lines incorporate several new technologies or enhancements from EFI including, ColorWise(R)2.0, NetWise™ 2.0, the PowerWise™ architecture and the next generation DocBuilder Pro™. The Fiery Z4 is approximately twice as fast as its predecessor the Fiery ZX, is optimized for high-speed processing and photographic-quality color and is designed for demanding graphic arts, print-for-pay and advertising agency environments. The Fiery X4 is approximately three times as fast as its predecessor the Fiery X2 and is designed for users in a corporate environment. In 1999, the Company shipped stand-alone Fiery Color Servers and EDOX Color Servers for use with color copiers, color inkjet printers and wide-format color printers to be distributed by companies such as Canon, Epson, Fuji-Xerox, Ikon Office Solutions, Minolta, Océ, Ricoh, Toshiba and Xerox. In 1999, the Company also shipped Fiery servers for use with digital black-and-white copiers to be distributed by Canon, ENCAD, Konica, Minolta, Océ and Sharp.

#### Controllers

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Unlike Fiery and EDOX servers which are sold as stand-alone products to be connected to copiers, Fiery Controllers are embedded inside copiers and desktop printers. Fiery Controllers allow users to print documents directly from their computers to the digital copier. Embedded Fiery Controllers support both color and black-and-white printing for digital black-and-white copiers and desktop color laser printers. The Company seeks to have printing solutions that include an embedded Fiery Controller marketed with the "Fiery Driven(R)" logo. The Company believes that the Fiery name and trademark, including the trademark "Fiery Driven(R)," are associated with substantial goodwill and recognition in the marketplace. In 1999, the Company shipped Fiery Controllers embedded in color and digital black-and-white copiers and desktop color printers to be distributed by companies such as Canon, Fuji-Xerox, Hewlett Packard, Konica, Minolta, Ricoh and Xerox.

## Significant Relationships

The Company has established, and continues to try to build and expand relationships with its Strategic Partners and other leading copier and printer companies (collectively, the "OEMs"), in order to benefit from the OEMs' products, distribution channels and marketing resources. These OEMs include domestic and international manufacturers, distributors and sellers of digital copiers (both black-and-white and color), wide-format printers and desktop color printers. The Company works closely with the OEMs with the aim of developing solutions that incorporate leading technology and which are optimally suited to work in conjunction with such companies' products. OEMs that the Company sold products to in 1999 include, among others, Canon, ENCAD, Epson, Fuji-Xerox, Hewlett-Packard, Ikon Office Solutions, Konica, Minolta, Oce, Ricoh, Sharp, Toshiba and Xerox. Together, sales to Canon, Ricoh and Xerox accounted for approximately 68% of the Company's 1999 revenue, with sales to each of these customers accounting for more than 10% of the Company's revenue.

In 1999, the Company announced a strategic relationship with Hewlett-Packard pursuant to which the Company developed the new Fiery X2-CP color server for Hewlett Packard's newest graphics large-format printers. Hewlett-Packard also distributes Fiery Controllers designed for use with their wide-format color inkjet. Also in 1999, the Company announced a strategic relationship with Toshiba, pursuant to which Toshiba has the right to sell the Company's Fiery Z4 server and Fiery Controller in support of Toshiba's full-color digital copier/printer.

The Company customarily enters into development and distribution agreements with its OEM customers. These agreements can be terminated under a range of circumstances, and often upon relatively short notice. The circumstances under which an agreement can be terminated vary from agreement to agreement and there can be no assurance that the Company's OEM customers will continue to purchase products from the Company in the future, despite such agreements. The Company recognizes the importance of, and works hard to maintain, its good relationships with its customers. However, the Company's relationships with its customers can be affected by a number of factors including, among others: competition from other suppliers, competition from internal development efforts by the customers themselves (including the OEMs), and changes in general economic, competitive or market conditions (such as changes in demand for the Company's or the OEM's products, or fluctuations in currency exchange rates). There can be no assurance that the Company will continue to maintain or build the relationships it has developed to date.

In addition to its development and sales relationships with the OEMs, to increase the distribution and presence of Fiery Color Servers connected to both color and black-and-white copiers and wide-format printing devices, the Company has developed strategic relationships with well-known print-for-pay companies, including Kinko's, AlphaGraphics, the CopyMax operations of office products superstore OfficeMax, the American Speedy group of franchised printing centers (including Allegra Print and Imaging, American Speedy, Speedy Printer, Zippy Print and Quik Print) and the SAMPA Corporation, franchiser of Signal Graphics Printing Centers. In 1999, several of these print-for-pay companies, including, American Speedy, OfficeMax and SAMPA Corporation, entered into worldwide strategic alliances with the Company whereby they agreed to continue standardization efforts on EFI's Fiery(R) Color Servers with respect to their printing services.

The Company also has a continuing relationship pursuant to a license agreement with Adobe and licenses PostScript(R) software from Adobe for use in many Fiery Products. This relationship is important because each Fiery Product requires page description language software in order to operate. Adobe's PostScript(R) software is widely used to manage the geometry, shape and typography of hard copy documents and Adobe is a recognized leader in providing page description software. Pursuant to its October 1997 acquisition of the former Pipeline Associates, Inc. and Pipeline Asia, Inc. (collectively, "Pipeline"), the Company acquired software development expertise and certain intellectual property associated with Pipeline's specialization in PostScript(R), HTML and PCL interpreter technologies.

## Distribution and Marketing

The Company's primary distribution method for its Fiery servers has been to sell the Fiery servers to its OEMs. The Company's

OEMs in turn sell these products to distributors and end-users for use with the OEMs' copiers or printers as part of an integrated printing system. For Fiery Controllers, the Company's primary distribution method has been to sell the products to the OEMs that embed the products into their copiers and printers. The Company's primary distribution method for its EDOX servers has been to sell the EDOX servers directly to its distributors. There can be no assurance that the risks of distributing the Company's products primarily through its OEM customers will not negatively impact the Company in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That Could Adversely Affect Performance - Reliance on OEM Resellers; Risks Associated With Significant OEM Group Concentration".

The Company promotes all of its products through public relations, direct mail, advertising, promotional material, trade shows and ongoing customer communication programs.

#### Research and Development

Research and development costs for 1999, 1998, and 1997 were \$75.0 million, \$60.2 million, and \$42.9 million, respectively. As of December 31, 1999, 386 of the Company's 758 full-time employees were involved in research and development. The Company believes that development of new products and enhancement of existing products are essential to its continued success, and management intends to continue to devote substantial resources to research and new product development. The Company expects to make significant expenditures to support its research and development programs for the foreseeable future.

The Company is developing products to support additional color and black-and-white printing devices including desktop printers, high-end color copiers, digital black-and-white copiers and multi-function devices. This ongoing development work includes a multiprocessor architecture for high-end systems and lower-cost designs for desktop color laser printers. The Company is also developing new software applications designed to maximize workflow efficiencies. This includes VelocityBalance™, VelocitySplit™ and VelocityDesign™.

The Company is also developing Internet appliance products. See "-Growth and Expansion Strategies - Proliferate and Expand Product Lines". Substantial additional work will be required to complete the development of these projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That Could Adversely Affect Performance - Product Transitions".

#### Manufacturing

The Company utilizes subcontractors to manufacture its products. These subcontractors work closely with the Company to ensure low costs and high quality in the manufacture of the Company's products. Subcontractors purchase components needed for the Company's products from third parties. The Company is totally reliant on the ability of its subcontractors to produce products sold by the Company, and although the Company supervises its subcontractors, there can be no assurance that such subcontractors will continue to perform for the Company as well as they have in the past. There can also be no assurance that difficulties experienced by the Company's subcontractors (such as interruptions in a subcontractor's ability to make or ship the Company's products or quality assurance problems) would not adversely affect the Company's operations.

Certain components necessary for the manufacture of the Company's products including ASICs and certain other semiconductor components, are obtained from a sole supplier or a limited group of suppliers. The purchase of certain of these key components may involve significant lead times. Accordingly, in the event of interruptions in the supply of these key components or unanticipated increases in demand for the Company's products, the Company could be unable to manufacture certain of its products in a quantity sufficient to meet customer demand. There can be no assurance that such supply or manufacturing problems would not adversely affect the Company's results of operations or financial condition.

#### Human Resources

As of December 31, 1999, the Company employed 758 employees. Of the 758 total employees, approximately 213 were in sales and marketing, 91 were in management



and administration, 68 were in manufacturing, and 386 were in research and development. Of the total number of employees, the Company had approximately 662 employees located in Canadian and U.S. offices, and 96 employees located in international offices including employees based in The United Kingdom, The Netherlands, Germany, Japan, France, Italy, Finland, Spain, Australia, Singapore, Brazil, Sweden and Hong Kong. The Company's employees are not represented by any collective bargaining organization and the Company has never experienced a work stoppage.

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## Competition

Competition in the Company's markets is intense and involves rapidly changing technologies and frequent new product introductions. To maintain and improve its competitive position, the Company must continue to develop and introduce, on a timely and cost-effective basis, new products and features that keep pace with the evolving needs of its customers. The principal competitive factors affecting the markets for the Company's Fiery and EDOX products include, among others, customer service and support, product reputation, quality, performance, price and product features such as functionality, scalability, ability to interface with OEM products and ease of use. The Company believes it has generally competed effectively in the past against product offerings of its competitors on the basis of such factors. However, there can be no assurance that the Company will continue to be able to compete effectively in the future based on these or any other competitive factors.

The Company competes directly with other independent manufacturers of color servers, independent manufacturers of embedded solutions, copier manufacturers, printer manufacturers and others. The Company also faces competition from wide-format printer manufacturers that develop their own controllers and other companies that develop controllers for wide-format printers. The Company also faces competition from copier and printer manufacturers that offer internally developed server products or that incorporate internally developed embedded solutions or server features into their copiers and printers, thereby eliminating the need for the Company's products and limiting future opportunities for the Company. In addition, the Company faces competition from manufacturers of desktop color laser printers which do not utilize a controller (relying instead on host based processing of data) and which offer increasing speed and color capability. The Company believes that it competes effectively due to, among other things, its efforts to continually advance its technology, name recognition, sizable installed base, number of products supported and price. The Company expects that competition in its markets will increase due to, among other factors, market demand for higher performance products at lower prices, rapidly changing technology and product offerings from competitors and customers. There can be no assurance that the Company will be able to continue to compete effectively against other companies' product offerings, and any failure to do so would have a material adverse effect upon the Company's business, operating results and financial condition.

## Intellectual Property Rights

The Company relies on a combination of patent, copyright, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish, maintain and protect its intellectual property rights, all of which afford only limited protection. As of December 31, 1999, the Company had 39 issued U.S. patents, 60 pending U.S. patent applications and various foreign counterparts. There can be no assurance that patents will issue from these pending applications or from any future applications or that, if issued, any claims allowed will be sufficiently broad to protect the Company's technology. The Company's issued patents expire between May 4, 2002 and January 19, 2019. Failure of any patents to protect the Company's technology may make it easier for the Company's competitors to offer equivalent or superior technology. In addition, third parties may independently develop similar technology without breach of the Company's trade secrets or other proprietary rights. Any failure by the Company to take all necessary steps to protect its trade secrets or other intellectual property rights may have a material adverse effect on the Company's ability to compete in its markets.

The Company has registered certain trademarks, which include its EFI(R), Fiery(R), Fiery and Design(R), Fiery Driven(R), Fiery Driven and Design(R), ColorWise(R) and RIP-While-Print(R) trademarks, and has applied for registration

of certain additional trademarks. The Company will continue to evaluate the registration of additional trademarks as appropriate. Any failure by the Company to properly register or maintain its trademarks or to otherwise take all necessary steps to protect its trademarks may diminish the value associated with the Company's trademarks. The Company's products include software sold pursuant to "shrink wrap" licenses that are not signed by the end user and, therefore, may be unenforceable under the laws of certain jurisdictions. In addition, the laws of some foreign countries, including several in which the Company operates or sells its products, do not protect proprietary rights to as great an extent as do the laws of the United States.

From time to time, litigation may be necessary to defend and enforce the Company's proprietary rights. Such litigation, whether or not concluded successfully for the Company, could involve significant expense and the diversion of management's attention and other Company resources.

#### Risk Factors

In addition to the above information, a discussion of factors that may adversely affect the Company's future performance and financial results can be found in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operation.

#### Financial Information About Foreign and Domestic Operations and Export Sales

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See Note 10 of the Company's Notes to Consolidated Financial Statements. See also Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations -Factors That Could Adversely Affect Performance -We face risks from our international operations and from currency fluctuations."

#### Item 2: Properties

The Company's principal offices are located at 303 Velocity Way, Foster City, California. These offices are situated on approximately 35 acres of land which the Company owns. In 1997, the Company entered into an agreement for a building to be constructed on the Foster City property. Construction of this facility was completed and an operating lease commenced in July, 1999. This facility, which includes approximately 295,000 square feet of space, is used as a corporate headquarters for the Company. The Company subleases its former facilities located in San Mateo and Foster City, California. In 1999, the Company entered into an agreement to lease additional facilities, for up to 543,000 square feet of space, to be constructed on the Foster City property. Two parcels of land remain undeveloped for future use on the Foster City property. Employees formerly with Pipeline Associates, Inc., acquired by the Company in 1997, are based in an office in Parsippany, New Jersey. Employees formerly with MGI are based in an office in Minneapolis, Minnesota. The Company also leases a number of domestic and international sales offices.

The Company believes that its facilities, in general, are adequate for its present and currently foreseeable future needs.

#### Item 3: Legal Proceedings.

On December 15, 1997, a shareholder class action lawsuit, entitled Steele, et al. v. Electronics for Imaging, Inc., et al., No. CV 403099, was filed against the Company and certain of its officers and directors in the California Superior Court, San Mateo County (the "San Mateo Superior Court"). Five virtually identical class action complaints were subsequently filed in the San Mateo Superior Court. On December 31, 1997, a putative shareholder class action entitled Smith v. Electronics for Imaging, Inc., et al., No. C97-4739 was filed against the Company and certain of its officers and directors in the United States District Court for the Northern District of California. The state court class actions allege that the Company made false and misleading statements concerning its business during a putative class period of April 10, 1997 through December 11, 1997 and allege violations of California Corporations Code Sections 25400 and 25500 and Civil Code Sections 1709 and 1710. The federal court class action complaint makes the same factual allegations, but alleges violations of certain United States federal securities laws. The complaints do not specify the damages sought. The Company believes that these lawsuits are without merit and

intends to contest them vigorously, but there can be no assurance that if damages are ultimately awarded against the Company, the litigation will not adversely affect the Company's results of operations.

In addition, the Company is involved from time to time in litigation relating to claims arising in the normal course of its business. The Company believes that the ultimate resolution of such claims will not materially affect the Company's business or financial condition. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That Could Adversely Affect Performance - Infringement and Potential Litigation."

Item 4: Submission of Matters to a Vote of Security Holders.

No matters were submitted to the Company's stockholders for a vote during the fourth quarter of 1999.

PART II

Item 5: Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock was first traded on the Nasdaq National Market under the symbol EFII on October 2, 1992. The table below lists the high and low closing sales price during each quarter the stock was traded in 1999 and 1998.

	1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	\$28.00	\$25.19	\$22.38	\$40.00	\$41.56	\$54.75	\$62.69	\$58.88
Low	15.66	18.69	13.75	15.63	32.75	41.13	51.41	36.19

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As of February 28, 2000, there were approximately 348 stockholders of record. The Company has never paid cash dividends on its capital stock. The Company currently anticipates that it will retain all available funds for business, and does not anticipate paying any cash dividends in the foreseeable future.

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Item 6: Selected Financial Data.

The following tables summarize selected consolidated financial data as of, and for the five years ended December 31, 1999. This information should be read in conjunction with the audited consolidated financial statements and related notes thereto. All periods presented have been restated to include the financial results of the company formerly known as Management Graphics Inc. that merged with Electronics for Imaging, Inc. on August 31, 1999 in a pooling of interests transaction, as if the acquired entity was a wholly-owned subsidiary of Electronics for Imaging, Inc. since inception.

(In thousands, except per share amounts)	As of and for the years ended December 31,				
	1999	1998	1997	1996	1995
<b>Operations</b>					
Revenue	\$570,752	\$446,999	\$373,404	\$316,458	\$208,934
Cost of revenue	290,636	249,179	171,138	155,171	105,415
<b>Gross profit</b>	<b>280,116</b>	<b>197,820</b>	<b>202,266</b>	<b>161,287</b>	<b>103,519</b>
<b>Operating expenses</b>					
Research and development	74,971	60,150	42,868	25,388	15,380
Sales and marketing	59,373	60,615	46,776	34,275	26,149
General and administrative	18,403	16,637	13,578	11,142	7,937
In-process research and development *	--	--	9,400	--	--
Merger related expenses **	1,422	--	--	--	--
<b>Total operating expenses</b>	<b>154,169</b>	<b>137,402</b>	<b>112,622</b>	<b>70,805</b>	<b>49,466</b>

Income from operations	125,947	60,418	89,644	90,482	54,053
Other income, net	16,250	9,859	10,309	7,426	5,542
Income before income taxes	142,197	70,277	99,953	97,908	59,595
Provision for income taxes	(46,914)	(22,456)	(35,944)	(35,211)	(21,340)
Net income	\$95,283	\$47,821	\$64,009	\$62,697	\$38,255
Net income per basic common share ***	\$1.74	\$0.89	\$1.21	\$1.23	\$0.77
Net income per diluted common share ***	\$1.67	\$0.87	\$1.13	\$1.13	\$0.71
Shares used in computing net income per basic common share ***	54,853	53,507	52,831	51,144	49,681
Shares used in computing net income per diluted common share ***	56,963	54,972	56,713	55,338	53,581
Financial Position					
Cash and short-term investments	\$470,328	\$328,732	\$246,764	\$215,781	\$146,345
Working capital	487,591	355,361	293,972	245,245	164,474
Long term liabilities, less current portion	3,467	4,142	4,267	398	448
Total assets	656,075	484,191	395,949	310,058	205,398
Stockholders' equity	\$551,187	\$408,680	\$346,727	\$258,105	\$172,162
Ratios and Benchmarks					
Current ratio	5.8	6.0	7.5	5.8	6.0
Inventory turns	20.5	11.6	8.3	11.5	8.5
Full-time employees	758	660	614	456	322

<FN>

\* Consists solely of a charge taken in connection with the acquisition of Pipeline Associates, Inc. and Pipeline Asia, Inc. in October 1997.

\*\* See Item 7: Management's Discussion and Analysis of Financial Condition and Results: - Results of Operations - Operating expenses - Merger related expenses.

\*\*\* See Note 1 of Notes to Consolidated Financial Statements.

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## Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and related notes thereto included in this Annual Report on Form 10K. All periods presented have been restated to include the financial results of the company formerly known as Management Graphics Inc. that merged with Electronics for Imaging, Inc. on August 31, 1999 in a pooling of interests transaction as if the acquired entity was a wholly-owned subsidiary of Electronics for Imaging, Inc. since inception.

All assumptions, anticipations, expectations and forecasts contained herein are forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed here. For a discussion of the factors that could impact the Company's results, readers are referred to the section below entitled " - Factors that Could Adversely Affect Performance. "

### Results of Operations

The following tables set forth items in the Company's consolidated statements of income as a percentage of total revenue for 1999, 1998 and 1997, and the year-to-year percentage change from 1999 over 1998 and from 1998 over 1997, respectively. These operating results are not necessarily indicative of results for any future period.

	Years ended December 31,			% change	
	1999	1998	1997	1999 over 1998	1998 over 1997
Revenue	100 %	100 %	100 %	28 %	20 %
Cost of revenue	51 %	56 %	46 %	17 %	46 %
Gross profit	49 %	44 %	54 %	42 %	(2) %

Research and development	13 %	13 %	11 %	25 %	40 %
Sales and marketing	11 %	13 %	12 %	(2) %	30 %
General and administrative	3 %	4 %	4 %	11 %	23 %
In-process research and development	-- %	-- %	3 %	-- %	(100) %
Merger related expenses	-- %	-- %	-- %	-- %	-- %
Operating expenses	27 %	30 %	30 %	12 %	22 %
-----					
Income from operations	22 %	14 %	24 %	108 %	(33) %
-----					
Other income, net	3 %	2 %	3 %	65 %	(4) %
Income before income taxes	25 %	16 %	27 %	102 %	(30) %
Provision for income taxes	8 %	5 %	10 %	109 %	(38) %
-----					
Net income	17 %	11 %	17 %	99 %	(25) %

## Revenue

Revenue increased to \$570.8 million in 1999, compared to \$447.0 million in 1998 and \$373.4 million in 1997, which yielded a 28% increase in 1999 as compared to 1998 and a 20% increase in 1998 as compared to 1997. The corresponding unit volume increased by 75% in 1999 over 1998 and by 164% in 1998 over 1997. The increase in revenue in 1999 from 1998 and in 1998 from 1997 was primarily due to significant increases in unit volumes, positive market acceptance of new product introductions and the impact of new customers, partially offset by price reductions on older product lines late in the year following new product introductions and a decline in average selling prices due to changes in product mix.

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The Company's revenue is principally derived from three major categories. The first category was made up of stand-alone servers which connect digital color copiers with computer networks. This category includes the Fiery X2, X4, ZX and Z4 products and accounted for a majority of the Company's revenue prior to 1998. The second category consisted of embedded desktop controllers, bundled color solutions and chipsets primarily for the office market. The third category consisted of controllers for digital black and white products.

The following is a break-down of categories by revenue, both in terms of absolute dollars and as a percentage (%) of total revenue. Also shown is volume as a percentage (%) of total units shipped.

1999 Revenue (in thousands)	1999		1998		1997		% change	
	Revenue		Revenue		Revenue		1998 over 1998	over 1997
Stand-alone Servers Connecting to Digital Color Copiers	\$244,028	43%	\$291,785	66%	\$293,708	79%	(16) %	(1) %
Embedded Desktop Controllers, Bundled Color Solutions & Chipset Solutions	149,899	26%	90,133	20%	34,133	9%	66%	164%
Controllers for Digital Black and White Solutions	121,071	21%	19,196	4%	--	--	531%	--
Spares, Licensing & Other misc. sources	55,754	10%	45,885	10%	45,563	12%	22%	1%
-----								
Total Revenue	\$570,752	100%	\$446,999	100%	\$373,404	100%	28%	20%

Volume	1999 Volume	1998 Volume	1997 Volume
Stand-alone Servers Connecting to Digital Color Copiers	14%	27%	73%
Embedded Desktop Controllers, Bundled Color Solutions & Chipset Solutions	50%	62%	26%

Controllers for Digital Black and White Solutions	36%	11%	--
Spares, Licensing & Other misc. sources	--	0%	1%
-----			
Total Volume	100%	100%	100%

Growth in 1999 primarily took place in the category of controllers for digital black and white solutions as well as in the category of embedded desktop controllers, bundled color solutions and chipset solutions.

The black and white product category made up 21% of total revenue and 36% of total unit volume in 1999. In 1998, the year the product line was introduced, it made up 4% of total revenue and 11% of total unit volume. This product category can be characterized by much higher unit volumes and lower unit prices and associated margins than the Company has experienced in its more traditional stand-alone server line of products. The desktop product category made up 26% of total revenue and 50% of total unit volume in 1999. It made up 20% of total revenue and 62% of total unit volume in 1998 and 9% of total revenue and 26% of total unit volume in 1997. These products, except for the chipset solutions, are also generally characterized by much higher unit volumes but lower unit prices and associated margins than the Company has experienced in its more traditional stand-alone server line of products. The chipset solutions can be characterized by lower unit prices but significantly higher per unit margins compared to the traditional stand-alone server line of products. The Company anticipates further growth in the black and white as well as in the desktop category as a

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percentage of total revenue. To the extent these categories do not grow over time in absolute terms, or if the Company is not able to meet demand for higher unit volumes, it could have a material adverse effect on the Company's operating results. The Company believes that revenue for stand-alone server products decreased in 1999 due to the fact that low-end products which previously shipped as stand-alone products have been shipped as embedded products. There can be no assurance that the new products for 2000 will be qualified by all the OEMs, or that they will successfully compete, or be accepted by the market, or otherwise be able to effectively replace the volume of revenue and / or income from the older products.

The Company also believes that in addition to the factors described above, price reductions for all of its products may affect revenues in the future. The Company has made and may in the future make price reductions for its products. Depending upon the price-elasticity of demand for the Company's products, the pricing and quality of competitive products, and other economic and competitive conditions, such price reductions may have an adverse impact on the Company's revenues and profits. If the Company is not able to compensate for lower gross margins that may result from price reductions with an increased volume of sales, its results of operations could be adversely affected. In addition, if the Company's revenue in the future depends more upon sales of products with relatively lower gross margins than the Company obtained in 1999 (such as embedded controllers for printers, embedded controllers for color and black-and-white copiers, and stand-alone controllers for black-and-white copiers), results of operations may be adversely affected.

Shipments by geographic area for the years ended 1999, 1998 and 1997 were as follows:

(In thousands)	Years ended December 31,						% change	
	1999		1998		1997		1999 over 1998	1998 over 1997
North America *	\$277,997	49%	\$221,638	50%	\$181,811	49%	25%	22%
Europe *	182,602	32%	144,076	32%	111,023	30%	27%	30%
Japan	90,781	16%	68,991	15%	64,323	17%	32%	7%
Rest of World	19,372	3%	12,294	3%	16,247	4%	58%	(24)%
	\$570,752	100%	\$446,999	100%	\$373,404	100%	28%	20%

<FN>

\* In the middle of the second quarter of 1997, one of the Company's major customers began having its products for the European market shipped directly to Europe rather than through the United States. The Company does not know the dollar amount of the corresponding shipments that went through North America to Europe for the periods prior to the second quarter of 1997. Therefore shipments

to North America in early 1997 are slightly overstated and shipments that went to Europe in the same period are slightly understated when compared to 1998. Consequently the above indicated revenue information and the increases and decreases from 1998 over 1997 for North America and Europe should be read with caution.  
</FN>

Shipments to each geographic area increased over 25% in 1999 compared to 1998, with the largest increase of 58% in the Rest of the World region and the second largest increase of 32% in Japan. The Rest of World region experienced a decrease of 24% and Japan an increase of 7% in 1998 compared to 1997. The Rest of World region is predominately represented by the Southeast Asian countries and the increase in 1999 over 1998 in the Rest of World and Japan is a reflection of the economic recovery in these regions. The Rest of World region experienced a decrease in 1998 over 1997, which was a reflection of the challenging economic situation in that region. Worldwide economic conditions may have an adverse impact on the Company's results of operations in the future.

As shipments to some of the Company's OEM partners are made to centralized purchasing and manufacturing locations which in turn sell through to other locations, the Company believes that export sales of its products into each region may differ from what is reported, though accurate data is difficult to obtain. The Company expects that export sales will continue to represent a significant portion of its total revenue.

Substantially all of the revenue for the last three years was attributable to sales of products through the Company's OEM channels with such partners as Canon, Encad, Epson, Fuji-Xerox, IBM, Hewlett-Packard, Kodak/Danka Business Systems, Konica, Lanier, Minolta, Océ, Ricoh, Sharp, Xerox and others. During 1999, the Company has continued to work on both increasing the number of OEM partners, and expanding the size of existing relationships with OEM partners. The Company relied on three OEM customers, Canon, Xerox and Ricoh in aggregate for 68%, 67%, and 85% of its revenue for 1999, 1998 and 1997, respectively. In the event that any of these OEM relationships are scaled back or discontinued, the Company may experience a significant negative impact on its consolidated financial position and results of operations. In addition, no assurance can be given that the Company's relationships with these OEM partners will continue.

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The Company continues to work on the development of products utilizing both the Fiery architecture and other products and intends to continue to introduce new generations of Fiery products and other new product lines with current and new OEM's in 2000 and beyond. No assurance can be given that the introduction or market acceptance of new, current or future products will be successful.

#### Cost of Revenue

Fiery color servers as well as embedded desktop controllers and digital black and white products are manufactured by third-party manufacturers who purchase most of the necessary components. The Company sources directly processors, memory, certain ASICs, and software licensed from various sources, including PostScript interpreter software, which the Company licenses from Adobe Systems, Inc.

#### Gross Margins

The Company's gross margin was 49%, 44% and 54% for 1999, 1998 and 1997 respectively. The increase in gross margin from 44% to 49% from 1998 to 1999 was attributable to volume driven economies of scale as well as increased outsourcing of manufacturing operations to lower cost subcontract manufacturers. The decrease in gross margin from 54% to 44% from 1997 to 1998 was due to a combination of factors, including a higher mix of low-end products with relatively lower margins and a different mix of OEM partners purchasing a different mix of products during 1998 as compared to 1997. The Company also initiated price reductions on older products during the first half of 1998 in light of pending introductions of newer generations of products.

The Company expects that sales of products with relatively lower margins may further increase as a percentage of revenue. Such products include embedded products for both desktop printers and copiers, stand-alone servers, embedded

controllers for black-and-white copiers and older products for which prices are reduced during product transitions. If such sales increase as a percentage of the Company's revenue, gross margins may decline.

In addition to the factors affecting revenue described above, the Company expects to be subject to pressures to reduce prices, and as a result, gross margins for all of its products may be lower and therefore the Company's ability to maintain current gross margins may not continue.

In general, the Company believes that gross margin will continue to be impacted by a variety of factors. These factors include the market prices that can be achieved on the Company's current and future products, the availability and pricing of key components (including DRAM, Processors and Postscript interpreter software), third party manufacturing costs, product, channel and geographic mix, the success of the Company's product transitions and new products, competition, and general economic conditions in the United States and abroad. Consequently, the Company anticipates gross margins will fluctuate from period to period.

#### Operating Expenses

Operating expenses increased by 12% in 1999 over 1998 and by 22% in 1998 over 1997. Operating expenses as a percentage of revenue amounted to 27%, 30% and 30% for 1999, 1998 and 1997, respectively. Increases in operating expenses in absolute dollars of \$16.8 million in 1999 compared to 1998 and \$24.8 million in 1998 compared to 1997, were primarily caused by costs associated with the development and introduction of new products and the hiring of additional full time employees to support the growing business (a net increase of 98 people at December 31, 1999 over December 31, 1998 and a net increase of 46 people at December 31, 1998 over December 31, 1997). The Company has hired additional employees to support product development as well as to support expanded operations.

Operating expenses for 1999 included approximately \$1.4 million of merger related costs in connection with the acquisition of Management Graphics, Inc ("MGI") on August 31, 1999. Excluding the \$1.4 million of expenses in 1999, the increase in operating expenses in 1999 over 1998 would have been 11% or \$15.4 million. In addition, the Company incurred additional non-recurring expenses during 1999 in connection with the Company's move to a new central facility in Foster City, California. Total moving costs amounted to \$1.8 million of which approximately \$0.2 million related to cost of revenue.

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Operating expenses in 1997 include a \$9.4 million charge for in-process technology that was expensed in 1997 as part of the acquisition of Pipeline Associates, Inc. and Pipeline Asia, Inc. (the "Pipeline Acquisition"). Excluding the \$9.4 million charge in 1997, the increase in operating expenses in 1998 over 1997 would have been 33% or \$34.2 million.

The lower percentage increase in operating expenses in 1999 over 1998 of 12% compared to 1998 over 1997 of 22% is the result of the Company's successful spending control as well as the leverage realized from additional revenue in the black and white and embedded, bundled and chipset categories which require less support.

The Company anticipates that operating expenses will continue to grow and may increase both in absolute dollars and as a percentage of revenue.

The components of operating expenses are detailed below.

#### Research and Development

Expenses for research and development consist primarily of personnel expenses and, to a lesser extent, consulting, depreciation and costs of prototype materials. Research and development expenses were \$75.0 million or 13% of revenue in 1999 compared to \$60.2 million or 13% of revenue in 1998 and \$42.9 million or 11% of revenue in 1997. The year over year increase in research and development expenses was mainly due to an increase in research and development projects. The majority of the 25% increase in research and development expenses in 1999 compared to 1998 was due to a 21% growth in engineering headcount. The 40% increase of research and development expenses in 1998 over



1997 was primarily due to headcount related costs as well as a significant increase in costs of prototype materials used for pre-production units on projects under development. The Company believes that the development of new products and the enhancement of existing products are essential to its continued success, and intends to continue to devote substantial resources to research and new product development efforts. Accordingly, the Company expects that its research and development expenses may continue to increase in absolute dollars and also as a percentage of revenue.

#### Sales and Marketing

Sales and marketing expenses include personnel expenses, costs for trade shows, marketing programs and promotional materials, sales commissions, travel and entertainment expenses, depreciation, and costs associated with sales offices in the United States, Europe, Japan and other locations around the world. Sales and marketing expenses for 1999 were \$59.4 million or 11% of revenue compared to \$60.6 million or 13% of revenue in 1998 and \$46.8 million or 12% in 1997. Sales and marketing expenses decreased in 1999 over 1998 as a percentage of revenue as well as in absolute dollars. The decrease is due to successful spending control across the Company during 1999, offset by increased salary expenses caused by an increased headcount of 12%. In addition the gravitation toward desktop and embedded products require less support from the Company as the OEMs take over some of the financial responsibilities for the support. The 30% increase of sales and marketing expenses in 1998 over 1997 is due to a 9% increase in headcount, as well as costs required for the introduction, promotion and support of a broader range of current products with both existing and new OEMs and an increase in technology alliance partners. The Company has also developed strategic relationships with well known print-for-pay companies, including Kinko's, AlphaGraphics, the CopyMax operations of office products superstore OfficeMax, the American Speedy group of franchised printing centers (including Allegra Print and Imaging, American Speedy, Speedy Printer, Zippy Print and Quik Print) and the SAMPA Corporation, franchiser of Signal Graphics Printing Centers. Although these relationships increase the demand for Fiery products they also increase the sales and marketing expenses.

The Company expects that its sales and marketing expenses may increase in absolute dollars and possibly also as a percentage of revenue as it continues to actively promote its products, launch new products and continue to build its sales and marketing organization, particularly in Europe and Asia Pacific, including Japan. This increase might not proportionally increase with increases in volume, if the Company's sales continue to gravitate toward desktop and embedded products which require less support from the Company as the OEM partners take over this role.

#### General and Administrative

General and administrative expenses consist primarily of personnel expenses and, to a lesser extent, depreciation and facility costs, professional fees and other costs associated with public companies. General and administrative expenses were \$18.4 million or 3% of revenue in 1999, compared to \$16.6 million or 4% of revenue in 1998 and \$13.6 million or 4% of revenue in 1997. While general and administrative expenses have remained relatively constant as a percentage of total revenue over the three year period ended 1999, these expenses have increased in absolute dollars. The increases in 1999 over 1998 and in 1998 over 1997 were primarily due to the increase in headcount to support the needs of the

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growing Company's operations, including the use of outside consultants. The Company expects that its general and administrative expenses may continue to increase in absolute dollars and possibly also as a percentage of revenue in order to support the Company's efforts to grow its business.

#### In-process research and development

In October of 1997, the Company acquired Pipeline Associates, Inc. and Pipeline Asia, Inc. for \$12.6 million, net of cash received. The Pipeline Acquisition was intended to expand the Company's core technologies and thereby decrease its dependence on software licensed from outside sources. In conjunction with the acquisition, the Company recorded a charge of \$9.4 million for in-process research and development, representing the appraised value of product that was not considered to have reached technological feasibility.

#### Merger related expenses

On August 31, 1999 the Company acquired MGI, a Minnesota-based corporation that develops digital print on demand products and other digital imaging products. The Company incurred approximately \$1.4 million of non-recurring expenses related to the merger which consisted primarily of professional fees, severance costs, and travel expenses. Severance costs were incurred on 33 former employees of MGI whose positions were eliminated due to duplication of resources between the California and Minnesota locations. Functionally, the Company eliminated 6 manufacturing, 15 service, 1 engineering, 6 sales and marketing, and 5 administrative positions. The terminations were completed as of September 30, 1999.

#### Other Income

Other income relates mainly to interest income and expense, and gains and losses on foreign currency transactions. Other income of \$16.3 million in 1999 increased by 65% from \$9.9 million in 1998. Other income of \$9.9 million in 1998 decreased by 4% from \$10.3 million in 1997. The increase in 1999 from 1998 is due to a 39% increase in the average investment balance as well as a higher return on investments as a result of more favorable market interest rates in 1999 compared to 1998. The decrease in 1998 from 1997 is mainly due to approximately \$1.3 million in losses suffered on Asian currency denominated transactions in the first half of 1998. In response to currency fluctuations in Asia, the Company began to implement a hedging program in June 1998. In addition, the Company earned less interest in 1998 compared to 1997 due to a decline in market interest rates in 1998.

#### Income Taxes

The Company's effective tax rate was 33% in 1999, 32% in 1998 and 36% in 1997, respectively. In each of these years, the Company benefited from tax-exempt interest income, foreign sales, and the utilization of the research and development credits in achieving a consolidated effective tax rate lower than that prescribed by the respective Federal and State taxing authorities. The Company anticipates that the tax rate for 2000 will remain approximately 33%.

#### Liquidity and Capital Resources

Cash, cash equivalents and short-term investments increased by \$141.6 million to \$470.3 million as of December 31, 1999, from \$328.7 million as of December 31, 1998. Working capital increased by \$132.2 million to \$487.6 million as of December 31, 1999, up from \$355.4 million as of December 31, 1998. These increases are primarily the result of net income, changes of balance sheet components and the exercise of employee stock options.

Net cash provided by operating activities was \$131.5 million, \$81.1 million and \$72.9 million in 1999, 1998 and 1997, respectively. Cash provided by operating activities increased in 1999 primarily due to a significant increase in net income and an increase in income tax payables, partially offset by an increase in deferred taxes and a decrease in receivables from subcontract manufacturers.

The Company has continued to invest cash in short-term investments, mainly municipal securities. Purchases in excess of sales of short-term investments were \$38.0 million, \$84.3 million and \$45.4 million in 1999, 1998 and 1997, respectively. The Company's

capital expenditures generally consist of investments in computers and related peripheral equipment and office furniture for use in the Company's operations. The Company purchased approximately \$15.6 million, \$13.2 million and \$11.3 million of such equipment and furniture during 1999, 1998 and 1997, respectively. During 1997, the Company invested \$12.6 million, net of cash received, in the Pipeline Acquisition.

Also in 1997, the Company began development of a corporate campus on a 35-acre parcel of land in Foster City, California. During 1997 the Company spent approximately \$27.0 million on the land and associated improvement costs. During 1998 the Company spent approximately \$0.3 million on land improvement costs. In addition to purchasing the land, the Company entered into an agreement to lease a ten-story 295,000 square foot building to be constructed on the site. The lessor of the building committed to fund the construction of the building which amounted to \$57.0 million. Rent payments for the building commenced in July 1999, the time the construction was completed. Rent payments bear a direct relationship to the carrying cost of the commitment amount. The initial term of the lease is 7 years with options to purchase at any time. Also in conjunction with the lease, the Company has entered into a separate ground lease with the lessor of the building for approximately 35 years. The Company has guaranteed a residual value associated with the building to the lessor of 82% of the lessor's funding. If the Company defaults on the lease, does not renew the lease, does not purchase the building or does not arrange for a third party purchase of the building at the end of the lease term, it may be liable to the lessor for the amount of the residual guarantee. As part of the lease agreement the Company must maintain a minimum tangible net worth. In addition, the Company has pledged certain marketable securities (\$69.1 million at December 31, 1999) to be held in proportion to the amount drawn in order to secure a more favorable lease rate and avoid other covenant restrictions. The Company may use these funds at any time, but their release would also result in an increase to the lease rate and the imposition of additional financial covenant restrictions.

On December 29, 1999, the Company entered into an agreement to lease additional facilities, for up to 543,000 square feet, to be constructed on the property, which the Company owns in Foster City, California. The lessor of the building has committed to fund up to a maximum of \$137.0 million for the construction of the facilities, with the portion of the committed amount actually used for construction to be determined by the Company. The construction of the additional facilities is scheduled to be completed over the next 36 months. Rent obligations for the building will bear a direct relationship to the carrying cost of the commitments drawn down. As of December 31, 1999, the Company had not begun construction and had not drawn any funds.

The lease associated with the additional Foster City facilities has a term of seven years with an option to renew subject to certain conditions. The Company may, at its option, purchase the facilities during or at the end of the term of the lease for the amount expended by the lessor to construct the facilities. In connection with the lease, the Company entered into a lease of the related parcels of land in Foster City to the lessor of the buildings at a nominal rate and for a term of 30 years. If the Company terminates or does not negotiate an extension of its lease of the building, the ground lease to the lessor converts to a market rate. The Company, at its option, may purchase the building during or at the end of the term of the lease for the amount expended by the lessor to construct the building. The Company has guaranteed a residual value associated with the building to the lessor of 82% of the lessor's funding. If the Company defaults on its lease, does not renew its lease, does not purchase the building or arrange for a third party the purchase of the facility at the end of the lease term, it may be liable to the lessor for the amount of the residual guarantee.

As part of this agreement, the Company must maintain a minimum tangible net worth. In addition, the Company has committed to pledge certain securities in proportion to the amount drawn against the commitment to be held in a custodial account as collateral to ensure fulfillment of the obligations to the lessor under the lease agreement. No amounts were committed at December 31, 1999 as the Company had not drawn any amounts under the arrangement. The Company may invest these funds in certain securities and receive the full benefit of the investment, however the funds are restricted as to withdrawal at all times.

Net cash provided by financing activities of \$26.7 million, \$14.2 million and \$9.7 million in 1999, 1998 and 1997, respectively, were primarily the result of

exercises of common stock options and the tax benefits to the Company associated with those exercises. Net cash provided by financing activities in 1999, 1998 and 1997 includes approximately \$892,000, \$101,000 and \$373,000 of cash used to repay long-term obligations.

The Company's inventory consists primarily of memory subsystems, processors and ASICs, which are sold to third-party contract manufacturers responsible for manufacturing substantially all of the Company's products. Should the Company decide to purchase components and do its own manufacturing, or should it become necessary for the Company to purchase and sell components other than the processors, ASICs or memory subsystems for its contract manufacturers, inventory balances would increase significantly, thereby reducing the Company's available cash resources. Further, these contract manufacturers produce substantially all of the Company's products. The Company believes that, should the services of any of these contract manufacturers become unavailable, a significant negative impact on the Company's consolidated financial position and results of operations could result. The Company is also reliant on several sole-source suppliers for certain key components and could experience a further significant negative impact on its consolidated financial position and results of operations if such supply were reduced or not available.

The Company, along with its directors and certain officers and employees, has been named in class action lawsuits filed in both the San Mateo County Superior Court and the United States District Court for the Northern District of California. The lawsuits are all

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related to the precipitous decline in the trading price of the Company's stock that occurred in December 1997. The Company believes the lawsuits are without merit and intends to contest them vigorously, but there can be no assurance that if damages are ultimately awarded against the Company, the litigation will not adversely affect the Company's results of operations. See Item 3 "Legal proceedings."

The Company believes that its existing capital resources, together with cash generated from continuing operations will be sufficient to fund its operations and meet capital requirements through at least 2000.

#### Year 2000 Status

The Company, and to its knowledge the Company's third party suppliers did not experience any significant problems associated with information systems and other technology during the transition to the Year 2000. During 1999, the Company spent approximately \$700,000 out of a budget of \$1.2 million for external consulting on addressing and preparing for potential Year 2000 problems and related issues. As the new year continues the Company will continue to assess the potential effects of possible Year 2000 related problems; however, as a result of the work performed previously the Company does not currently foresee any problems in this area. There can be no assurance that such problems, if incurred, will not have a materially adverse effect on the Company, its financial condition, or results of operations.

#### Euro Assessment

Eleven of the fifteen member countries of the European Union have established fixed conversion rates between their existing sovereign currencies and the Euro and have adopted the Euro as a common currency as of January 1, 1999. The Euro is trading on currency exchanges and is available for non-cash transactions. The conversion to the Euro is not expected to have a material adverse effect on the operating results of the Company as the Company predominantly invoices in US Dollars. The Company is currently in the process of evaluating the reporting requirements in the respective countries and the related system, legal and taxation requirements. The Company expects that required modifications will be made on a timely basis and that such modifications will not have a material adverse impact on the Company's operating results. There can be no assurance, however, the Company will be able to complete such modifications to comply with Euro requirements, which could have a material adverse effect on the Company's operating results.

#### Factors That Could Adversely Affect Performance

Our performance may be adversely affected by the following factors:

We rely on sales to a relatively small number of OEM partners, and the loss of any of these customers could substantially decrease our revenues

Because we sell our products primarily to our OEM partners, we rely on high sales volumes to a relatively small number of customers. We expect that we will continue to depend on these OEM partners for a significant portion of our revenues. If we lose an important OEM or we are unable to recruit additional OEMs, our revenues may be materially and adversely affected. We cannot assure you that our major customers will continue to purchase our products at current levels or that they will continue to purchase our products at all. In addition, our results of operations could be adversely affected by a decline in demand for copiers or laser printers, other factors affecting our major customers, in particular, or the computer industry in general.

We rely upon our OEM partners to develop new products, applications and product enhancements in a timely and cost-effective manner. Our continued success depends upon the ability of these OEMs to meet changing customer needs and respond to emerging industry standards and other technological changes. However, we cannot assure you that our OEMs will effectively meet these technological challenges. These OEMs, who are not within our control, may incorporate into their products the technologies of other companies in addition to, or instead of our products. These OEMs may introduce and support products that are not compatible with our products. We rely on these OEMs to market our products with their products, and if these OEMs do not effectively market our products our sales revenue may be materially and adversely affected. With the exception of certain minimum purchase obligations, these OEMs are not obligated to purchase products from us. We cannot assure you that our OEMs will continue to carry our products.

Our OEMs work closely with us to develop products that are specific to each OEM's copiers and printers. For many of the products we are developing, we need to coordinate development, quality testing, marketing and other tasks with our OEMs. We cannot control our OEMs' development efforts and coordinating with our OEMs may cause delays that we cannot manage by ourselves. In addition, our sales revenue and results of operations may be adversely affected if we cannot meet our OEM's product needs for their specific

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copiers and printers, as well as successfully manage the additional engineering and support effort and other risks associated with such a wide range of products.

We are pursuing, and will continue to pursue, the business of additional copier and printer OEMs. However, because there are a limited number of OEMs producing copiers and printers in sufficient volume to be attractive customers for us, we expect that customer concentration will continue to be a risk.

If we are unable to develop new products, or execute product introductions on a timely basis, our future revenue and operating results may be harmed.

Our operating results will depend to a significant extent on continual improvement of existing technologies and rapid innovation of new products and technologies. Our success depends not only on our ability to predict future requirements, but also to develop and introduce new products that successfully address customer needs. Any delays in the launch or availability of new products we are planning could harm our financial results. During transitions from existing products to new products, customers may delay or cancel orders for existing products. Our results of operations may be adversely affected if we cannot successfully manage product transitions or provide adequate availability of products after they have been introduced.

In this environment, we must continue to make significant investments in research and development in order to enhance performance and functionality of our products, including product lines different than our Fiery servers and embedded controllers. We cannot assure you that we will successfully identify new product opportunities, develop and introduce new products to market in a timely manner, and achieve market acceptance of our products. Also, if we decide to develop new products, our research and development expenses may increase in the short term without a corresponding increase in revenue. Finally, we cannot

assure you that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive.

We license software used in most of our products from Adobe Systems Incorporated, and the loss of this license would prevent us from shipping these products

Under our license agreements with Adobe, a separate license must be granted from Adobe to us for each type of copier or printer used with a Fiery Server or Controller. If Adobe does not grant us such licenses or approvals, if the Adobe license agreements are terminated, or if our relationship with Adobe is otherwise impaired, our financial condition and results of operations may be harmed. To date, we have successfully obtained licenses to use Adobe's PostScript(TM) software for our products, where required. However, we cannot assure you that Adobe will continue to grant future licenses to Adobe PostScript(TM) software on reasonable terms, in a timely manner, or at all. In addition, we cannot assure you that Adobe will continue to give us the quality assurance approvals we are required to obtain from Adobe for the Adobe licenses.

If the demand for products that enable color printing of digital data decreases, our sales revenue may decrease

Our products are primarily targeted at enabling the color printing of digital data. If demand for this service declines, or if the demand for our OEMs' specific printers or copiers that our products are designed for should decline, our sales revenue may be adversely affected. Although demand for networked color printers and copiers has increased in recent years, we cannot assure you that such demand will continue, nor can we control whether the demand will continue for the specific OEM printers and copiers that utilize our products will continue. We believe that demand for our products may also be affected by a variety of economic conditions and considerations, and we cannot assure you that demand for our products will continue at current levels.

If we enter new markets or distribution channels this could result in delayed revenues or higher operating expenses

We continue to explore opportunities to develop product lines different from our Fiery servers and embedded controllers, such as our new line of software products and EFI Professional Services that we announced on February 23, 2000. We expect to invest funds to develop new distribution and marketing channels for these new products and services. We do not know if we will be successful in developing these channels or whether the market will accept any of our new products or services. In addition, even if we are able to introduce new products or services, these products and services may adversely impact the Company's operating results.

We face competition from other suppliers as well as our own OEM customers, and if we are not able to compete successfully then our business may be harmed

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Our industry is highly competitive and is characterized by rapid technological changes. We compete against a number of other suppliers of imaging products. We cannot assure you that products or technologies developed by competing suppliers will not render our products or technologies obsolete or noncompetitive.

While many of our OEMs sell our products on an exclusive basis, we do not have any formal agreements that prevent the OEMs from offering alternative products. If an OEM offers products from alternative suppliers our market share could decrease, which could reduce our revenue and negatively affect our financial results.

Our OEM partners may themselves internally develop and supply products similar to our current products. These OEMs may be able to develop similar products that are compatible with their own products more quickly than we can. These OEMs may choose to market their own products, even if these products are technologically inferior, have lower performance or cost more. We cannot assure you that we will be able to continue to successfully compete against similar products developed internally by our OEMs or against their financial and other resources. If we cannot compete successfully against our OEMs' internally developed products, our

business may be harmed.

If we are not able to hire and retain skilled employees, we may not be able to develop products or meet demand for our products in a timely fashion

We depend upon skilled employees, such as software and hardware engineers, quality assurance engineers and other technical professionals. We are located in the Silicon Valley where competition among companies to hire engineering and technical professionals is intense. It is difficult for us to locate and hire qualified engineers and technical professionals and for us to retain these people. There are many technology companies located nearby that may try to hire our employees. The movement of our stock price may also impact our ability to hire and retain employees. If we do not offer competitive compensation, we may not be able to recruit or retain employees. If we cannot successfully hire and retain employees, we may not be able to develop products timely or to meet demand for our products in a timely fashion and our results of operations may be adversely impacted.

Our operating results may fluctuate based upon many factors, which could adversely affect our stock price

We expect our stock price to vary with our operating results and, consequently, adverse fluctuations could adversely affect our stock price. Operating results may fluctuate due to:

- o demand for our products;
- o success and timing of new product introductions;
- o changes in interest rates and availability of bank or financing credit to consumers of digital copiers and printers;
- o price reductions by us and our competitors;
- o delay, cancellation or rescheduling of orders;
- o product performance;
- o availability of key components, including possible delays in the deliveries from suppliers;
- o the status of our relationships with our OEM partners;
- o the performance of third-party manufacturers;
- o the status of our relationships with our key suppliers;
- o potential excess or shortage of skilled employees; and
- o general economic conditions.

Many of our products, and the related OEM copiers and printers, are purchased utilizing lease contracts or bank financing. If prospective purchasers of digital copiers and printers are unable to obtain credit, or interest rate changes make credit terms undesirable, this may significantly reduce the demand for digital copiers and printers, negatively impacting our revenues and operating results.

Typically we do not have long-term volume purchase contracts with our customers, and a substantial portion of our backlog is scheduled for delivery within 90 days or less. Our customers may cancel orders and change volume levels or delivery times for product they have ordered from us without penalty. However, a significant portion of our operating expenses are fixed in advance, and we plan these expenditures based on the sales forecasts from our OEM customers and product development programs. If we were unable to adjust our operating expenses in response to a shortfall in our sales, it could harm our quarterly financial results.

We attempt to hire additional employees to match growth in projected demand for our products. If we project a higher demand than materializes, we will hire too many employees and incur expenses that we need not have incurred and our margins may be lower. If

we project a lower demand than materializes, we will hire too few employees, we may not be able to meet demand for our products and our sales revenue may be lower. If we cannot successfully manage our growth, our results of operations may be harmed.

The value of our investment portfolio will decrease if interest rates increase

We have an investment portfolio of mainly fixed income securities classified as available-for-sale securities. As a result, our investment portfolio is subject to interest rate risk and will fall in value if market interest rates increase. We attempt to limit this exposure to interest rate risk by investing primarily in short-term securities. We may be unable to successfully limit our risk to interest rate fluctuations and this may cause our investment portfolio to decrease in value.

Our stock price has been and may continue to be volatile

Our common stock, and the stock market generally, have from time to time experienced significant price and volume fluctuations. The market prices for securities of technology companies have been especially volatile, and fluctuations in the stock market are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. Our common stock price may also be affected by the factors discussed above in this section as well as:

- o Fluctuations in our results of operations, revenues or earnings or those of our competitors;
- o Failure of such results of operations, revenues or earnings to meet the expectations of stock market analysts and investors;
- o Changes in stock market analysts' recommendations regarding us;
- o Real or perceived technological advances by our competitors;
- o Political or economic instability in regions where our products are sold or used; and
- o General market and economic conditions.

We face risks from our international operations and from currency fluctuations

Approximately 51% and 50% of our revenue from the sale of products for the twelve month periods ended December 31, 1999 and December 31, 1998, respectively, came from sales outside North America, primarily to Europe and Japan. We expect that sales to international destinations will continue to be a significant portion of our total revenue. You should be aware that we are subject to certain risks because of our international operations. These risks include the regulatory requirements of foreign governments which may apply to our products, as well as requirements for export licenses which may be required for the export of certain technologies. The necessary export licenses may be delayed or difficult to obtain, which could cause a delay in our international sales and hurt our product revenue. Other risks include trade protection measures, natural disasters, and political or economic conditions in a specific country or region.

We believe that economic conditions in other parts of the world, such as Brazil, may also limit demand for our products. The move to a single European currency, the Euro, and the resulting central bank management of interest rates to maintain fixed currency exchange rates among the member nations may lead to economic conditions which adversely impact sales of our products.

Given the significance of our export sales to our total product revenue, we face a continuing risk from the strengthening of the U.S. dollar versus the Japanese yen, the Euro and other major European currencies, and numerous Southeast Asian currencies, which could cause lower unit demand and the necessity that we lower average selling prices for our products because of the reduced strength of local currencies. Either of these events could harm our revenues and gross margin. Although we typically invoice our customers in U.S. dollars, when we do invoice



our customers in local currencies, our cash flows and earnings are exposed to fluctuations in interest rates and foreign currency exchange rates between the currency of the invoice and the U.S. dollar. We attempt to limit or hedge these exposures through operational strategies and financial market instruments where we consider it appropriate. To date we have mostly used forward contracts to reduce our risk from interest rate and currency fluctuations. However, our efforts to reduce the risk from our international operations and from fluctuations in foreign currencies or interest rates may not be successful, which harm our financial condition and operating results.

We may be unable to adequately protect our proprietary information

We rely on a combination of copyright, patent and trade secret protection, nondisclosure agreements, and licensing and cross-licensing arrangements to establish and protect our proprietary rights. Any failure to adequately protect our proprietary information could harm our financial condition and operating results. We cannot be certain that any patents that may be issued to us, or which we license from third parties, or any other of our proprietary rights will not be challenged, invalidated or circumvented. In addition, we cannot be

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certain that any rights granted to us under any patents, licenses or other proprietary rights will provide adequate protection of our proprietary information.

We face risks from third party claims of infringement and potential litigation

Third parties may claim that our products infringe, or may infringe, their proprietary rights. Such claims could result in lengthy and expensive litigation. Such claims and any related litigation, whether or not we are successful in the litigation, could result in substantial costs and diversion of our resources. Although we may seek licenses from third parties covering intellectual property that we are allegedly infringing, we cannot guarantee that any such licenses could be obtained on acceptable terms, if at all.

Seasonal purchasing patterns of our OEM customers have historically caused lower fourth quarter revenue, which may negatively impact the stock price

Our results of operations have typically followed a seasonal pattern reflecting the buying patterns of our large OEM customers. In the past, our fiscal fourth quarter results have been adversely affected because some or all of our OEM customers wanted to decrease, or otherwise delay, fourth quarter orders. In addition, the first fiscal quarter traditionally has been a weaker quarter because our OEM partners focus on training of their sales forces. The primary reasons for this seasonal pattern are:

- o Fluctuation in demand for our products from our OEM partners, who have historically sought to minimize year-end inventory investment (including the reduction in demand following introductory "channel fill" purchases). Fluctuation in demand is also caused by timing of new product releases and training by our OEM partners; and
- o The fact that our OEM partners have achieved their yearly sales targets and consequently delayed further purchases into the next fiscal year, and the fact that we do not know when our partners reach these sales targets as they generally do not share them with us.

As a result of these factors, we believe that period to period comparisons of our operating results are not meaningful, and you should not rely on such comparisons to predict our future performance. We anticipate that future operating results may fluctuate significantly due to this seasonal demand pattern.

We may make future acquisitions and acquisitions involve numerous financial risks

We seek to develop new technologies and products from both internal and external sources. As part of this effort, we may make acquisitions of, or significant investments in, other companies. Acquisitions involve numerous risks, including

the following:

- o Difficulties in integration of operations, technologies, or products;
- o Risks of entering markets in which we have little or no prior experience, or entering markets where competitors have stronger market positions;
- o Possible write-downs of impaired assets; and
- o Potential loss of key employees of the acquired company.

Mergers and acquisitions of companies are inherently risky, and we cannot assure you that our previous or future acquisitions will be successful and will not harm our business, operating results, financial condition, or stock price.

The location and concentration of our facilities subjects us to the risk of earthquakes, floods or other natural disasters

Our corporate headquarters, including most of our research and development facilities and manufacturing operations, are located in the San Francisco Bay Area of Northern California, an area known for seismic activity. This area has also experienced flooding in the past. In addition, many of the components necessary to supply our products are purchased from suppliers subject to risk from natural disasters, based in areas including the San Francisco Bay Area, Taiwan, and Japan. A significant natural disaster, such as an earthquake or a flood, could harm our business, financial condition, and operating results.

We are dependent on sub-contractors to manufacture and deliver products to our customers

We subcontract with other companies to manufacture our products. We are totally reliant on the ability of our subcontractors to produce products sold to customers, and while we closely monitor our subcontractors performance. We cannot assure you that such

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subcontractors will continue to perform for us as well as they have in the past. We also can not assure you that difficulties experienced by our subcontractors ( such as interruptions in a subcontractor's ability to make or ship our products, or fix quality assurance problems ) would not harm our business, operating results, or financial condition.

#### Item 7A:Quantitative and Qualitative Disclosures About Market Risk

##### Market Risk

The Company is exposed to various market risks, including the changes in foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. The Company enters into financial instrument contracts to manage and reduce the impact of changes in foreign currency exchange rates. The counterparties are major financial institutions.

##### Foreign Exchange Contracts

During 1998, the Company began utilizing forward foreign exchange contracts to hedge the currency fluctuations in transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from changes in exchange rates. The transactions hedged were intercompany accounts receivable and payable between the Company and its Japanese subsidiary. The periods of the forward foreign exchange contracts correspond to the reporting periods of the hedged transactions. Foreign exchange gains and losses on intercompany balances and the offsetting losses and gains on forward foreign exchange contracts are reflected in the income statement.

As of December 31, 1999, the Company had one outstanding forward foreign

exchange contract to sell Yen equivalent to approximately \$1.8 million with an expiration date of January 31, 2000. The estimated fair value of the foreign currency contract represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices. As of December 31, 1999, the difference between the fair value of the outstanding contract and the contract amount was immaterial. Market risk was estimated as the potential decrease in fair value resulting from a hypothetical 10% increase of the amount of Yen to purchase one US Dollar. A 10% fluctuation in the exchange rate for this currency would change the fair value by approximately \$0.2 million. However, since the contract hedges foreign currency denominated transactions, any change in the fair value of the contract would be offset by changes in the underlying value of the transactions being hedged.

#### Interest Rate Risk

The fair value of the Company's cash portfolio at December 31, 1999, approximated carrying value. Market risk was estimated as the potential decrease in fair value resulting from an instantaneous hypothetical 100 basis-point increase in interest rates for any debt instruments in the Company's investment portfolio. As of December 31, 1999, the Company's cash and short-term investment portfolio includes debt securities of \$424.9 million subject to interest rate risk. A 100 basis-point increase in market interest rates would result in a decrease of fair value of approximately \$3.1 million.

The fair value of the Company's long-term debt, including current maturities, was estimated to be \$3.8 million as of December 31, 1999, and equaled the carrying value. The Company's long-term debt requires interest payments based on a variable rate and therefore is subject to interest rate risk. A 10% fluctuation in interest rates would not have a material effect on the fair value of the outstanding long-term debt of the Company as of December 31, 1999.

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#### Item 8: Financial Statements and Supplementary Data

##### Electronics for Imaging, Inc. Consolidated Balance Sheets

(In thousands, except share and per share amounts)	December 31,	
	1999	1998
<hr/>		
Assets		
Current assets:		
Cash and cash equivalents	\$163,824	\$ 58,909
Short-term investments	306,504	269,823
Accounts receivable, net	81,904	59,660
Inventories	11,878	16,485
Other current assets	24,902	21,853
<hr/>		
Total current assets	589,012	426,730
<hr/>		
Property and equipment, net	49,776	47,632
Other assets	17,287	9,829
<hr/>		
Total assets	\$656,075	\$484,191
<hr/>		

#### Liabilities and Stockholders' Equity

##### Current liabilities:

Accounts payable	\$ 47,102	\$ 32,849
Accrued and other liabilities	29,771	29,009
Income taxes payable	24,548	9,511
-----		
Total current liabilities	101,421	71,369
-----		
Long - term obligations, less current portion	3,467	4,142
Commitments and Contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; none issued and outstanding	--	--
Commonstock, \$.01 par value; authorized; 53,984,484 shares issued and outstanding, respectively	150,000,000 55,722,214 557	shares and 540
Additional paid-in capital	201,679	153,899
Accumulated other comprehensive income (loss)	(772)	(199)
Retained earnings	349,723	254,440
-----		
Total stockholders' equity	551,187	408,680
-----		
Total liabilities and stockholders' equity	\$ 656,075	\$ 484,191

<FN>  
See accompanying notes to consolidated financial statements.  
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Electronics for Imaging, Inc.  
Consolidated Statements of Income

(In thousands, except per share amounts)	Years ended December 31,		
	1999	1998	1997
Revenue	\$570,752	\$446,999	\$373,404
Cost of revenue	290,636	249,179	171,138
-----			
Gross profit	280,116	197,820	202,266
-----			
Operating expenses:			
Research and development	74,971	60,150	42,868
Sales and marketing	59,373	60,615	46,776
General and administrative	18,403	16,637	13,578
In-process R&D	--	--	9,400
Merger related expenses	1,422	--	--
	154,169	137,402	112,622
-----			
Income from operations	125,947	60,418	89,644
-----			
Other income, net	16,250	9,859	10,309
-----			
Income before income taxes	142,197	70,277	99,953

Provision for income taxes	(46,914)	(22,456)	(35,944)
-----			
Net income	\$95,283	\$47,821	\$64,009
-----			
Net income per basic common share	\$1.74	\$0.89	\$1.21
Shares used in per-share calculation	54,853	53,507	52,831
Net income per diluted common share	\$1.67	\$0.87	\$1.13
Shares used in per-share calculation	56,963	54,972	56,713
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<FN>  
See accompanying notes to consolidated financial statements.  
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Electronics for Imaging, Inc.  
Consolidated Statements of Stockholders' Equity

(In thousands)	Additional Common Stock Shares	Amount	Accumulated Paid-In Capital	Other Comprehensive Income (Loss)	Total Retained Earnings	Stockholders' Equity
Balances as of December 31, 1996	51,975	\$520	\$114,975	\$--	\$142,610	\$258,105
-----						
Comprehensive income						
Net income	--	--	--	--	64,009	64,009
					-----	-----
Comprehensive income	--	--	--	--	64,009	64,009
Exercise of common stock options	1,055	10	10,058	--	--	10,068
Tax benefit related to stock plans	--	--	14,545	--	--	14,545
-----						
Balances as of December 31, 1997	53,030	530	139,578	--	206,619	346,727
-----						
Comprehensive income						
Net income	--	--	--	--	47,821	47,821
Functional currency adjustment	--	--	--	(199)	--	(199)
				-----	-----	-----
Comprehensive income				(199)	47,821	47,622
Exercise of common stock options	954	10	8,683	--	--	8,693
Tax benefit related to stock plans	--	--	5,638	--	--	5,638
-----						
Balances as of December 31, 1998	53,984	540	153,899	(199)	254,440	408,680
-----						
Comprehensive income						
Net income	--	--	--	--	95,283	95,283
Functional currency adjustment				71	--	71
Market valuation adjustment short-term investments	--	--	--	(644)	--	(644)
				-----	-----	-----
Comprehensive income	--	--	--	(573)	95,283	94,710
Exercise of common stock options	1,738	17	27,573	--	--	27,590
Tax benefit related to stock plans	--	--	20,207	--	--	20,207
-----						
Balances as of December 31, 1999	55,722	\$557	\$201,679	(\$772)	\$349,723	\$551,187
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<FN>  
See accompanying notes to consolidated financial statements.  
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(In thousands)	Years ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income	\$95,283	\$47,821	\$64,009
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,464	14,051	7,489
Deferred taxes	(13,304)	(2,110)	(4,300)
Change in reserve for bad debts	(431)	250	(41)
In-process research and development	--	--	9,400
Other	71	(199)	--
Changes in operating assets and liabilities:			
Accounts receivable	(21,813)	(27,431)	10,752
Inventories	4,607	9,912	(11,493)
Receivable from subcontract manufacturers	(407)	12,276	(5,854)
Other current assets	2,245	(38)	(4,419)
Accounts payable and accrued liabilities	13,988	19,802	(2,870)
Income taxes payable	36,806	6,795	10,195
Net cash provided by operating activities	131,509	81,129	72,868
Cash flows from investing activities:			
Purchases of short-term investments	(132,188)	(327,483)	(195,669)
Sales / maturities of short-term investments	94,171	243,196	150,287
Investment in property and equipment, net	(15,622)	(13,210)	(38,317)
Business acquired, net of cash received	--	--	(12,626)
Purchase of other assets	347	(181)	(636)
Net cash used for investing activities	(53,292)	(97,678)	(96,961)
Cash flows from financing activities:			
Repayment of long-term obligations	(892)	(101)	(374)
Issuance of common stock	27,590	14,331	10,068
Net cash provided by financing activities	26,698	14,230	9,694
Increase (decrease) in cash and cash equivalents	104,915	(2,319)	(14,399)
Cash and cash equivalents at beginning of year	58,909	61,228	75,627
Cash and cash equivalents at end of year	\$163,824	\$58,909	\$61,228
Supplemental disclosures of Cash Flow Information:			
Cash paid for interest	\$303	\$369	\$225
Cash paid for income taxes	22,591	11,448	30,225
Assumption of debt in conjunction with land acquisition	--	--	4,467
Equipment purchased under capital leases	--	430	73

<FN>  
See accompanying notes to consolidated financial statements.  
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Electronics for Imaging, Inc.  
Notes to Consolidated Financial Statements

Note 1: The Company and Its Significant Accounting Policies

The Company and Its Business

Electronics For Imaging, Inc., a Delaware corporation (the "Company"), designs and markets products that support color and black-and-white printing on a variety of peripheral devices. Its Fiery(R) products incorporate hardware and software technologies that transform digital copiers and printers from many leading copier manufacturers into fast, high-quality networked printers. The Company's Fiery products include stand-alone servers, which are connected to digital copiers and other peripheral devices, and Fiery controllers, which are

embedded in digital copiers and desktop color laser printers. The Company operates in one industry and sells its products primarily to original equipment manufacturers in North America, Europe and Japan. Substantially all of the Company's revenue to date has resulted from the sale of Fiery products.

#### Basis of Presentation

The accompanying combined consolidated financial statements include the accounts of the Company and its subsidiaries, including the company formerly known as Management Graphics Inc. that merged with Electronics For Imaging, Inc. on August 31, 1999 in a pooling of interests transaction. All periods presented have been restated in order to include the financial results of Management Graphics Inc. as if the acquired entity was a wholly-owned subsidiary of Electronics For Imaging, Inc. since inception. All significant inter-company accounts and transactions have been eliminated in consolidation.

#### Revenue Recognition

Revenue is recognized when the product is shipped, provided no significant obligations remain and collectibility is reasonably probable. Provisions for estimated warranty costs and potential sales returns are recorded when revenue is recognized.

#### Fair Value of Financial Instruments

The carrying amounts of cash, cash equivalents, short-term investments, accounts receivable, accounts payable, accrued liabilities and bonds payable as presented in the financial statements, approximate fair value based on the nature of these instruments and prevailing interest rates.

#### Concentration of Credit Risk

The Company is exposed to credit risk in the event of default by any of its customers to the extent of amounts recorded on the consolidated balance sheet. The Company performs ongoing evaluations of the collectibility of the accounts receivable balances for its customers and maintains reserves for estimated credit losses; such actual losses have been within management's expectations.

#### Cash, Cash Equivalents and Short-Term Investments

The Company generally invests its excess cash in deposits with major banks, money market securities, municipal, U.S. government and corporate debt securities. By policy, the Company invests primarily in high-grade marketable securities. The Company is exposed to credit risk in the event of default by the financial institutions or issuers of these investments to the extent of amounts recorded on the consolidated balance sheet.

The Company considers all highly liquid investments, generally with a maturity of three months or less at the time of purchase, to be cash equivalents. The cost of these investments has generally approximated fair value. Investments with longer maturities are classified as available-for-sale. Available-for-sale securities are stated at fair value with unrealized gains and losses reported as a separate component of stockholders' equity, net of deferred income taxes. Realized gains and losses on sales of investments are included in other revenues.

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#### Inventories

Inventories are stated at standard cost which approximates the lower of actual cost using a first-in, first-out method, or market. The Company periodically reviews its inventories for potential slow-moving or obsolete items and writes down specific items to net realizable value as appropriate.

#### Property and Equipment

Property and equipment is recorded at cost. Depreciation on assets is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 60 months. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the lease term, if shorter. Land improvements are amortized using the straight-line method over the estimated useful lives of the improvements.

#### Amortization of Intangibles

Current goodwill and other intangible assets acquired to date are being amortized on a straight-line basis over periods ranging from 1 to 5 years.

#### Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". Under SFAS 109, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. No provision for U.S. income tax is made for undistributed earnings of the Company's foreign subsidiaries, to the extent it is the Company's intention to indefinitely reinvest these earnings in the respective subsidiaries.

#### Foreign Currency Translation

The functional currency for all of the Company's foreign operations, except for Japan, is the U.S. dollar. The functional currency for Japan is the Japanese Yen. Where the U.S. dollar is the functional currency, translation adjustments are recorded in income. Where the Japanese Yen is the functional currency, translation adjustments are recorded as a separate component of Stockholders' Equity. Foreign currency translation and transaction gains and losses have not been significant in any period presented.

#### Accounting for Derivative Instruments and Risk Management

The Company operates internationally, giving rise to exposure to market risk from changes in foreign exchange rates. Derivative financial instruments are used by the Company to reduce those risks. The Company does not hold or issue financial or derivative financial instruments for trading or speculative purposes. The magnitude and volume of such transactions were not material for the periods presented. As of December 31, 1999, the Company had one outstanding forward foreign exchange contract to sell Yen equivalent to approximately \$1.8 million with an expiration date of January 31, 2000.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 133 (SFAS 133) "Accounting for Derivative Instruments and Hedging". This statement establishes accounting and reporting standards for derivative instruments and for hedging activities and requires, among other things, that all derivatives be recognized as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137 (SFAS 137), "Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133". SFAS 133, as amended by SFAS 137, is effective for fiscal quarters and fiscal years beginning after June 15, 2000. The Company is currently studying the provisions of the SFAS 133 and the potential impact it may have on its financial statements.

#### Stock Options

In 1997, the Company adopted Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation". As permitted under this standard, the Company has elected to follow Accounting Principles Board Opinion No. 25



options and other stock-based employee awards. Pro forma information regarding net income and earnings per share, as calculated under the provisions of SFAS 123, are disclosed in Note 9.

#### Computation of Net Income per Common Share

Net income per basic common share is computed using the weighted average number of common shares outstanding during the period. Net income per diluted common share is computed using the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares result from the assumed exercise, using the treasury stock method, of outstanding common stock options having a dilutive effect.

#### Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income". This Statement requires that all items recognized under accounting standards as components of comprehensive earnings be reported in an annual financial statement that is displayed with the same prominence as other annual financial statements. This Statement also requires that an entity classify items of other comprehensive earnings by their nature in an annual financial statement. Comprehensive income has been presented as part of the Consolidated Statements of Stockholder' Equity. Accumulated other comprehensive income (losses), as presented in the accompanying consolidated balance sheets, consists of the net unrealized gains (losses) on available-for-sale investments, net of tax, and the cumulative translation adjustment.

#### Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2: Acquisitions

In October of 1997, the Company acquired Pipeline Associates, Inc. and Pipeline Asia, Inc. (collectively, "Pipeline") - a leading software developer of PostScript, HTML and PCL interpreter technologies. The acquisition cost, net of cash received was \$12.6 million and was accounted for as a purchase. The excess of the acquisition cost over the fair market value of net tangible assets acquired was \$ 12.5 million, of which \$ 9.4 million was allocated to in-process research and development and expensed immediately. The allocation of the purchase price to in-process research and development cost was based upon an independent appraiser's evaluation and was determined by identifying research projects in areas for which technological feasibility had not been established and no alternative future uses existed. Substantially all of the in-process research and development projects acquired were expected to be complete within the 26 months following the acquisition date. However, development of these projects remains a significant risk due to the remaining effort required to achieve technological feasibility, rapidly changing customer markets and significant competitive threats from numerous companies. Failure to bring any of these products to market in a timely manner could adversely affect sales and profitability of the Company in the future. Additionally, the value of net assets and other intangible assets acquired may become impaired. The balance of the excess acquisition cost was allocated to acquired technology and trademarks - \$ 2.8 million, and goodwill - \$0.3 million which are being amortized over 3 and 5 years respectively. The Pipeline acquisition was not deemed material to the Company's financial condition or results of operations, accordingly, pro forma disclosures associated with purchase accounting have not been provided.

On August 31, 1999 the Company acquired Management Graphics, Inc ("MGI"), a Minnesota-based corporation that develops digital print on demand products and other digital imaging products. The acquisition was accounted for as a tax free, pooling of interests combination and, accordingly, the consolidated financial statements have been restated to include the historical results of MGI for all periods presented prior to the acquisition, as if the acquired entity was a wholly-owned subsidiary of Electronics For Imaging, Inc.

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since inception. In connection with the acquisition, the Company issued a total of 490,325 shares of its common stock to the existing shareholders of MGI as consideration for all shares of capital stock of MGI. In addition, holders of MGI options outstanding at the time of the acquisition will receive, upon exercise of such options, in the aggregate up to 34,170 shares of the Company's common stock. The combination was approved by a majority of shareholders from MGI.

During the three month period ended September 30, 1999 the Company incurred approximately \$1.4 million of non-recurring expenses related to the merger. These costs are included in operating expenses and consisted primarily of professional fees, severance costs, and travel expenses. Severance costs related to 33 former employees of MGI and the related positions were eliminated due to duplication of resources between California and Minnesota locations. Functionally, the Company eliminated 6 manufacturing, 15 service, 1 engineering, 6 sales and marketing, and 5 administrative positions. The terminations were completed as of September 30, 1999.

Components of the consolidated statements of EFI and MGI, prior to the acquisition by EFI are as follows:

(In thousands)	Six Months Ended June 30, 1999	Twelve Months Ended December 31, 1998	Twelve Months Ended December 31, 1997
-----			
Net revenues			
EFI	\$256,049	\$430,723	\$360,631
MGI	8,841	16,276	12,773
	-----	-----	-----
	\$264,890	\$446,999	\$373,404
	=====	=====	=====
-----			
Net income			
EFI	\$40,442	\$46,041	\$64,882
MGI	368	1,780	(873)
	-----	-----	-----
	\$40,810	\$47,821	\$64,009
	=====	=====	=====

<FN>

Note: MGI revenue and net income for the eight month period ended August 31, 1999 amounted to \$11,245 and \$319, respectively.

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Note 3: Balance Sheet Components

(In thousands)	1999	December 31, 1998
-----		
Accounts receivable:		
Accounts receivable	\$83,170	\$61,357
Less reserves and allowances	(1,266)	(1,697)
	-----	-----
	\$81,904	\$59,660
-----		
Inventories:		
Raw materials	\$10,844	\$15,289
Work in process	33	250
Finished goods	1,001	946
	-----	-----

	\$11,878	\$16,485
-----		
Other current assets:		
Receivable from subcontract manufacturers	\$4,742	\$4,335
Deferred income taxes, current portion	14,772	9,885
Other	5,388	7,633
	-----	-----
	\$24,902	\$21,853
-----		
Property and equipment:		
Land and land improvements	\$27,681	\$27,706
Equipment and purchased software	59,499	49,574
Furniture and leasehold improvements	13,261	7,753
	-----	-----
	100,441	85,033
Less accumulated depreciation and amortization	(50,665)	(37,401)
	-----	-----
	\$49,776	\$47,632
-----		
Other assets:		
Deferred income taxes, non-current portion	\$14,915	\$6,124
Other	2,372	3,705
	-----	-----
	\$17,287	\$9,829
-----		
Accrued and other liabilities:		
Accrued product-related obligations	\$7,809	\$4,650
Accrued royalty payments	7,327	8,662
Accrued compensation and benefits	7,263	6,047
Other accrued liabilities	7,372	9,650
	-----	-----
	\$29,771	\$29,009
-----		

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#### Note 4: Marketable Securities

The following tables summarize the Company's investment in securities:

December 31, 1999	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
-----				
(In thousands)				
Municipal Securities	\$246,861	--	\$ (804)	\$246,057
U.S. Government Securities	54,636	--	(139)	54,497
U.S. Corporate Debt Securities	5,969	--	(19)	5,950
-----				
Total investments	\$307,466	--	\$ (962)	\$306,504
-----				

December 31, 1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
-----				
(In thousands)				
Municipal Securities	\$218,431	--	--	\$218,431
U.S. Government Securities	16,457	--	--	16,457
U.S. Corporate Debt Securities	34,935	--	--	34,935
-----				
Total debt securities	\$269,823	--	--	\$269,823
-----				

The following table summarizes debt maturities as of December 31, 1999:

(In thousands)	Amortized Cost	Fair Value
Less than one year	\$123,243	\$122,896
Due in 1-2 years	177,078	176,490
Due in 2-5 years	7,145	7,118
Due after 5 years	--	--
Total investments	\$307,466	\$306,504

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Note 5: Long -Term Debt

Long Term Debt consists of amounts due to the City of Foster City for certain bonds assumed by the Company during the purchase of land (see Note 6). Principal amounts owing under the bonds are as follows:

(In thousands)	Year ending December 31, 1999
Total principal	\$3,775
Less: current portion	(308)
	\$3,467

The bonds are secured by the land and bear an annual interest rate of approximately 7%. Interest and principal payments are due semi-annually with the last payment occurring in June 2009. Principal payments under the bonds payable are as follows:

(In thousands)	Year ending December 31, 1999
2000	\$308
2001	317
2002	332
2003	352
2004	373
Thereafter	2,093
	\$3,775

Note 6: Commitments and Contingencies

Leases

On July 18, 1997, the Company entered into an agreement to lease a ten-story 295,000 square foot building to be constructed on 35 acres, which the Company owns in Foster City, California. The construction of the building was completed in July 1999. The lessor of the building committed to fund the construction of

the building which amounted to \$57.0 million Rent obligations for the building bear a direct relationship to the carrying cost of the commitment drawn. The amount of this rent obligation is included in the future minimum lease commitments under non-cancelable operating leases.

The lease associated with the Foster City building has a term of seven years from the date of inception with an option to renew the lease for an additional three to five years subject to certain conditions. In connection with the lease, the Company entered into a lease of a portion of the land in Foster City to the lessor of the building at a nominal rate and for a term of 34 years and 11 months. If the Company terminates or does not negotiate an extension of its lease of the building, the ground lease to the lessor converts to a market rate. The Company, at its option, may purchase the building during or at the end of the terms of the lease at the amount expended by the lessor to construct the building. The Company has guaranteed a residual value associated with the building to the lessor of approximately 82% of the lessor's funding. If the Company defaults on its lease, does not renew its lease, does not purchase the building or arrange for a third party to purchase the building at the end of the lease term, it may be liable to the lessor for the amount of the residual guarantee. The lease has been classified as an operating lease.

As part of this agreement, the Company must maintain a minimum tangible net worth. In addition, in order to obtain a favorable lease rate, the Company has pledged certain securities (\$69.1 million at December 31, 1999) in a custodial account as collateral to ensure fulfillment of the obligations to the lessor under the lease agreement. The Company may invest these funds in certain securities and receive the full benefit of the investment. However, if the Company uses or transfers these funds, the rent on the building would increase and the Company would be required to comply with certain additional financial covenants.

On December 29, 1999, the Company entered into an agreement to lease additional facilities, for up to 543,000 square feet, to be constructed on 35 acres, which the Company owns in Foster City, California. The lessor of the building has committed to fund up to a maximum of \$137.0 million for the construction of the facilities, with the portion of the committed amount actually used for construction to be determined by the Company. The construction of the additional facilities is scheduled to be completed over the

next 36 months. Rent obligations for the building bear a direct relationship to the carrying cost of the commitments drawn. As of December 31, 1999, the Company had not drawn any amounts under the arrangement.

The lease associated with the additional Foster City facilities has a term of seven years with an option to renew subject to certain conditions. The Company may, at its option, purchase the facilities during or at the end of the term of the lease at the amount expended by the lessor to construct the facilities. In connection with the lease, the Company entered into a lease of its land in Foster City to the lessor of the buildings at a nominal rate and for a term of 30 years. If the Company terminates or does not negotiate an extension of its lease of the building, the ground lease to the lessor converts to a market rate. The Company, at its option, may purchase the building during or at the end of the term of the lease at approximately the amount expended by the lessor to construct the building. The Company has guaranteed a residual value associated with the building to the lessor of 82% of the lessor's funding. If the Company defaults on its lease, does not renew its lease, does not purchase the building or arrange for a third party to purchase the facility at the end of the lease term, it may be liable to the lessor for the amount of the residual guarantee.

As part of this agreement, the Company must maintain a minimum tangible net worth. In addition, the Company has committed to pledge certain securities in proportion to the amount drawn against the commitment to be held in a custodial account as collateral to ensure fulfillment of the obligations to the lessor under the lease agreement. No amounts were committed at December 31, 1999 as the Company had not drawn any amounts under the arrangement. The Company may invest these funds in certain securities and receive the full benefit of the investment, however the funds are restricted as to withdrawal at all times.

The Company has one operating lease commitment related to a previous corporate facility. The operating lease expires in June 2000 and is currently earning sublease income. The Company has also operating leases for facilities located outside of California, expiring between May 2001 and October 2002.

The following summarizes the future minimum lease payment under the non-cancelable operating leases:

Fiscal Year	(In thousands)
2000	\$5,063
2001	4,188
2002	4,027
2003	3,839
2004	2,240
Thereafter	--
<b>Total</b>	<b>\$19,357</b>
Less: sublease income	(912)
<b>Net lease obligation</b>	<b>\$18,445</b>

<FN>

Note: Lease obligation related to the principal corporate facility is estimated and is based on current market interest rates (LIBOR) and based on collateralized assumptions.

</FN>

The Company was assigned an agreement with a financing company for a line of credit, to fund certain equipment additions, as part of the merger with Management Graphics, Inc. All equipment purchases under this line of credit were structured as capital leases. As of December 31, 1999, all obligations under the line of credit have been satisfied.

Rental expense amounted to approximately \$6.6 million, \$4.6 million, and \$3.4 million for the fiscal years ended 1999, 1998 and 1997, respectively.

#### Legal Proceedings

The Company and certain principal officers and directors were named as defendants in class action complaints filed in both the California Superior Court of the County of San Mateo on December 15, 1997, and the United States District Court for the Northern District of California on December 31, 1997 on behalf of purchasers of the common stock of the Company during the class period

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from April 10, 1997, through December 11, 1997. The complaints allege violations of securities laws during the class period. Management believes the lawsuits are without merit and that the outcome will not have a material adverse effect on the financial position or overall trends in the results of operations of the Company. However, due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the litigation. Any unfavorable outcome of the litigation could have an adverse impact on the Company's financial condition and results of operations. In addition, the Company is involved from time to time in litigation relating to claims arising in the normal course of its business. The Company believes that the ultimate resolution of such claims will not materially affect the Company's business or financial condition.

#### Note 7: Income Taxes

The provision (benefit) for income taxes is summarized as follows:

(In thousands)	Years ended December 31,		
	1999	1998	1997
-----			

Current:			
U.S. Federal	\$51,085	\$20,771	\$34,231
State	8,044	3,749	5,741
Foreign	1,463	46	272
-----			
Total current	60,592	24,566	40,244
Deferred:			
U.S. Federal	(13,265)	(2,348)	(3,483)
State	(408)	238	(817)
Foreign	(5)	0	0
-----			
Total deferred	(13,678)	(2,110)	(4,300)
-----			
Total provision (benefit) for income taxes	\$46,914	\$22,456	\$35,944
-----			

The tax effects of temporary differences that give rise to deferred tax assets are as follows:

(In thousands)	December 31,	
	1999	1998
-----		
Depreciation	\$1,901	\$825
Inventory reserves	4,532	3,379
Other reserves and accruals	6,762	5,185
State taxes payable	1,568	672
Deferred revenue	496	631
Intangibles	4,636	3,803
Deferred tax on I/C transactions	8,148	--
Other	1,644	1,514
-----		
Total deferred tax assets	\$29,687	\$16,009
-----		

A reconciliation between the income tax provision computed at the federal statutory rate and the actual tax provision is as follows:

(In thousands)	Years ended December 31,					
	1999		1998		1997	
	\$	%	\$	%	\$	%
-----						
Tax expense at federal statutory rate	\$49,769	35.0	\$24,572	35.0	\$34,998	35.0
State income taxes, net of federal benefit	5,502	3.9	3,063	4.4	3,167	3.2
Tax-exempt interest income	(3,601)	(2.5)	(2,717)	(4.0)	(2,245)	(2.2)
Tax credits	(2,725)	(1.9)	(1,874)	(2.8)	(1,129)	(1.1)
FSC benefit	(3,360)	(2.4)	(1,039)	(1.5)	(2,077)	(2.1)
Other	1,329	0.9	451	0.9	3,230	3.2
-----						
	\$46,914	33.0	\$22,456	32.0	\$35,944	36.0
-----						

Income before income taxes includes \$2.0 million, \$3.2 million and \$1.0 million of income relating to non -U.S. operations for 1999, 1998 and 1997, respectively.

#### Note 8: Earnings Per Share

The following table presents a reconciliation of basic and diluted earnings per share for the three years in the period ended December 31, 1999:

(In thousands)	Years ended December 31,		
	1999	1998	1997
Net income available to common shareholders	\$95,283	\$47,821	\$64,009
Shares			
Basic shares	54,853	53,507	52,831
Effect of Dilutive Securities	2,110	1,465	3,882
Diluted shares	56,963	54,972	56,713
Earnings per common share			
Basic EPS	\$1.74	\$0.89	\$1.21
Diluted EPS	\$1.67	\$0.87	\$1.13

<FN>  
 Antidilutive Options. Options to purchase 349,791, 2,742,510 and 586,540 shares of common stock outstanding as of December 31, 1999, 1998, and 1997, respectively, were not included in the computations of diluted EPS because the options' exercise prices were greater than the average market price of the common shares for the years then ended.  
 </FN>

## Note 9: Employee Benefit Plans

### Stock Option Plans

As of December 31, 1999, the Company has four stock-based compensation plans, described below. The Company applies APB 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans. Had compensation cost for options granted in 1999, 1998 and 1997 under the Company's option plans been determined based on the fair value at the grant dates as prescribed by SFAS 123, the Company's net income and pro forma net income per share would have been as follows:

(In thousands, except per share amounts)		Years ended December 31,		
		1999	1998	1997
Net income	As reported	\$95,283	\$47,821	\$64,009
	Pro forma	\$61,410	\$18,543	\$40,996
Earnings per basic common share	As reported	\$1.74	\$0.89	\$1.21
	Pro forma	38		
Earnings per diluted common share	As reported	\$1.67	\$0.87	\$1.13
	Pro forma	\$1.08	\$0.34	\$0.72

The Company has four stock option plans: the 1989 Stock Plan (a "Predecessor Plan"), the 1990 Stock Plan (a "Stock Plan"), the MGI 1985 Nonqualified Stock Option Plan (a "Predecessor Plan") and the 1999 Equity Incentive Plan (a "Stock Plan"). The Company does not grant any options under the Predecessor Plans, however all outstanding options under the Predecessor Plans continue to be governed by the terms and conditions of the existing option agreements for those grants. Under the Stock Plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options are granted periodically throughout the year and generally vest ratably over four years. At December 31, 1999, approximately 5.3 million shares were available for future grants to employees, directors or consultants.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, the attribution method with respect to graded vesting and the following weighted-average assumptions:



Black Scholes Assumptions & Fair Value	Years Ended December 31,		
	1999	1998	1997
Expected Volatility	76.3%	76.0%	69.0%
Dividend Yield	0.0%	0.0%	0.0%
Risk Free Interest Rate	5.95% to 6.44%	4.49% to 4.65%	5.35% to 5.83%
Weighted Average Expected Option Term	4.5 years	4.4 years	5.2 years
Weighted Average Fair Value of Options Granted	\$19.35	\$6.98	\$25.22

A summary of the status of the Company's stock option activity is presented below:

(In thousands, except exercise price)	Years ended December 31,					
	1999		1998		1997	
	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price
Beginning of Year	6,734	\$21.04	6,401	\$21.76	6,151	\$13.19
Granted	2,955	36.81	1,931	16.05	1,615	45.24
Exercised	(1,738)	16.06	(954)	9.19	(1,055)	9.51
Forfeited	(616)	31.09	(644)	30.73	(310)	25.36
End of Year	7,335	\$27.73	6,734	\$21.04	6,401	\$21.76

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The following table summarizes information about stock options outstanding at December 31, 1999:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding (in thousands)	Weighted Avg. Remaining Life	Weighted Avg. Exercise Price	Number Exercisable in thousands)	Weighted Avg. Exercise Price
\$0.01 to \$5.63	897	3.48	\$3.50	897	\$3.50
\$5.64 to \$14.12	841	6.54	\$12.98	610	\$12.69
\$14.13 to \$15.64	76	6.00	\$15.07	49	\$15.06
\$15.65 to \$20.80	855	7.94	\$16.10	279	\$16.29
\$20.81 to \$26.80	670	6.65	\$25.38	423	\$25.54
\$26.81 to \$34.37	2,177	9.12	\$33.58	54	\$29.88
\$34.38 to \$47.37	1,245	8.12	\$43.27	402	\$45.28
\$47.38 to \$58.37	562	8.87	\$52.94	115	\$52.67
\$58.38 to \$59.87	3	9.53	\$58.38	0	\$0.00
\$59.88 to \$59.88	9	9.68	\$59.88	0	\$0.00
\$0.01 to \$59.88	7,335	7.55	\$27.73	2,829	\$18.68

#### Employee 401(k) Plan

As of 1999, the Company sponsors a 401 (k) Savings Plan (the "401 (k) Plan") to provide retirement and incidental benefits for its employees. Employees may contribute from 1% to 20% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company currently matches employee contributions 50 cents on the dollar, up to a maximum of a 2% match on the first 4% of the employee's contribution. The Company match is annually determined by the Board of Directors. All matching contributions vest over four years starting with the hire date of the individual employee. Company matching contributions to the Plan totaled \$0.6 million in 1999.

Note 10: Information Concerning Business Segments and Major Customers

Information about Products and Services

The Company operates in a single industry segment, technology for high-quality printing in short production runs. The Company does not have separate operating segments for which discrete financial statements are prepared. The Company's management makes operating decisions and assesses performance based on primarily product revenues and related gross margins.

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The following is a breakdown of revenues for the years ended December 31, 1999, 1998 and 1997 by product category:

(In thousands)	1999 Revenue	1998 Revenue	1997 Revenue
Stand-alone Servers Connecting to Digital Color Copiers	\$244,028	\$291,785	\$293,708
Embedded Desktop Controllers, Bundled Color Solutions & Chipset Solutions	149,899	90,133	34,133
Controllers for Digital Black and White Solutions	121,071	19,196	--
Spares, Licensing & Other misc. sources	55,754	45,885	45,563
Total Revenue	\$570,752	\$446,999	\$373,404

Information about Geographic Areas

Except for Japan, all of the Company's sales are originated in the United States. Shipments to some of the Company's OEM partners are made to centralized purchasing and manufacturing locations, which in turn sell through to other locations. As a result of these factors, the Company believes that sales to certain geographic locations might be higher or lower, though accurate data is difficult to obtain.

The following is a breakdown of revenues by shipment destination for the years ended 1999, 1998 and 1997, respectively:

(In thousands)	Years ended December 31,		
	1999	1998	1997
United States	\$267,885	\$209,938	\$175,835
Netherlands	94,727	79,878	62,149
Japan	90,781	68,991	64,323
Rest of World	117,359	88,192	71,097
	\$570,752	\$446,999	\$373,404

## Information about Major Customers

Two customers, with total revenues greater than 10%, accounted for approximately 42% and 18% of revenue in 1999 and 36% and 23% of revenue in 1998, respectively. Three customers, with total revenues greater than 10%, accounted for approximately 44%, 27% and 14% of revenue in 1997. Two customers, with accounts receivable balances greater than 10%, accounted for approximately 61% of the accounts receivable balance as of December 31, 1999. Three customers, with accounts receivable balances greater than 10%, accounted for approximately 69% and 85% of the accounts receivable balance as of December 31, 1998 and December 31, 1997, respectively.

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## Report of Independent Accountants

To the Board of Directors and Stockholders of  
Electronics For Imaging, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Electronics For Imaging, Inc. and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

San Jose, California  
January 18, 2000

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## Quarterly Consolidated Financial Information

(Unaudited)

(In thousands, except per share data)

The following table presents the Company's operating results for each of the eight quarters in the two-year period ended December 31, 1999. The information for each of these quarters is unaudited but has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this Annual Report. In the opinion of management, all necessary adjustments (consisting only of normal recurring adjustments) have been included to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the notes thereto appearing in this Annual Report. These operating results are not necessarily indicative of the results for any future period.

1999:	Q1	Q2	Q3	Q4
Revenue	\$124,204	\$140,686	\$158,211	\$147,651
Gross profit	58,655	69,260	78,975	73,226
Income from operations	22,694	31,644	38,743	32,866

Net income	17,286	23,524	29,358	25,115
Net income per basic common share	0.32	0.43	0.53	0.45
Net income per diluted common share	\$0.31	\$0.41	\$0.51	\$0.44
Revenue by product				
Stand-alone Servers Connecting to Digital Copiers	\$62,221	\$58,106	\$60,184	\$63,517
Embedded Desktop Controllers, Bundled				
Color Solutions & Chipset Solutions	31,664	36,913	43,940	37,382
Controllers for Digital Black and White Solutions	16,794	35,176	41,907	27,194
Spares, Licensing & other misc. sources	13,525	10,491	12,180	19,558
	-----	-----	-----	-----
Total revenue	\$124,204	\$140,686	\$158,211	\$147,651
Shipments by geographic area				
North America	\$56,784	\$65,633	\$77,762	\$77,818
Europe	42,690	47,403	45,833	46,676
Japan	22,175	22,832	27,614	18,160
Rest of World	2,555	4,818	7,002	4,997
	-----	-----	-----	-----
Total	\$124,204	\$140,686	\$158,211	\$147,651
1998:	Q1	Q2	Q3	Q4
-----				
Revenue	\$85,572	\$100,839	\$129,804	\$130,784
Gross profit	38,685	43,845	56,613	58,677
Income loss from operations	4,252	10,278	21,766	24,122
Net income loss	4,164	7,687	17,139	18,831
Net income loss per basic common share	0.08	0.14	0.32	0.35
Net income loss per diluted common share	\$0.08	\$0.14	\$0.31	\$0.34
Revenue by product				
Stand-alone Servers Connecting to Digital Copiers	\$65,188	\$63,767	\$87,169	\$75,661
Embedded Desktop Controllers, Bundled				
Color Solutions & Chipset Solutions	9,909	18,717	26,422	35,085
Controllers for Digital Black and White Solutions	1,128	7,710	4,319	6,039
Spares, Licensing & other misc. sources	9,347	10,645	11,894	13,999
	-----	-----	-----	-----
Total revenue	\$85,572	\$100,839	\$129,804	\$130,784
Shipments by geographic area				
North America	\$39,996	\$49,118	\$67,461	\$65,063
Europe	30,194	34,849	39,868	39,165
Japan	12,852	13,181	18,886	24,072
Rest of World	2,530	3,691	3,589	2,484
	-----	-----	-----	-----
Total	\$85,572	\$100,839	\$129,804	\$130,784
-----				

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### PART III

#### Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

#### Item 10: Directors and Executive Officers of the Registrant

Information regarding directors of the Company is incorporated by reference from the information contained under the caption "Election of Directors" in the Company's Proxy Statement for the Company's 2000 Annual Meeting of Stockholders (the "2000 Proxy Statement"). Information regarding current executive officers of the Registrant is incorporated by reference from information contained under the caption "Executive Officers" in the Company's 2000 Proxy Statement. Information regarding Section 16 reporting compliance is incorporated by reference from information contained under the caption "Section 16 (a) Beneficial Ownership Reporting Compliance" in the Company's 2000 Proxy Statement.

#### Item 11: Executive Compensation

The information required by this item is incorporated by reference from the information contained under the caption "Executive Compensation" in the Company's 2000 Proxy Statement.

#### Item 12: Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference from the information contained under the caption "Security Ownership" in the Company's 2000 Proxy Statement.

Item 13: Certain Relationships and Related Transactions

The information required by this item is incorporated by reference from the information contained under the caption "Related Transactions" in the Company's 2000 Proxy Statement.

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PART IV

Item 14: Exhibits, Financial Statement Schedules, and Reports on Form 10-K.

(a) Documents Filed as Part of Form 10-K

(1) Index to Financial Statements

The Financial Statements required by this item are submitted in Item 8 of this report as follows:

Report of Independent Accountants.  
Consolidated Balance Sheets at December 31, 1999 and 1998  
Consolidated Statements of Income for the three years ended  
December 31, 1999 Consolidated Statements of Stockholders' Equity  
for the three years ended December 31, 1999 Consolidated Statements  
of Cash Flows for the three years ended December 31, 1999 Notes to  
Consolidated Financial Statements

(2) Index to Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

Report of Independent Accountants on Financial Statement Schedule

(All other schedules are omitted because of the absence of conditions under which they are required or because the necessary information is provided in the consolidated financial statements or notes thereto.)

(3) Exhibits

Exhibit

No.	Description
---	-----
2.2	Agreement and Plan of Merger and Reorganization, dated as of July 14, 1999, among the Company, Redwood Acquisition Corp. and Management Graphics, Inc. (5)
3.1	Amended and Restated Certificate of Incorporation. (2)
3.2	Bylaws as amended. (1)
4.1	See Exhibit 3.1
4.2	Specimen Common Stock certificate of the Company. (1)
10.1	Agreement of Lease dated as of July 30, 1992, by and between the Company and The Joseph and Eda Pell Revocable Trust for the Company's new executive office in San Mateo, California. (1)
10.2	First Addendum to Lease dated as of July 30, 1992, by and between the Company and The Joseph and Eda Pell Revocable Trust. (1)

- 10.3+ License Agreement, dated as of February 9, 1990, between the Company and the Massachusetts Institute of Technology. (1)
- 10.4 Amendment to License Agreement dated December 31, 1990, between the Company and the Massachusetts Institute of Technology. (1)

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Exhibit

No.	Description
---	-----
10.5	Amendment to License Agreement dated May 29, 1991 and March 19, 1991, by and between the Company and the Massachusetts Institute of Technology. (1)
10.6+	Third Amendment to License Agreement dated June 1, 1992, by and between the Company and the Massachusetts Institute of Technology. (1)
10.7+	Custom PostScript Interpreter OEM License Agreement, dated as of March 1, 1991, by and between the Company and Adobe Systems Incorporated. (1)
10.8++	Postscript Support Source and Object Code Distribution License Agreement, dated as of September 12, 1995, by and between the Company and Adobe Systems Incorporated.
10.9	1989 Stock Plan of the Company. (1)
10.10	1990 Stock Plan of the Company. (1)
10.11	Management Graphics, Inc. 1985 Nonqualified Stock Option Plan.
10.12	The 1999 Equity Incentive Plan. (6)
10.13**	Form of Indemnification Agreement.(1)
10.14	Employment Agreement dated January 11, 2000 by and between Dan Avida and the Company.
10.15	Employment Agreement dated March 8, 2000, by and between Fred Rosenzweig and the Company.
10.16	Employment Agreement dated March 8, 2000, by and between Eric Saltzman and the Company.
10.17	Employment Agreement dated March 8, 2000, by and between Jan Smith and the Company.
10.18	Employment Agreement dated March 8, 2000, by and between Guy Gecht and the Company.
10.19**	Master Lease and Open End Mortgages dated as of July 18, 1997 by and between the Company and FBTC Leasing Corp. for the lease financing of the Company's corporate headquarters building to be built in Foster City, California.(4)
10.20	Lease Financing of Properties Located in Foster City, California, dated as of January 18, 2000 among the Company, Societe Generale Financial Corporation and Societe Generale.
21.1	List of Subsidiaries.
23.1	Consent of PricewaterhouseCoopers LLP.
24.1	Power of Attorney (see signature page)
27	Financial Data Schedule

+ The Company has received confidential treatment with respect to portions of these documents.

++ The Company has requested confidential treatment with respect to portions of these documents.

(1) Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-50966) and incorporated herein by reference.

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(2) Filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33-57382) and incorporated herein by reference.

(3) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 0-18805) and incorporated herein by reference.

(4) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (File No. 0-18805) and incorporated herein by reference.

(5) Filed as an exhibit to the Company's Report of Unscheduled Material Events on Form 8-K on September 8, 1999 (File No. 0-18805) and incorporated herein by reference.

(6) Filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-88135) and incorporated herein by reference.

(b) Reports on Form 8-K

None filed during the quarter ended December 31, 1999.

(c) List of Exhibits

See Item 14 (a).

(d) Consolidated Financial Statement Schedule II for the years ended December 31, 1999, 1998 and 1997, respectively.

See Page 45 of this Annual Report on Form 10-K.

ELECTRONICS FOR IMAGING, INC.

Schedule II

Valuation and Qualifying Accounts

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
-----					
(In thousands)					
Year Ended December 31, 1999					
Allowance for doubtful accounts and sales-related reserves	\$1,697	\$200	\$--	\$ (631)	\$1,266
-----					
Year Ended December 31, 1998					
Allowance for doubtful accounts and sales-related reserves	\$1,628	\$250	\$--	\$ (181)	\$1,697
-----					
Year Ended December 31, 1997					
Allowance for doubtful accounts and sales-related reserves	\$2,046	\$29	\$ (150)	\$ (297)	\$1,628
-----					

Report of Independent Accountants on  
Financial Statement Schedule

To the Board of Directors and Stockholders  
of Electronics for Imaging, Inc.

Our audits of the consolidated financial statement referred to in our report dated January 18, 2000 appearing in this Form 10-K also included an audit of the Consolidated Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, the Consolidated Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICEWATERHOUSECOOPERS LLP

San Jose, California  
January 18, 2000

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELECTRONICS FOR IMAGING, INC.

March 17, 2000

By: /s/ Guy Gecht  
-----

Guy Gecht

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Guy Gecht and Eric Saltzman jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to the Form 10-K Annual Report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Guy Gecht ----- Guy Gecht	Chief Executive Officer (Principal Executive Officer)	March 17, 2000
/s/ Eric Saltzman ----- Eric Saltzman	Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)	March 17, 2000
/s/ Dan Avida ----- Dan Avida	Chairman of the Board	March 17, 2000
/s/ Gill Cogan -----	Director	March 17, 2000



Gill Cogan

/s/ Jean-Louis Gassee ----- Jean-Louis Gassee	Director	March 17, 2000
/s/ Dan Maydan ----- Dan Maydan	Director	March 17, 2000
/s/ Thomas Unterberg ----- Thomas Unterberg	Director	March 17, 2000

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Exhibit Index

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- (6) Filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-88135) and incorporated herein by reference.

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CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

Exhibit 10.8

ADOBE CONFIDENTIAL

POSTSCRIPT SUPPORT SOURCE  
AND OBJECT CODE DISTRIBUTION  
LICENSE AGREEMENT

BETWEEN

ADOBE SYSTEMS INCORPORATED

AND

ELECTRONICS FOR IMAGING INCORPORATED

Dated as of September 12, 1995

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ADOBE SYSTEMS INCORPORATED  
POSTSCRIPT SUPPORT SOURCE  
AND OBJECT CODE DISTRIBUTION LICENSE AGREEMENT

This Agreement is between Adobe Systems Incorporated, a California corporation having its principal place of business at 1585 Charleston Road, P.O. Box 7900, Mountain View, California 94039-7900 ("Adobe"), and Electronics for Imaging, Inc., a Delaware corporation, having its principal place of business at 2855 Campus Drive, San Mateo, California 94403 ("EFI"). This Agreement is effective as of September 12, 1995 (the "Effective Date").

RECITALS

A. Adobe owns certain computer programs which are useful in controlling raster devices including, but not limited to, CRT displays, dot-matrix printers, and laser printers, known collectively as the PostScript software.

B. EFI has requested that Adobe license portions of the PostScript software (in source code form as defined below) to EFI that EFI will be able to adapt and develop such source code for use with Licensed Systems (as defined below) specified in Licensed System Appendices attached to this Agreement and distribute object code versions thereof in accordance with the terms and conditions set forth in this Agreement.

AGREEMENT

1. DEFINITIONS. Capitalized terms shall have the meaning set forth below.

1.1 "Adobe Deliverables" means the deliverables set forth in Exhibit A ("Adobe Deliverables").

1.2 "Adobe Screening Test Suite" means the test programs, procedures and accompanying documentation developed by Adobe, and subject to change by Adobe in its sole discretion, to be used by EFI to test implementations of Licensed Systems and Revised Object for conformity to the PostScript Language Specification.

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1.3 "Adobe Software" means (a) all or any portion of the unmodified computer programs, both in source and object code form, and compilations thereof, as described in the applicable Reference Port Appendix provided by Adobe to EFI and (b) any changes to such software which Adobe may supply to EFI.

1.3.1 "Adobe Source" means the source code of the Adobe Software and any corresponding source documentation described in the applicable Reference Port Appendix.

1.4 "Adobe Support Information" means any (a) Adobe Software, Font Programs, Adobe Screening Test Suite, and other documentation and computer recorded data related to any of the above, and (b) any other software and accompanying documentation, including utility tools, which Adobe may supply to EFI. Adobe Support Information shall not include any EFI Modifications made pursuant to this Agreement.

1.5 "Adobe Trademarks" means (a) the registered trademarks "Adobe" and "PostScript", (b) the respective stylistic marks and distinctive logotypes for such trademarks, and (c) other marks and logotypes as Adobe may from time to time designate during the course of this Agreement.

1.6 "Bitmap Font" means the applicable digitally encoded machine readable data in bitmap form for screen display having a resolution of less than 150 dots per inch for use with the associated Font Program. Bitmap Fonts shall be made available in the plurality of sizes for single Typefaces deliverable by Adobe to EFI when such Bitmap Fonts become generally available to Adobe for distribution to its OEM licensees.

1.7 "Confidentiality Agreement" means individually and collectively the agreements in writing, substantially in the form attached as Exhibit B-1 ("Employee Nondisclosure Agreement"), Exhibit B-2 ("Contractor Agreement") and Exhibit B-3 ("Notice Regarding Confidentiality").

1.8 "Clone Product" means a product having page description capabilities that are substantially compatible with the PostScript language.

1.9 "Development Site" means a site specified in Exhibit C ("Development and Reproduction Sites") at which EFI may use the Adobe Support Information, including the Reference Port Support Source.

1.10 "EFI Hardware Product" means a device consisting of a marking engine or other output device and EFI-Standard Controller (if any) which executes or operates with the Revised Object and which is described in a Licensed System Appendix.

1.11 "EFI Modifications" means all modifications made by EFI to the Adobe Source in creating Revised Software pursuant to this Agreement.

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1.12 "EFI Standard Controller" means a controller for color output devices manufactured by or for EFI and distributed by EFI, consisting of (i) a RIP processing system, which includes connectivity and I/O (Disk, Ethernet, parallel, SCSI), CPU coprocessors, ASICs, DRAM and Video Bus, and (ii) a video interface board, which provides the interface between the controller and the print engine.

1.12.1 "Major Revisions to EFI Standard Controller" means revisions to the RIP processing system, hardware core architecture changes, CPU co-processor changes, Video Bus Changes and ASIC functionality changes.

1.12.2 "Minor Revisions to EFI Standard Controller" means (i) revisions to the video controller for the purpose of adding new engines to those supported by the RIP processing system, (ii) different DRAM configurations, (iii) software updates that are not directly linked to any of the Adobe Deliverables (e.g., new scan functionality, additional reporting capabilities, updated/additional protocol stacks), and (iv) minor hardware revisions (e.g., faster CPUs, enlarged Cache).

1.13 "End User" means a third party using a Licensed System for its ordinary and customary business or personal purposes, but not for redistribution or resale.

1.14 "Error" means a defect in a Reference Port which causes the Reference Port, when compiled and run in the Reference System, not to operate substantially in accordance with the PostScript Language Specification.

1.15 "First Commercial Shipment" as to each Licensed System Appendix means the earlier of (a) EFI's first internal use of a Licensed System described in a Licensed System Appendix other than for development or testing, and (b) shipment of such Licensed System to a third party.

1.16 "Font Programs" means the digitally encoded, machine readable outline programs for the Typefaces identified as Initial Installation Font Programs, Additional Font Programs (if any) and Other Font Programs (if any) encoded in a special format.

1.16.1 "Initial Installation Font Programs" means the Font Programs for the Roman Typefaces specified as Initial Installation Font Programs in a Reference Port or Licensed System Appendix, bundled with the Adobe Software, and shipped as a part of a Licensed System.

1.16.2 "Additional Font Programs" means the Font Programs for any Roman Typefaces specified as Additional Font Programs in a Reference Port or Licensed System Appendix, bundled with the Adobe Software, and shipped as a part



of a Licensed System.

1.16.3 "Other Font Programs" means the Font Programs (which may include, but are not limited to, Font Programs for Japanese Typefaces) for non-Roman-Typefaces

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which are specified in a Reference Port or Licensed System Appendix, bundled with the Adobe Software, and shipped as a part of, or for use with, a Licensed System.

1.17 "Licensed System" means the collective term for a final product comprising Revised Object, the EFI Hardware Product(s) (if any), and any Font Programs, bundled as a single commercial product and described in a Licensed System Appendix.

1.17.1 "Licensed System Appendix" means any Licensed System Appendix added to this Agreement in a form similar to EXHIBIT D ("Sample Format for Licensed System Appendix") hereto.

1.18 "PostScript Language Specification" means the PostScript Language Reference Manual, Second Edition, as printed in English by Addison-Wesley, current as of April 1991, and any Adobe Supplement thereto provided to EFI by Adobe, but shall not include any PostScript Language Specification Addendum.

1.19 "PostScript Language Specification Addendum" means a supplement to the PostScript Language Specification for each Licensed System to be written by EFI that describes the features specific to a Licensed System and the means of accessing those features via the Adobe Software. PostScript Language Specification Addenda will be based on a template provided by Adobe, with technical content approved by Adobe.

1.20 "PPD File" means a human readable, machine parseable, PostScript printer description file containing device-specific information as to how to invoke the features of a particular Licensed System, as described in the PostScript Printer Description File Specification (which specification is available from Adobe and subject to change by Adobe, in its sole discretion, from time to time).

1.21 "Reference Port" means a release of the Adobe Software, consisting of source code and object code modules as defined in a Reference Port Appendix, ported by Adobe to a controller platform and printer engine specified by Adobe, from which EFI develops Licensed Systems. A "Reference Port" refers to the Reference Port Support Source and the object code version thereof, the Unmodified Core and any Update to a Reference Port described in Exhibit E ("Reference Port Training and Support"), which is provided to EFI pursuant to this Agreement.

1.21.1 "Reference Port Support Source" means those portions of the source code version of the Reference Port, supplied to EFI on agreed-upon media, identified in a Reference Port Appendix as Adobe Reference Support Source, and which may be modified to adapt the Reference Port for use as part of Licensed Systems.

1.21.2 "Reference Port Appendix" means any Reference Port Appendix added to this Agreement in a form similar to Exhibit F ("Sample Format for Reference Port Appendix") hereto, pursuant to which Adobe delivers a Reference Port to EFI, ported to a controller platform and printer engine specified by Adobe, from which EFI will develop Licensed Systems pursuant to one or more Licensed System Appendices.

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1.21.3 "Reference System" means a compiled Reference Port, together with the controller and printer engine that the Reference Port supports, which is identified in a Reference Port Appendix.

1.21.4 "Unmodified Core" means those portions of the Reference Port which Adobe identifies in a Reference Port Appendix that it will supply on agreed-upon media in object code form only, and which may be supplied in either binary object or linkable object code form, as determined by Adobe.

1.22 "Reproduction Site" means the Site(s) designated in Exhibit C ("Development and Reproduction Sites") at which EFI can reproduce (or have reproduced) the Revised Object and Font Programs.

1.23 "Revised Software" means collectively, the Revised Support Software, Reference Port Support Source (if any), and Unmodified Core which is intended to be implemented for use as part of a Licensed System. All versions of the Revised Software shall be deemed to be derivative works based upon the Adobe Software and shall be subject to all provisions of this Agreement applicable to the Adobe Software.

1.23.1 "Revised Support Software" means the source and object code versions of any portions of the Reference Port Support Source that are modified by EFI to create a new version which is intended to be compatible with, and used with, a Licensed System.

1.23.2 "Revised Object" means the machine readable object code version of the Revised Software.

1.24 "Subsidiary" means any corporation, partnership or other entity as to which EFI: (a) owns or controls, directly or indirectly, at least fifty percent (50%) by nominal value or number of units of the outstanding stock or of the outstanding stock conferring the right to vote at a general meeting, or (b) has the right to elect a majority of the Board of Directors or its equivalent, or (c) has the right, directly or indirectly, to appoint or remove the management.

1.2.5 "Technical Coordinator" means a technically qualified person identified by EFI or Adobe to serve as primary contact for information requests by the other party, who, when so requested, shall use his or her best efforts to respond promptly after receipt of such request.

1.26 "Typeface" means a human readable set of glyphs, including letters of the alphabet, upper and/or lower case, the numerals 0-9 and additional special characters and punctuation marks as may be offered by Adobe in conjunction with such letters and numerals of one typeface design and identified in a Reference Port or Licensed System Appendix. Each weight or version of a single typeface design (such as Roman or Italic or in an expanded or condensed form) marketed by Adobe as a separate typeface will be considered a separate Typeface.

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1.27 "Typeface Trademarks" means the trademarks, if any, used by Adobe to identify the Font Programs and Typefaces.

1.28 "Update" means updated versions of a Reference Port, in source code form for Reference Port Support Source and in object code for Unmodified Core, which include all changes, alterations, corrections and enhancements to such Reference Port which Adobe makes generally available to OEM licensees receiving Adobe Support (as defined in Exhibit E ("Reference Port Training and Support")) for that particular Reference Port.

1.29 "Upgrade" means the installation of Revised Object and, if required, Font Programs in a Licensed System which contains an earlier version of the Revised Object and Font Programs for the purpose of updating, enhancing, or extending the Licensed System.

## 2. SCOPE OF EFI'S LICENSES.

2.1 License to Use Reference Port Support Source and Adobe Support Information. Subject to EFI's compliance with the terms of this Agreement, Adobe hereby grants to EFI a non-exclusive, non-transferable license (except as provided in PARAGRAPH 16.12 ("Assignment")) to use each version of the Reference Port Support Source and Adobe Support Information solely at the Development Site for the sole purpose of designing, developing, adapting, testing and maintaining Revised Software which is (a) implemented as part of present or future Licensed Systems set forth in Licensed System Appendices and (b) is in conformance with the specifications set forth in the PostScript Language Specification.

### 2.2 License to Sublicense Certain Software.

2.2.1 Revised Object. EFI's right to distribute commercially or use the Revised Object is contingent upon execution of a Licensed System Appendix to this Agreement that authorizes such commercial distribution or internal use. All such commercial distribution or use of Revised Object shall be limited to versions in ROM, EPROM or PROM form, or encrypted versions downloadable to RAM (which shall be encrypted in a manner approved by Adobe in writing), as set forth in a Licensed System Appendix. Subject to the foregoing and to EFI's compliance with the terms of this Agreement, Adobe hereby grants to EFI a worldwide, non-exclusive, non-transferable (except as provided in PARAGRAPH 16.12 ("Assignment")) license to use, reproduce (or have reproduced) at the Development Site and Reproduction Site, sublicense and distribute directly and indirectly, through EFI's usual distribution channels, each copy of Revised Object only as a part of a Licensed System or as an Upgrade on the terms set forth in this Agreement.

2.2.2 Font Programs. Subject to EFI's compliance with the terms of this Agreement, Adobe hereby grants to EFI a worldwide, non-exclusive, non-transferable (except as provided in PARAGRAPH 16.12 ("Assignment")) license, (a) to reproduce (or have reproduced) the Font Programs set forth in each Licensed System Appendix provided by Adobe at the Development Site and Reproduction Site and to distribute the Font Programs, directly and

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indirectly, through EFI's usual distribution channels, only as part of the applicable Licensed System; (b) to sublicense the Font Programs to End Users for the reproduction and display of Typefaces on the Licensed Systems; (c) to use the Font Programs to reproduce and display the Typefaces on the Licensed Systems for purposes of test, evaluation, demonstration or development of applications; and (d) to use, and to sublicense each End User to use, the Typeface Trademarks used by Adobe to identify the Font Programs. EFI's license under this paragraph will terminate upon termination of the agreement between Adobe and the Typeface Trademark owner, if any, pertaining to such Font Program, and Adobe shall have the right at such time to substitute a Font Program for an equivalent Typeface.

(a) Initial Installation Font Programs. EFI agrees that the Revised Object will contain, at a minimum, the Initial Installation Font Programs.

(b) Bitmap Fonts. EFI agrees that the Bitmap Fonts provided by Adobe will be distributed only in conjunction with the associated Font Programs at a price not to exceed the direct and allocable costs associated with the production of such Bitmap Fonts. EFI acknowledges that the Bitmap Fonts will be available in a limited number of point sizes and may not be available at all for some Font Programs. All of the terms and conditions applicable to the Font Programs herein apply to the Bitmap Fonts. Notwithstanding the foregoing, so long as the Bitmap Fonts are distributed in conjunction with the Font Programs, no additional royalty is due Adobe under the terms of PARAGRAPH 10.3 ("Font Program Royalties") for distribution of Bitmap Fonts.

2.3 PPD File License. Subject to EFI's compliance with the terms of this Agreement, Adobe hereby grants to EFI a worldwide, non-exclusive, non-transferable (except as provided in PARAGRAPH 16.12 ("Assignment")) license

to reproduce and distribute any PPD Files, and updates thereto, for Adobe Revised Software contained in each Licensed System and the right to sublicense all such licensed rights through multiple tiers of distribution.

#### 2.4 PostScript Language Specification.

2.4.1 Addison-Wesley. Adobe has entered into a Publishing Agreement ("Publishing Agreement") with the Addison-Wesley Publishing Company Inc. ("AddisonWesley") whereby Addison-Wesley publishes the PostScript Language Specification. The Publishing Agreement provides that Addison-Wesley will be available to negotiate with OEM customers concerning publication of special versions of the PostScript Language Specification for inclusion with shipments of Licensed Systems.

2.4.2 License Grant. Notwithstanding the above, subject to EFI's compliance with the terms of this Agreement, Adobe hereby grants EFI a worldwide, non-exclusive, non-transferable (except as provided in PARAGRAPH 16.12 ("Assignment")) license (a) to translate the English version of the PostScript Language Specification into a language other than English, in whole or in part, and (b) to reproduce and distribute the PostScript Language Specification and any EFI translations thereof, which may include supplemental information regarding the EFI

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Hardware Product, solely in hard copy format to EFI's customers, provided that such PostScript Language Specification shall not be made available for general distribution or resale through the retail trade, either through EFI or EFI's publisher and provided further that EFI can only provide two (2) copies of such EFI produced PostScript Language Specification (the English version or any EFI-translated version) for any one (1) Licensed System. Any such EFI translation will be performed only by EFI's employees or Subsidiaries in accordance with the terms of this Agreement. EFI agrees that no right is granted herein to reproduce Addison-Wesley's foreign language versions of the PostScript Language Specification other than the English version.

2.4.3 Right to Sublicense. Adobe further grants EFI the right to sublicense its OEM customers to reproduce, in whole in part, and distribute the PostScript Language Specification solely in hard-copy format to their customers in accordance with the same terms and conditions imposed on EFI in this paragraph. Such EFI customers shall not have the right to modify the PostScript Language Specification received from EFI.

2.4.4 Proprietary Rights With Respect to PostScript Language Specification. EFI agrees that Adobe will own the original PostScript Language Specification as included in any version or translation of the PostScript Language Specification created by EFI and that EFI will take commercially reasonable steps to assure that all right, title and interest to the PostScript Language Specification (including the versions and translations created by EFI) remain with Adobe. EFI's own version of the PostScript Language Specification is a derivative work created from the PostScript Language Specification, and reproduction and distribution by EFI of EFI's own version or translation of the PostScript Language Specification shall be subject to the terms and conditions herein, including but not limited to the prohibition against distribution or resale through the retail trade described in PARAGRAPH 2.4.2 ("License Grant") above. EFI's own translation or version of the PostScript Language Specification shall be made faithfully and accurately, shall be of good literary quality, and shall consist of the whole of the textual, pictorial and diagrammatic material constituting the PostScript Language Specification, without alteration, abridgment or supplement except as provided herein or with the express written permission of Adobe. EFI grants Adobe permission to: (a) make any EFI translations of the PostScript Language Specification public; (b) place Adobe's name and copyright notice on any EFI translation of the PostScript Language Specification; and (c) make any necessary modification or alteration to the EFI translation of the PostScript Language Specification. Adobe reserves the right to approve the final manuscript of EFI's (or its Subsidiaries') own version or any translation before its publication provided that EFI gives Adobe thirty (30) days prior written notice of the date on which it will deliver the final

manuscript to Adobe, Adobe shall review the manuscript within fourteen (14) days of its submission to Adobe. Adobe's failure to provide EFI with notice of disapproval of the final manuscript within such fourteen (14) day period shall constitute approval for purposes of this paragraph. Nothing herein shall prevent Adobe or any of its OEMs from creating their own derivative works or translations of the PostScript Language Specification.

2.5 PostScript Language Specification Addendum License. Subject to EFI's compliance with the terms of this Agreement, Adobe hereby grants to EFI a worldwide, non-exclusive, non-transferable (except as provided in PARAGRAPH 16.12 ("Assignment")) license

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to use the PostScript Language Specification Addendum template provided by Adobe to create, reproduce and distribute (with technical content approved by Adobe pursuant to PARAGRAPH 5.3.2 ("PostScript Language Specification Addendum")) PostScript Language Specification Addenda for Licensed Systems.

#### 2.6 Limitations on License to EFI.

2.6.1 No Right to Sublicense. Except as set forth in PARAGRAPH 2.2 ("License to Sublicense Certain Software"), PARAGRAPH 2.3 ("PPD File License"), PARAGRAPH 2.4 ("PostScript Language Specification") and PARAGRAPH 2.5 ("PostScript Language Specification Addendum License"), with respect to Revised Object and Font Programs, EFI shall have no right to sublicense any rights to a third party.

#### 2.6.2 Changes to the Adobe Software.

(a) In view of the desire of EFI and Adobe to establish and maintain an industry standard PostScript interpreter, EFI shall not make, without the express written permission of Adobe, any changes or additions to, enhancements in, or deletions from, the Adobe Software (including Reference Port Support Source), if such changes or enhancements would in any way (i) change the PostScript language imaging model, syntax, semantics, or functionality of the PostScript language, or (ii) change or disable use of Adobe's Type 1 font rendering code.

(b) EFI agrees not to distribute to third parties any version of the Revised Object containing any symbol table information with respect to external variables or procedure entry points.

2.6.3 EFI Modifications. EFI shall own the EFI Modifications, provided that any Revised Object containing EFI Modifications shall be subject to the terms and conditions of this Agreement.

2.7 End User License. EFI will take the same steps to protect Adobe's proprietary rights in the Adobe Software and Font Programs which it takes to protect its own software, but in no event will it use less than reasonable care to protect Adobe's proprietary rights. Except as provided below, EFI shall ensure that each copy of the Revised Object or any Font Programs distributed by EFI will be accompanied by a copy of EFI's standard software license agreement. The terms of such license will be drafted so as to apply to the Revised Object and Font Programs. In addition, such license will include terms and conditions substantially equivalent to those set forth in Exhibit G ("Minimum Terms of End User Agreements") to this Agreement. Notwithstanding the foregoing, in the United States and in other jurisdictions where an enforceable copyright covering the Revised Object and Font Programs exists, the license specified above may be a written agreement in the package containing the Revised Object and Font Programs, or the user documentation for the Revised Object and Font Programs, that is fully visible to the End User and that the End User accepts by opening the package.

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2.8 No Other Rights. EFI specifically acknowledges that, other than as expressly set forth in PARAGRAPH 2.1 ("License to Use Reference Port Support Source and Adobe Support Information") above, no -rights to the Reference Port Support Source are granted to it.

2.9 Subsidiaries and Contractors. This Agreement applies to EFI and to any Subsidiaries of EFI which agree with EFI in writing to be bound by the terms and conditions imposed on EFI hereunder. Notwithstanding the foregoing, EFI agrees to make all payments due Adobe under the terms of this Agreement. The exercise of any right granted under this Agreement by any such Subsidiary (or the contractor of EFI or such Subsidiary) is subject to EFI's guaranty of the performance by such Subsidiary and contractors of all of EFI's obligations hereunder.

### 3. SCOPE OF ADOBE'S LICENSES.

3.1 License to EFI Revised Support Software. EFI shall use best efforts to provide to Adobe those portions of the source code of any Revised Software which have been modified by EFI to correct Errors found in the Reference Port Support Source supplied to EFI hereunder. EFI may, in its sole discretion, provide to Adobe any other source code of any Revised Software. If, at any time, EFI provides source code of any Revised Software to Adobe, EFI shall be deemed to have granted to Adobe a perpetual, worldwide, royalty-free, fully paid-up license to use, modify, reproduce and distribute such source code, and any object code versions thereof, and the right to sublicense all such licensed rights through multiple tiers of distribution.

3.2 PPD File License. EFI hereby grants to Adobe a perpetual, worldwide, royalty-free, fully paid-up license to use, modify, reproduce and distribute any PPD Files and updates thereto which EFI creates for Revised Software contained in each Licensed System, and the right to sublicense all such licensed rights through multiple tiers of distribution, in order to facilitate access to such files by End Users and software developers to enhance the use of the Licensed Systems by such End Users and software developers.

3.3 PostScript Language Specification Addendum. EFI grants to Adobe a perpetual, worldwide, royalty-free, fully paid license to use, modify, reproduce, and distribute the PostScript Language Specification Addenda for Revised Software, and the right to sublicense all such licensed rights through multiple tiers of distribution.

### 4. REFERENCE PORT APPENDICES.

4.1 Initial Adobe Reference Port Delivery. Upon execution of this Agreement and payment by EFI of the source license fee described in PARAGRAPH 1 of Exhibit H ("Payments"), and upon a mutually agreeable schedule, Adobe will provide EFI with the Adobe Deliverables.

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4.2 Future Reference Ports. Adobe will supply the Reference Port and deliverables described in each Reference Port Appendix in a form similar to Exhibit F ("Sample Format for Reference Port Appendix") in accordance with the schedule set forth therein and EFI shall pay to Adobe fees in accordance with EXHIBIT H ("Payments") for each such additional delivery of a Reference Port.

4.3 Technical Coordinators. EFI and Adobe agree to designate a Technical Coordinator in each Reference Port Appendix.

### 5. LICENSED SYSTEM APPENDICES.

5.1 Future Licensed Systems. The initial version of the Revised Software developed by EFI pursuant to this Agreement for each EFI Standard

Controller will be added by way of a Licensed System Appendix in a form similar to Exhibit D ("Sample Format for Licensed System Appendix"). Each EFI Hardware Product which uses that EFI Standard Controller shall be added by an amendment to such Licensed System Appendix.

5.1.1 Revised Software for Major Revisions to EFI Standard Controller. EFI shall notify Adobe in writing of its intention to develop a Revised Software version for each new EFI Standard Controller or each Major Revision to EFI Standard Controller at least four (4) months in advance of the First Commercial Shipment of such Revised Software; provided, however, that Adobe will, in good faith, approve exceptions to the four (4) month notice period. Promptly following such notice, the parties will meet to negotiate and sign a Licensed System Appendix for each new EFI Standard Controller upon mutually acceptable terms. The Revised Software for each new EFI Standard Controller or each Major Revision of EFI Standard Controller shall be tested in accordance with PARAGRAPHS 1. 2. 3 and 4 of Exhibit I ("Revised Software Test Procedures").

5.1.2 Revised Software for Minor Revisions to EFI Standard Controller. EFI shall notify Adobe in writing of its intention to ship a Revised Software version for each Minor Revision of an EFI Standard Controller which has been tested and approved by Adobe in accordance with PARAGRAPH 5.1.1 ("Revised Software for Major Revisions to EFI Standard Controller") at least two (2) months in advance of First Commercial Shipment of such Revised Software; provided, however, that Adobe will accept a less than two (2) month advance notice in the case of minor bug fixes as long as the notice period is reasonable. If EFI's intention is to include such modified EFI Standard Controller in a new EFI Hardware Product, concurrent with such notice, EFI will deliver a product description of the Licensed System to Adobe QA, from which a test plan will be created by Adobe QA within one (1) week and submitted to EFI. EFI shall test the Revised Software in accordance with PARAGRAPH 2 of Exhibit I ("Revised Software Test Procedures") and Adobe will have one (1) week to evaluate the test results. If the test results for the Revised Software running on the new EFI Hardware Product are acceptable, Adobe will provide certification of the Licensed System and will add the new EFI Hardware Product to the list of permitted output devices in the Licensed System Appendix for the

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applicable EFI Standard Controller.

5.1.3 EFI Responsibilities. EFI shall be responsible for modifying the Reference Port Support Source to create the Revised Software versions pursuant to either PARAGRAPH 5.1.1 ("Revised Software for Major Revisions to EFI Standard Controller") or PARAGRAPH 5.1.2 ("Revised Software for Minor Revisions to EFI Standard Controller") to create the Revised Software version, to the extent permitted by PARAGRAPH 2.1 ("License To Use Reference Port Support Source and Adobe Support Information") above; compiling and linking the foregoing to produce Revised Object fully adapted to Licensed Systems and suitable for distribution to End Users; and promptly merging with the Revised Software any Updates which it receives as a result of its decision to purchase support services as described in Exhibit E ("Reference Port Training and Support"). EFI may elect not to merge any such Update into the Revised Software for a Licensed System that is undergoing development at the time of delivery of such Update, provided Adobe is consulted and consents, such consent not to be unreasonably withheld, to the decision to continue the development effort without including the Update. Adobe shall have no responsibility in connection with any such modifications, including the development and bundling of the PPD Files with each Licensed System, except as expressly provided in a Reference Port Appendix.

5.2 Technical Coordinators. EFI and Adobe agree to designate a Technical Coordinator in each Licensed System Appendix.

5.3 Licensed System Appendices for Revised Software. EFI will promptly provide Adobe with two (2) copies of the machine readable version of any Revised Object and any updated versions thereof in a timely manner as the updated versions become available, and at EFI's sole option, with two (2) copies of the

source code version of the Revised Software (collectively, the "EFI Deliverables") for evaluation and testing in accordance with Exhibit I ("Revised Software Test Procedures").

5.3.1 PPD File. EFI shall also create and deliver to Adobe one (1) master copy of the PPD File for each Revised Object contained in a Licensed System at the time EFI provides the Revised Object to Adobe for testing pursuant to Exhibit I ("Revised Software Test Procedures") and any updated version thereof in a timely manner following the availability of any updated version. EFI shall include with each Licensed System a copy of the corresponding PPD File.

5.3.2 PostScript Language Specification Addendum. EFI shall provide Adobe with a draft version of a PostScript Language Specification Addendum for Revised Software contained in a Licensed System prior to execution of the applicable Licensed System Appendix and any updated versions in a timely manner following the availability of any updated version. The contents of the PostScript Language Specification Addendum and any updated versions shall be reviewed and approved by Adobe for compliance with Adobe's PostScript language standards before the PostScript Language Specification Addendum is distributed with a Licensed System. Adobe's failure to provide EFI with notice of disapproval of the PostScript Language

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Specification Addendum within fourteen (14) days after its submission to Adobe shall constitute approval for purposes of this paragraph. EFI shall include with each Licensed System a copy of the corresponding PostScript Language Specification Addendum.

## 6. ACCEPTANCE.

6.1 Acceptance of Reference Ports. For each Reference Port, EFI shall have forty-five (45) days (or such other time as may be specified in the applicable Reference Port

Appendix) from the date on which Adobe meets the final delivery milestone, as contained in the applicable Reference Port Appendix, to examine and test the Reference Port to determine that the Reference Port, when compiled, will execute as part of the appropriate Reference System or Licensed System in accordance with the PostScript Language Specification and in accordance with any other acceptance criteria in the appendix. Within such period EFI shall provide Adobe with written acceptance or a statement of any Errors to be corrected. The Reference Port will be deemed to have been accepted by EFI if Adobe does not receive such written acceptance or statement of Errors within such forty-five (45) day time period. Adobe shall use reasonable commercial efforts to correct any such reproducible Errors and redeliver the Reference Port to EFI, and EFI shall within fifteen (15) days of such redelivery provide Adobe with written acceptance or a statement of Errors. Should the Reference Port not conform to the PostScript Language Specification or other acceptance criteria, or in the event Adobe is not able to deliver the Reference Port in accordance with the milestone schedule set forth in the applicable appendix, EFI's sole and exclusive remedy shall be to elect one of the following remedies by giving Adobe notice thereof (including a statement of Errors where applicable) within fifteen (15) days: (a) to extend the correction period for a mutually agreeable time, (b) to revise the acceptance criteria in a mutually agreeable manner, or (c) to terminate the applicable Reference Port Appendix and obtain a refund of one-half of the fee or advance paid to Adobe for such Reference Port, provided that EFI has returned all existing copies of the Reference Port and related documentation and certified in writing that it has no right to use, market or distribute such Reference Port (or any Adobe Revised Software based on such Reference Port).

6.2 Acceptance of Revised Software. EFI and Adobe will test each Revised Software version in accordance with Exhibit I ("Revised Software Test Procedures"). Upon successful completion of acceptance testing pursuant to Exhibit I ("Revised Software Test Procedures"), EFI shall have the right to distribute the Revised Object in accordance with the terms of this Agreement.



## 7. LOANED EQUIPMENT.

7.1 EFI Revised Software Versions. EFI shall loan Adobe all necessary equipment as specified in the applicable Licensed System Appendix for any Revised Software in order to permit Adobe to conduct adequate and thorough testing of such EFI Deliverables in accordance with Exhibit I ("Revised Software Test Procedures").

7.2 Terms of Loan. All equipment loaned by EFI to Adobe shall remain the property

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of EFI, shall be fully insured by Adobe, and shall be returned to EFI at its request after termination of Adobe's development, warranty, and maintenance activities hereunder. EFI shall pay shipping costs for delivery of such loaned equipment to Adobe. Any loaned equipment shall be returned to EFI by Adobe, shipping and insurance costs prepaid by EFI. While in the possession of Adobe, the loaned equipment shall be maintained by EFI in good working order. During the term of this Agreement for as long as Adobe is performing testing, warranty, and maintenance services, if any, hereunder, EFI will continue to ensure that at least one unit on loan to Adobe is the then current production unit which EFI is actually shipping.

7.3 Restrictions on Use. Adobe agrees that it will not reverse engineer any hardware or software provided by EFI in object code form pursuant to the terms of this paragraph and that it shall not use any equipment provided by EFI pursuant to this paragraph for any purpose other than testing, warranty and maintenance as required under this Agreement. Adobe further agrees that it will only provide access to software to its authorized employees and contractors with a need to know and that it will not copy such software except for backup and archival purposes. (The foregoing restriction shall not preclude legitimate reverse engineering of such hardware or software which Adobe purchases commercially.) The confidentiality provisions of this Agreement and the Mutual Confidentiality Agreement entered into by Adobe and EFI on February 27, 1990 (the "Confidentiality Agreement") shall apply to any hardware or software provided under this provision for so long as such hardware or software is not yet commercially available.

8. PROPRIETARY RIGHTS AND LEGENDS. Adobe and its suppliers are the sole and exclusive owners of all rights, title and interest, including all trademarks, copyrights, patents, trade names, trade secrets, and other intellectual property rights to the Adobe Support Information. Except for the rights expressly enumerated herein, EFI is not granted any rights to patents, copyrights, trade secrets, trade names, trademarks (whether or not registered), or any other rights, franchises or licenses with respect to the Adobe Support Information. EFI agrees to protect the Adobe Support Information in accordance with EXHIBIT J ("Secure Procedures for Handling Adobe Support Information"). EFI agrees that it will not attempt to reverse engineer the Font Programs or any portions of the Unmodified Core or other Adobe Support Information which is provided to EFI solely in object code form.

8.1 Proprietary Notices. EFI agrees that as a condition of its rights hereunder, each copy of the Adobe Software, Font Programs, PostScript Language Specification (both the English version and any EFI-translated version, if any) and any other Adobe Support Information shall contain the same proprietary notices which appear on or in such Adobe Software, Font Programs, PostScript Language Specification and any other Adobe Support Information delivered by Adobe to EFI and as otherwise reasonably required by Adobe. More specifically, EFI agrees that a valid Adobe copyright notice for the Adobe Software and Font Programs will appear on the media.

8.2 Restricted Rights. EFI will (a) identify and license the Adobe Software, Font Programs and related documentation in all proposals and agreements with the United States Government or any contractor therefor; and (b) legend or mark the Adobe Software, Font

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Programs and related documentation provided pursuant to any agreement with the United States Government or any contractor therefor, as follows:

(i) For acquisition by or on behalf of civilian agencies, as necessary to obtain protection substantially equivalent to that afforded to restricted computer software and related documentation developed at a private expense and which is existing computer software no part of which was developed with government funds and provided with 'Restricted Rights in accordance with subparagraphs (a) through (d) of the "Commercial Computer Software - Restricted Rights" clause at 48 C.F.R. 52.227-19 of the Federal Acquisition Regulations and its successors;

(ii) For acquisition by or on behalf of units of the Department of Defense ("DoD") as necessary to obtain protection substantially equivalent to that afforded to commercial computer software and related documentation developed at private expense and provided with Restricted Rights as defined in DoD FAR Supplement 48 C.F.R. 252.227-7013(c)(1)(ii) and its successors in effect for all solicitations and resulting contracts issued on or after May 18, 1987.

8.3 Foreign Government Agreements. EFI will take all reasonable steps in making proposal/and agreements with foreign governments other than the United States which involve the Adobe Software, Font Programs, and related documentation to ensure that Adobe's proprietary rights in such Adobe Software, Font Programs and related documentation receive the maximum protection available from such foreign government for commercial computer software and related documentation developed at private expense.

#### 9. MARKETING AND LICENSE TO USE TRADEMARKS.

9.1 Marketing. EFI shall use reasonable efforts, in connection with the First Commercial Shipment of each Revised Object version, to (a) provide sales and technical training to relevant EFI dealers, field sales representatives, sales support engineers, systems engineers and customer support personnel; (b) consult with Adobe in the development of applicable product brochures, announcements to the trade press and other marketing materials related to Licensed Systems; (c) permit Adobe participation in EFI's press conferences, dealer roll-outs and similar activities involving Licensed Systems; and (d) promote the Licensed Systems at trade shows at which other EFI products are displayed. EFI shall use reasonable efforts, in connection with the First Commercial Shipment of each Revised Object version, to (a) provide the contract representative designated in the applicable Licensed System Appendix with a copy of announcements and press releases pertaining to Licensed Systems prior to their release to the public or the press, and (b) incorporate all changes that Adobe may reasonably request to ensure correct Adobe Trademark usage and accuracy of content, so long as Adobe has provided EFI with such reasonably requested changes within five (5) business days following EFI's submission of each such press release.

9.2 Trademark License. Subject to this Agreement and Exhibit K ("Use of Adobe Trademarks") hereto, Adobe hereby grants to EFI a non-exclusive, limited license to use the

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Adobe Trademarks and the Typeface Trademarks, on Licensed Systems and in EFI's advertising and printed materials for the Revised Object, Font Programs and Licensed Systems.

#### 10. PAYMENTS.

10.1 Source Payments. EFI shall pay Adobe the fees and royalties set forth in Exhibit H ("Payments") or in any Reference Port Appendix hereto.

10.2 Licensed System Payments. EFI shall pay to Adobe the development fees, if any, and royalties as set forth in each Licensed System Appendix for each Licensed System which is used internally or distributed by EFI. Notwithstanding the foregoing, EFI shall have no obligation to pay royalties on units of Licensed Systems which are used solely for development and/or testing purposes. Adobe agrees that EFI shall be entitled to receive a volume-based percentage discount to be applied against royalties owed to Adobe by EFI hereunder for Licensed Systems and Font Programs distributed or used under a Licensed System Appendix. Such volume discounts shall be as reflected in, and shall be granted in accordance with the terms and conditions of Paragraph 17 ("Qualifying for Royalty Discounts") of the Custom PostScript Interpreter OEM License Agreement, effective March 1, 1991, between EFI and Adobe (the "CPSI Agreement"). Quarterly revenue received by Adobe under this Agreement and the CPSI Agreement shall be aggregated for the purpose of determining applicable discount levels. In addition, Adobe agrees that the pricing for Licensed Systems developed and distributed under this Agreement shall be consistent with the pricing for the Licensed Systems (as defined in the CPSI Agreement) developed and distributed under the CPSI Agreement.

10.3 Font Program Royalties. EFI shall also pay to Adobe the royalties for the Roman Initial Installation Font Programs and Additional Font Programs distributed with each Licensed System as set forth in the applicable Licensed System Appendix hereto. Adobe agrees that the pricing and any applicable discounts for the Font Programs distributed under this Agreement shall be consistent with the pricing and discounts for the Coded Font Programs distributed under the CPSI Agreement.

10.4 Upgrade Payments. EFI shall pay Adobe a royalty as set forth in each Licensed System Appendix for each Upgrade for which EFI charges a fee in excess of the costs of the media and handling. EFI shall not be obligated to pay Adobe a royalty for any Upgrades for which EFI charges a fee which covers only the costs of the media and handling. To qualify for the pricing set forth in this paragraph, EFI will use commercially reasonable efforts to ensure that the prior version of the Revised Object and Font Programs is destroyed.

10.5 Other Payments. Certain payments to Adobe, including but not limited to advances against royalties, will be designated in the specific Licensed System Appendix. Advances against royalties for a specified Licensed System are recoupable only against royalties for that Licensed System during the eighteen (18) month period following Adobe's delivery of the Final Release as defined in the applicable Licensed System Appendix.

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10.6 Taxes. In addition to any other payments due under this Agreement, EFI agrees to pay, and to indemnify and hold Adobe harmless from, any sales, use, excise, import or export, value added or similar tax or duty not based on Adobe's net income, including any penalties and interest, as well as any costs associated with the collection or withholding thereof, and all governmental permit fees, license fees and customs and similar fees levied upon the delivery by Adobe of the Adobe Deliverables to EFI hereunder, which Adobe may incur in respect of this Agreement. If a resale certificate or other certificate or document of exemption is required in order to exempt all or any of the Adobe Software or other deliverables from any such tax liability, EFI will promptly furnish it to Adobe.

10.7 Payment of Royalties. All royalties due in accordance with the terms of the Agreement shall be paid within forty-five (45) days after the end of each calendar quarter. With each royalty payment EFI shall include a written summary broken out by month of sale and country category (U.S., Canada, Europe, Far East, Rest of World), of (a) the number and type of Licensed Systems sold or used internally by EFI during the quarter; and (b) the number and type of Additional Font Programs by Typeface bundled as a part of such Licensed Systems and licensed to End Users or used internally by EFI during the quarter; and (c)

any other information which may be required to determine whether EFI is paying the correct royalty amount hereunder. Licensed Systems that are returned for which refunds are made by EFI shall be credited by EFI against royalties due to Adobe for such Licensed Systems. Notwithstanding the foregoing, in the event that EFI provides a partial refund of the price of a returned Licensed System, EFI shall be entitled to obtain a partial credit against royalties due for such Licensed System. At Adobe's request, EFI shall orally advise Adobe each month of its estimate of the number of copies of the Licensed Systems and Additional Font Programs shipped by EFI during the previous month and the royalties accrued thereby. Such oral communication shall be subject to final adjustment by EFI at the end of each accounting period.

10.8 Right of Audit. EFI shall maintain a complete, clear, accurate record of: (a) the number and type of Licensed Systems shipped or used internally by EFI, (b) a designation of which of the Additional Font Programs, if any, were bundled as a part of such Licensed System and whether they were licensed to End Users or used internally by EFI during the quarter, and (c) any other information which may be required to determine whether EFI is paying the correct royalty amount hereunder. To ensure compliance with the terms of this Agreement, Adobe shall have the right to have an inspection and audit of all the relevant accounting and sales books and records of EFI conducted by an independent audit firm reasonably acceptable to both parties whose fee is paid by Adobe, and shall be conducted during regular business hours at EFI's offices and in such a manner as not to interfere with EFI's normal business activities. In no event shall audits be made hereunder more frequently than once per year. If such inspections should disclose any underreporting, EFI shall promptly pay Adobe such amount, together with interest thereon at the rate of one and one-half percent (1 1/2%) per month or the highest interest rate allowed by law, whichever is lower from the date on which such amount became due.

10.9 When Royalties Earned. All royalties due hereunder shall be earned on the date EFI ships a Licensed System to its customer, except for the shipment of a Licensed System

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between EFI and its Subsidiary or between Subsidiaries for resale. Such royalties shall be earned when the Licensed System is first shipped to a customer other than EFI or any Subsidiary.

## 11. PERFORMANCE WARRANTY.

11.1 Reference Port Warranties. Adobe warrants that for a period of ninety (90) days from the date of delivery of a Reference Port to EFI (hereinafter the "Warranty Period"), the Reference Port Support Source and Unmodified Core contained in a Reference Port will compile, assemble, and link as part of the Reference System to yield the corresponding object code version of the Reference Port. Additionally, subject to any exceptions specified by Adobe at the time of delivery, the object code version of the Reference Port will execute substantially in accordance with the PostScript Language Specification (excluding any portions of the PostScript Language Specification not applicable to the specified Reference System) when used as part of the Reference System specified in the Reference Port Appendix. If EFI reports to Adobe a failure of such Reference Port to conform to the foregoing warranties during the applicable Warranty Period, and provides such detail as Adobe may require to permit Adobe to reproduce such failure, Adobe, at its expense, shall use reasonable commercial efforts to modify or replace the Reference Port in a timely manner to correct such failure.

11.2 Update Warranties. Adobe warrants that, for a period of ninety (90) days from the date of delivery of an Update to EFI hereunder, subject to EFI's purchase of support services as described in Exhibit E ("Reference Port Training and Support") (the "Warranty Period"), the Reference Port Support Source and Unmodified Core contained in an Update to a Reference Port will compile, assemble, and link as part of the Reference System to yield the corresponding object code version of the Update. Additionally, subject to any exceptions specified by Adobe at the time of delivery, the object code version of the Update will execute substantially in accordance with the PostScript

Language Specification (excluding any portions of the PostScript Language Specification not applicable to the specified Reference System) as part of the applicable Reference System. If EFI reports to Adobe a failure of such Update to conform to the foregoing warranties during the applicable Warranty Period, and provides such detail as Adobe may require to permit Adobe to reproduce such failure, Adobe, at its expense, shall use reasonable commercial efforts to modify or replace the Update in a timely manner to correct such failure.

11.3 Limitations on Warranties. EFI acknowledges that the Reference Ports delivered by Adobe to EFI hereunder will require adaptation by EFI or Adobe for compatibility with EFI platforms and configurations, which platforms and configurations will generally be different from the development environment and Reference System specified by Adobe. EFI acknowledges that the Adobe Software is of such complexity that it may have inherent defects, and agrees that Adobe makes no other warranty, either express or implied, as to any matter whatsoever. THE FOREGOING STATES ADOBE'S SOLE AND EXCLUSIVE WARRANTY TO EFI CONCERNING THE ADOBE SOFTWARE AN]) EFI'S SOLE AND EXCLUSIVE REMEDY FOR BREACH OF WARRANTY. EXCEPT AS EXPRESSLY SET FORTH

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ABOVE, THE ADOBE SUPPORT INFORMATION AND ANY OTHER ADOBE DELIVERABLES ARE PROVIDED STRICTLY "AS IS." EXCEPT FOR THE EXPRESS WARRANTIES STATED IN THIS AGREEMENT, ADOBE MAKES NO ADDITIONAL WARRANTIES, EXPRESS, IMPLIED, ARISING FROM COURSE OF DEALING OR USAGE OF TRADE, OR STATUTORY, AS TO THE ADOBE SUPPORT INFORMATION OR ANY OTHER ADOBE DELIVERABLES, OR ANY MATTER WHATSOEVER. IN PARTICULAR, ANY AND ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT ARE EXPRESSLY EXCLUDED. THIS IS A LIMITED WARRANTY AND IS THE ONLY WARRANTY MADE BY ADOBE. EFI SHALL NOT HAVE THE RIGHT TO MAKE OR PASS ON, AN]) SHALL TAKE ALL MEASURES NECESSARY TO ENSURE THAT NEITHER IT NOR ANY OF ITS AGENTS OR EMPLOYEES SHALL MAKE OR PASS ON, ANY EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION ON BEHALF OF ADOBE TO ANY EFI CUSTOMER, END USER, OR THIRD PARTY.

## 12. TRAINING AND SUPPORT.

12.1 Adobe Training. Adobe agrees to provide the training and technical assistance described in Exhibit E ("Reference Port Training and Support") or in any Reference Port or Licensed System Appendix.

12.2 EFI Support. EFI will have the sole responsibility for supporting its End Users and will provide End Users with reasonable End User documentation, warranty service, and telephone support for the use of Licensed Systems and Font Programs consistent with good industry practice.

## 13. PROPRIETARY RIGHTS INDEMNITY.

13.1 By Adobe. Adobe agrees to indemnify and defend EFI from any costs, damages, and reasonable attorneys' fees resulting from any claims by third parties that the uses permitted hereunder of the Adobe Software infringe any U.S. patents, U.S. copyrights, or U.S. trademarks or any patents, copyrights or trademarks of Japan, Germany, France, Italy, The United Kingdom, Denmark, Ireland, Greece, Spain, Portugal, Sweden, Norway, Finland, Switzerland, Australia, Austria, Belgium, Canada, Luxembourg or The Netherlands (the "Foreign Jurisdictions"), provided that EFI gives Adobe prompt written notice of any such claim, tenders to Adobe the defense or settlement of such a claim at Adobe's expense, and cooperates with Adobe, at Adobe's expense, in defending or settling such claim. Adobe's aggregate cumulative liability for infringement of patents, copyrights or trademarks of each Foreign Jurisdiction shall not exceed the greater of (i) One Million Five Hundred Thousand Dollars (\$1,500,000.00) less any amounts previously paid or then currently payable by Adobe to EFI under this clause (i) of this PARAGRAPH 13.1 for infringement of patents, copyrights, or trademarks of any of the Foreign Jurisdictions, or (ii) the aggregate amount of royalty payments actually received by Adobe from EFI for the Licensed Systems distributed in such Foreign Jurisdiction up to a maximum of Five Million Dollars (\$5,000,000.00).

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If Adobe receives notice of an alleged infringement or if EFI's use of the Adobe Software shall be prevented by permanent injunction, Adobe may, at its sole option and expense, procure for EFI the right to continued use of the Adobe Software as provided hereunder, modify the Adobe Software so that it is no longer infringing, or replace the Adobe Software with computer software of equal or superior functional capability. THE RIGHTS GRANTED TO EFI UNDER THIS PARAGRAPH SHALL BE EFI'S SOLE AND EXCLUSIVE REMEDY AND ADOBE'S SOLE OBLIGATION FOR ANY ALLEGED INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER PROPRIETARY RIGHT. ADOBE WILL HAVE NO LIABILITY TO EFI IF ANY ALLEGED INFRINGEMENT OR CLAIM OF INFRINGEMENT IS BASED UPON (A) THE MODIFICATION OF THE ADOBE SOFTWARE BY EFI OR ANY THIRD PARTY, (B) USE OF THE ADOBE SOFTWARE IN CONNECTION OR IN COMBINATION WITH EQUIPMENT, DEVICES, OR SOFTWARE NOT DELIVERED BY ADOBE (IF SUCH INFRINGEMENT OR CLAIM COULD HAVE BEEN AVOIDED BY THE USE OF THE UNMODIFIED ADOBE SOFTWARE WITH OTHER EQUIPMENT, DEVICES OR SOFTWARE), OR (C) THE USE OF ANY ADOBE SOFTWARE OTHER THAN AS PERMITTED UNDER THIS AGREEMENT OR IN A MANNER FOR WHICH IT WAS NOT INTENDED OR USE OF OTHER THAN THE MOST CURRENT RELEASE OF THE ADOBE SOFTWARE (IF SUCH CLAIM WOULD HAVE BEEN PREVENTED BY THE USE OF SUCH RELEASE).

13.2 By EFI. EFI agrees to indemnify and defend Adobe from any costs, damages, and reasonable attorneys' fees resulting from all claims by third parties arising from the use, manufacture, and distribution of Licensed Systems by EFI and its direct and indirect customers in any country, worldwide, provided that Adobe gives EFI prompt written notice of any such claim, tenders to EFI the defense or settlement of any such claim at EFI's expense, and cooperates with EFI, at EFI's expense, in defending or settling such claim. EFI WILL HAVE NO LIABILITY TO ADOBE WITH RESPECT TO ANY CLAIM BY THIRD PARTIES THAT THE USES PERMITTED HEREUNDER OF THE ADOBE SOFTWARE INFRINGE ANY PATENTS, COPYRIGHTS OR TRADEMARKS OF ANY COUNTRY SO LONG AS SUCH CLAIM OF INFRINGEMENT DOES NOT ARISE FROM (A) THE MODIFICATION OF THE ADOBE SOFTWARE BY EFI OR ANY THIRD PARTY, (B) USE OF THE ADOBE SOFTWARE IN CONNECTION OR IN COMBINATION WITH EQUIPMENT, DEVICES, OR SOFTWARE NOT DELIVERED BY ADOBE (IF SUCH INFRINGEMENT OR CLAIM COULD HAVE BEEN AVOIDED BY THE USE OF THE UNMODIFIED ADOBE SOFTWARE WITH OTHER EQUIPMENT, DEVICES OR SOFTWARE), OR (C) THE USE OF ANY ADOBE SOFTWARE OTHER THAN AS PERMITTED UNDER THIS AGREEMENT OR IN A MANNER FOR WHICH IT WAS NOT INTENDED OR USE OF OTHER THAN THE MOST CURRENT RELEASE OF THE ADOBE SOFTWARE (IF SUCH CLAIM WOULD HAVE BEEN PREVENTED BY THE USE OF SUCH RELEASE).

#### 14. TERM AND CANCELLATION.

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14.1 Term. The initial term of this Agreement is for five (5) years from the Effective Date, unless this Agreement is terminated for cause. This Agreement may be renewed annually on its anniversary date at the option of either party (subject to the written consent of the other party), provided that (a) EFI has made all the payments required by this Agreement, (b) there has been no uncured breach of this Agreement, or any Reference Port or Licensed System Appendix, and (c) the Revised Object is still supported by EFI for use as part of Licensed Systems.

14.2 Cancellation by Adobe for Cause. This Agreement shall terminate in the event of any material breach by EFI which continues after thirty (30) days written notice of said breach (which notice shall, in reasonable detail, specify the nature of the breach) by Adobe to EFI.

14.3 Cancellation by EFI for Cause. If any material breach under this Agreement by Adobe continues after thirty (30) days written notice of said breach (which notice shall, in reasonable detail, specify the nature of the breach) by EFI to Adobe, EFI may seek any damages arising under this Agreement,

and (a) continue this Agreement in full force and effect, or (b) terminate this Agreement on written notice to Adobe.

14.4 Termination by EFI for Convenience. This Agreement may be terminated by EFI for its convenience upon thirty (30) days prior written notice to Adobe.

14.5 Bankruptcy. In addition to any material breach of this Agreement, the application for, or adjudication in, bankruptcy by EFI, the insolvency of EFI, or the dissolution of EFI, shall terminate this Agreement.

14.6 Obligations on Cancellation, Termination or Expiration. Upon cancellation, termination, or expiration of this Agreement:

14.6.1 Licenses Terminated. The licenses granted pursuant to PARAGRAPH 2 ("Scope of EFI's Licenses") shall terminate immediately.

14.6.2 Safeguarding of Proprietary Rights. EFI shall continue to be responsible for safeguarding the proprietary rights of Adobe and Adobe's suppliers in accordance with PARAGRAPH 8 ("Proprietary Rights and Legends") and Exhibit J ("Secure Procedures for Handling Adobe Support Information") of this Agreement after such cancellation, termination, or expiration.

14.6.3 Return or Destruction of Adobe Information. EFI will immediately discontinue use and distribution of, and return or destroy all copies of, Adobe Support Information and other Adobe Deliverables in its possession (including copies placed in any storage device under EFI's control). Upon Adobe's request, EFI shall warrant in writing to Adobe its return or destruction of all of Adobe's proprietary information within thirty (30) days of cancellation, termination or expiration.

14.6.4 Payment. The payment date of all monies due Adobe shall

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automatically be accelerated so that they shall become due and payable on the effective date of termination, even if longer terms had been provided previously.

14.6.5 Continued Use by End Users. End Users shall be permitted the continued and uninterrupted use of the Revised Object and Font Programs for the balance of the term of their End User agreements, as specified in such agreements, provided that and so long as the End Users are not in default of their End User agreements.

14.6.6 Assignment on Default. EFI's rights upon default of the End Users relating to the Revised Object and Font Programs as specified in the End User agreement shall automatically be assigned to Adobe.

14.6.7 Support and Maintenance: No Right to Sublicense. Notwithstanding the foregoing, EFI shall have the right to retain five (5) copies of the Revised Object and use such Revised Object to the extent required for support and maintenance purposes but EFI shall have no right to sublicense or otherwise distribute the Revised Object or Font Programs or any other rights with respect to such software except as specifically set forth in this paragraph.

14.6.8 Right to Sell-Off Inventory. In the event of termination or expiration of this Agreement (except for termination by Adobe due to a breach of this Agreement by EFI), EFI shall have six (6) months from the effective date of termination to distribute its inventory of Licensed Systems and Upgrades in existence at the time of such termination provided that EFI continues to make all payments and provide all reports to Adobe in accordance with PARAGRAPH 10 ("Payments") and to observe all other terms and conditions imposed on EFI hereunder with respect to distribution of the Revised Object.

15. LIMITATION OF LIABILITY.

15.1 Adobe. ADOBE WILL NOT BE LIABLE TO EFI OR ANY OTHER PARTY FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. The foregoing limitation of liability is independent of any exclusive remedies for breach of warranty set forth in this Agreement.

15.2 EFI. EFI WILL NOT BE LIABLE TO ADOBE OR ANY OTHER PARTY FOR ANY INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY BREACH OF THIS AGREEMENT, EXCEPT FOR ANY BREACH OF PARAGRAPHS 2 ("SCOPE OF EFI'S LICENSES"), 8 ("PROPRIETARY RIGHTS AND LEGENDS"), AND 9 ("MARKETING AND LICENSE TO USE TRADEMARKS"). EFI'S LIABILITY TO ADOBE FOR DAMAGES CAUSED BY EFI'S BREACH OF THE PROVISIONS OF THIS AGREEMENT SHALL NOT EXCEED TWENTY FIVE MILLION DOLLARS (\$25,000,000) UNLESS SUCH BREACH RESULTS FROM INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT BY EFI, IN WHICH CASE EFI'S LIABILITY SHALL NOT BE SUBJECT TO SUCH LIMITATION. To establish "intentional conduct," Adobe must show that EFI's breach of this Agreement was authorized by EFI management or reckless under the circumstances. To establish "gross negligence," Adobe must show that there

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was a substantial departure by EFI from the standard of conduct required by this Agreement.

#### 16. GENERAL.

16.1 Governing Law. This Agreement shall be governed in all respects by the laws of the United States of America and the State of California as such laws are applied to agreements entered into and to be performed entirely within California between California residents. The parties agree that the United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement.

16.2 Attorneys' Fees. In the event any proceeding or lawsuit is brought by Adobe, its suppliers or EFI in connection with this Agreement, the prevailing party in such proceeding shall be entitled to receive its costs, expert witness fees and reasonable attorneys' fees, including costs and fees on appeal.

16.3 Forum. All disputes arising under this Agreement may be brought in Superior Court of the State of California in Santa Clara County or the Federal District Court of San Jose, California, as permitted by law. The Superior Court of Santa Clara County and the Federal District Court of San Jose shall each have non-exclusive jurisdiction over disputes under this Agreement. EFI consents to the personal jurisdiction of the above courts.

16.4 Notices. All notices or reports permitted or required under this Agreement shall be in writing and shall be delivered by personal delivery, telegram, telex, telecopier, facsimile transmission, or by certified or registered mail, return receipt requested, and shall be deemed given upon personal delivery, five (5) days after deposit in the mail, or upon acknowledgment of receipt of electronic transmission. Notices shall be sent to: (i) the contract representative designated in the specific Licensed System Appendix if the notice or report relates to one or more specific Licensed Systems and (ii) a copy to the signatory of this Agreement at the address set forth at the end of this Agreement or such other address as either party may specify in writing. If the notice is to Adobe, a copy shall also be sent to the attention of its General Counsel.

16.5 Injunctive Relief. It is understood and agreed that, notwithstanding any other provisions of this Agreement, breach of the provisions of this Agreement by EFI may cause Adobe irreparable damage for which recovery of money damages would be inadequate, and that Adobe shall therefore be entitled to seek timely injunctive relief to protect Adobe's rights under this Agreement in addition to any and all remedies available at law.

16.6 No Agency. Nothing contained herein shall be construed as creating any agency, partnership, or other form of joint enterprise between the parties.

16.7 Force Majeure. Neither party shall be liable hereunder by reason of any failure or delay in the performance of its obligations hereunder (except



for the payment of money) on account of strikes, shortages, riots, insurrection, fires, flood, storm, explosions, acts of God, war, governmental action, labor conditions, earthquakes, material shortages or any other cause which

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is beyond the reasonable control of such party.

16.8 Waiver. The failure of either party to require performance by the other party of any provision hereof shall not affect the full right to require such performance at any time thereafter; nor shall the waiver by either party of a breach of any provision hereof be taken or held to be a waiver of the provision itself.

16.9 Severability. In the event that any provision of this Agreement shall be unenforceable or invalid under any applicable law or be so held by applicable court decision, such unenforceability or invalidity shall not render this Agreement unenforceable or invalid as a whole, and, in such event, such provision shall be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision within the limits of applicable law or applicable court decisions.

16.10 Headings. The paragraph headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or extent of such paragraph or in any way affect this Agreement.

16.11 No Patent License.

16.11.1 Definitions. As used herein, "Adobe Patent Right" means any patent right arising under any United States or foreign patent now owned by, or later issued or assigned to Adobe, applicable to the Adobe Software or any other items licensed by Adobe to EFI hereunder. "EFI Patent Right" means any patent right arising under any United States or foreign patent issued or assigned to EFI and having a first effective filing date after an inventor listed on such patent had access to the Adobe Support Information and in which an inventor listed on such patent is (a) an employee or contractor of EFI who has reviewed and used the Adobe Support Information and (b) the Adobe Support Information contributed to and is a substantial part of the claimed invention.

16.11.2 Adobe Patents. Adobe covenants that, to the extent that EFI, EFI's End Users and EFI's Subsidiaries, sublicensees, and other direct and indirect customers of Licensed Systems (collectively "Customers") exercise the rights expressly granted to EFI or which EFI is authorized to grant to Customers herein, Adobe will not (a) assert any Adobe Patent Right against EFI or its Customers, or (b) require any additional fee or royalty from EFI or its Customers based upon any Adobe Patent Right.

16.11.3 EFI Patents. EFI agrees that it will not (a) assert any EFI Patent Right against Adobe or against any Adobe sublicensees or customers with respect to products containing software sold or licensed to them by Adobe, or (b) require any fee or royalty from Adobe or such sublicensees or customers based upon any EFI Patent Right.

This PARAGRAPH 16.11 shall survive termination or expiration of this Agreement.

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16.12 Assignment. Neither this Agreement nor any rights or obligations of EFI hereunder may be assigned by EFI in whole or in part without the prior

written approval of Adobe; provided that EFI may assign its rights and obligations under this Agreement without Adobe's consent in the event of a merger in which EFI is not the surviving corporation or a sale of all or substantially all of the assets of EFI to any company that (i) is not an Adobe competitor and (ii) has its primary place of business in a country in which at least one other Adobe OEM has its principal place of business, and such OEM has a license agreement with Adobe for support source code of the PostScript software. Any assignment in breach of the foregoing shall be void and of no effect. Adobe's rights and obligations, in whole or in part, under this Agreement may be assigned by Adobe. Adobe may exercise full transfer and assignment rights in any manner at Adobe's discretion and specifically may sell, pledge, or otherwise transfer its right to receive royalties under this Agreement.

16.13 Export. EFI acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin, including the Adobe Support Information. EFI agrees that it will not export or re-export the Adobe Support Information in any form, without the appropriate United States and foreign governmental licenses. EFI agrees that its obligations pursuant to this paragraph shall survive and continue after any termination or expiration of rights under this Agreement.

16.14 Full Power. Each party warrants that it has full power to enter into and perform this Agreement, and the person signing this Agreement on each party's behalf has been duly authorized and empowered to enter into this Agreement. EFI further acknowledges that it has read this Agreement, understands it and agrees to be bound by it.

16.15 Confidential Agreement. Neither party will disclose any terms or the existence of this Agreement, except pursuant to a mutually agreeable press release or as otherwise required by law.

16.16 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

16.17 Entire Agreement. This Agreement together with the exhibits completely and exclusively states the agreement of the parties regarding its subject matter. It supersedes, and its terms govern, all prior proposals, agreements, or other communications between the parties, oral or written, regarding such subject matter. This Agreement shall not be modified except by a subsequently dated written amendment or appendix signed on behalf of Adobe and EFI by their duly authorized representative and any provision or a purchase order purporting to supplement or vary the provisions hereof shall be void. Notwithstanding the foregoing, the Confidentiality Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this PostScript Support Source and Object Code Distribution License Agreement to be executed by their duly authorized representatives.

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ADOBE:	EFI
ADOBE SYSTEMS INCORPORATED	ELECTRONICS FOR IMAGING, INC.
By: /s/ Stephen A. MacDonald	By: /s/ Dan Avida
Print	Print
Name: Stephen A. MacDonald	Name: Dan Avida
Title: Senior Vice President and General Manager	Title: President and CEO
Date: 09/12/95	Date: 09/08/95
Address for Notice:	Address for Notice:

1585 Charleston Road  
P.O. Box 7900  
Mountain View, CA 94039-7900

2855 Campus Drive  
San Mateo, CA 94403

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#### EXHIBIT A

##### ADOBE DELIVERABLES (POSTSCRIPT SUPPORT SOURCE WITH OBJECT)

The Adobe Deliverables for the initial or any subsequent Reference Port shall consist of: one (1) master copy of the Reference Port, Adobe Screening Test Suite and the documentation of the Adobe Screening Test Suite, as described on the Reference Port Appendix and one (1) master copy of the Reference Port in object code-form suitable for execution on a Reference System, including the appropriate controller and printer engine required to verify that the compiled Object code version of the Reference Port executes as part of the Reference System in accordance with the warranty provisions set forth in PARAGRAPH 11.1 ("Reference Port Warranties") of the Agreement.

The Adobe Deliverables may also include Example Source, which are those portions of the Adobe Software which are provided in source code form by Adobe to EFI for the sole purpose of demonstrating an example of software development that implements certain functions which EFI may wish to emulate in its own implementation of a Licensed System. Example Source shall not be included within, or as part of, the definition of a Reference Port for purposes of this Agreement.

Adobe will provide the "page pipeline" portion of the Adobe Software in source code form and any mutually agreeable changes to this code.

Adobe will also supply whatever utility tools it may deem are needed by EFI to facilitate EFI's use of the Reference Port to develop a Licensed System.

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#### EXHIBIT B-I

##### EMPLOYEE NONDISCLOSURE AGREEMENT

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ELECTRONICS FOR IMAGING, INC.

EMPLOYMENT, CONFIDENTIAL INFORMATION AND  
INVENTION ASSIGNMENT AGREEMENT

As a condition of my employment with Electronics for Imaging, Inc., its subsidiaries, affiliates, successors or assigns (together the "Company"), and in

consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following:

1. At-Will Employment. I understand and acknowledge that my employment with the Company is for an unspecified duration and constitutes an "at-will" employment. I acknowledge that this employment relationship may be terminated at any time, with or without cause at the option of either the Company or myself, with or without notice.

2. Confidential Information.

(a) Company and Third Party Information. I agree that at all times during the term of my employment and thereafter, to hold in strictest of confidence, and not to use, except for the benefit of the Company, or to disclose to any person, firm or corporation without written authorization of the Board of Directors of the Company, any Confidential Information of the Company. I understand that "Confidential Information" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, information relating to products, services, software, research, developments, technology, hardware configuration information, marketing, finances or other business information disclosed to me by the Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment. I recognize that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes, and I understand that such information is also Confidential Information. I further understand that Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of mine or of others who were under confidentiality obligations as to the item or items involved.

(b) Former Employer Information. I agree that I will not, during my employment with the Company, improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer or any other person or entity and that I will not bring onto the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

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3. Inventions.

(a) Inventions Retained and Licensed. I have attached hereto, as Exhibit A, a list describing all inventions, original works of authorship, developments, improvements, and trade secrets that were made to me prior to my employment with the Company (collectively referred to as "Prior Inventions"), that belong to me, that relate to the Company's proposed business, products or research and development, and that are not assigned to the Company hereunder; or, if no such list is attached, I represent that there are no such Prior Inventions. If in the course of my employment with the Company, I incorporate into the Company product, process or machine a Prior Invention owned by me or in which I have an interest, the Company is hereby granted and will have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license, with the right to grant sublicenses, to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

(b) Assignment of Inventions. I agree that I will promptly make full written disclosure to the Company, and will hold in trust for the sole right and benefit of the Company, and hereby assign to the Company, or its designee, all my right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under patent, copyright or similar laws, that I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived, developed or reduced to practice, during the period of time I am in the employ of the Company (collectively referred to as

"Inventions"), except as provided in Section 3(e) below. I further acknowledge that all original works of authorship that are made by me (solely or jointly with others) within the scope of and during the period of my employment with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act."

(c) Maintenance of Records. I agree to keep and maintain adequate and current written records of all Inventions made by me (solely or jointly with others) during the term of my employment with the Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) Patent and Copyright Registrations. I agree to assist the Company, or its designee, at the Company's expense, in every way to secure the Company's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto, in any and all countries, including disclosing to the Company all pertinent information and data with respect thereto, and executing all applications, specifications, oaths, assignments and all other instruments that the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers will continue after the termination of this Agreement. If the Company is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint to the Company and its duly

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authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

(e) Exception to Assignments. I understand that the provisions of this Agreement requiring assignment of Inventions to the Company do not apply to any invention that qualifies fully under the provisions of the California Labor Code Section 2870 (attached hereto as Exhibit B). I will advise the Company promptly in writing of any inventions that I believe meet the criteria in California Labor Code Section 2870 and that are not otherwise disclosed on Exhibit A.

4. Conflicting Employment. I agree that, during the term of my employment with the Company, I will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of my employment, nor will I engage in any other activities that conflict with my obligations to the Company.

5. Returning Company Documents. I agree that, at the time of leaving the employ of the Company, I will deliver to the Company (and will not keep in my possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by me pursuant to my employment with the Company or otherwise belonging to the Company, its successors or assigns.

6. Solicitation of Employees. I agree that for a period of twelve (12) months immediately following the termination of my relationship with the Company for any reason, whether with or without cause, I will not either directly or

indirectly solicit, induce, recruit or encourage any of the Company's employees to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of the Company, either for myself or for any other person or entity.

7. Representations. I agree to execute any proper oath or verify any proper document required to carry out the terms of this Agreement. I represent that my performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any oral or written agreement in conflict herewith.

8. Arbitration and Equitable Relief.

(a) Arbitration. Except as provided in Section 8(b) below, I agree that any dispute or controversy arising out of or relating to any interpretation, construction, performance or breach of this Agreement will be settled by arbitration to be held in Santa Clara County, California, in accordance with the rules then in affect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator will be final, conclusive and binding on the parties to the arbitration. Judgement may be entered on the arbitrator's decision in any court

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having jurisdiction. The Company and I will pay one-half of the costs and expenses of such arbitration, and each of us will separately pay our counsel fees and expenses.

(b) Equitable Remedies. I agree that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the covenants set forth in Sections 2, 3, and 5 herein. Accordingly, I agree that if I breach any such Sections, the Company will have, in addition to any other right or remedy available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provisions of this Agreement. I further agree that no bond or other security will be required in obtaining such equitable relief and I hereby consent to the issuance of such injunction and to the ordering of specific performance. I hereby further consent to the personal jurisdiction of the state and federal courts located in California for any lawsuit filed there against me by the Company arising from or relating to this Agreement.

9. General Provisions

(a) Governing Law. This Agreement will be governed by the laws of the State of California.

(b) Entire Agreement. This Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter hereof and merges all prior discussions between us. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

(c) Severability. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

(d) Successors and Assigns. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

Date:

\_\_\_\_\_

Signature

\_\_\_\_\_  
Name of Employee (typed or printed)

Witness

\_\_\_\_\_  
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EXHIBIT A

LIST OF PRIOR INVENTIONS  
AND WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description
-------	------	--

\_\_\_\_\_ No Inventions or Improvements

\_\_\_\_\_ Additional Sheets Attached

Signature of Employee:

Print Name of Employee:

Date:

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EXHIBIT B

CALIFORNIA LABOR CODE SECTION 2870

EMPLOYMENT AGREEMENTS; ASSIGNMENT OF RIGHTS

"(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to

require an employee to assign an invention otherwise excluded from being required to be assigned under a subdivision (a), the provision is against the public policy of this state and is unenforceable."

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EXHIBIT B-2

CONTRACTOR AGREEMENT

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ELECTRONICS FOR IMAGING, INC.

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_ by and between

\_\_\_\_\_ a \_\_\_\_\_ Corporation, (the "Company"), and \_\_\_\_\_ ("Consultant"). The Company desires to retain Consultant as an independent contractor to perform consulting services for the Company and Consultant is willing to perform such services, on terms set forth more fully below. In consideration of the mutual promises contained herein, the parties agree as follows:

1. SERVICES AND COMPENSATION

(a) Consultant agrees to perform for the Company the services described in Exhibit A ("Services"),

(b) The Company agrees to pay Consultant the compensation set forth in Exhibit A for the performance of the Services.

2. CONFIDENTIALITY

(a) "Confidential Information" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, customers, customer lists, markets, software, developments, inventions; processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing Finances or other business information disclosed by the Company either directly or indirectly in writing, orally or by drawings or inspection of parts or equipment.

(b) Consultant will not, during or subsequent to the term of this Agreement, use the Company's Confidential Information for any purpose whatsoever other than the performance of the Services on behalf of the Company or disclose the Company's Confidential Information to any third party. and it is understood that said Confidential Information shall remain the sole property of the Company. Consultant further agrees to take all reasonable precautions to prevent any unauthorized disclosure of such Confidential Information including,



but not limited to, having each employee of Consultant, if any, with access to any Confidential Information. execute a nondisclosure agreement containing provisions in the Company's favor substantially similar to Sections 2, 3 and 5 of this Agreement. Confidential Information does not include information which (i) is know to Consultant at the time of disclosure to Consultant by the Company as evidenced by written records of Consultant, (ii) has become publicly known and made generally available through no wrongful act of Consultant, or (iii) has been rightfully received by Consultant from a third party who is authorized to make such disclosure. Without the Company's prior written approval, Consultant will not directly or indirectly disclose to anyone

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the existence of this Agreement or the fact that Consultant has this arrangement with the Company.

(c) Consultant agrees that Consultant will not, during the term of this Agreement, improperly use or disclose any proprietary information or trade secrets of any former or current employer or other person or entity with which Consultant has an agreement or duty to keep in confidence information acquired by Consultant in confidence, if any, and that Consul cant will not bring onto the premises of the Company any unpublished document or proprietary information belonging to such employer, person or entity unless consented to in writing by such employer, person or entity. Consultant will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys fees and costs of suit, arising out of or in connection with any violation or claimed violation of a third party's rights resulting in whole or in part from the Company's use of the work product of Consultant under this Agreement.

(d) Consultant recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Consultant agrees that Consultant owes the Company and such third parties, during the term of this Agreement and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and nor to disclose it to any person, firm or corporation or to use it except as necessary in carrying out the Services for the Company consistent with the Company's agreement with such third party.

(e) Upon the termination of this Agreement, or upon Company's earlier request, Consultant will deliver to the Company all of the Company's property or Confidential Information in tangible. form that Consultant may have in Consultant's possession or control.

### 3. OWNERSHIP

(a) Consultant agrees that all copyrightable material, notes, records, drawings, designs, inventions, improvements. developments, discoveries and trade secrets (collectively, "Inventions") conceived, made or discovered by Consultant, solely or in collaboration with others, during the period of this Agreement which relate in any manner to the business of the Company that Consultant may be directed to undertake, investigate or experiment with, or which Consultant may become associated with in work, investigation or experimentation in the line of business of Company in performing the Services hereunder, are the sole property of the Company. Iii addition, any Inventions which constitute copyrightable subject matter shall be considered "works made for hire" as that term is defined in the United States Copyright Act. Consultant Further agrees to assign (or muse to be assigned) and does hereby assign fully to the Company all such Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto.

(b) Consultant agrees to assist Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company- of all pertinent information and data with respect

thereto the execution of all applications, specifications, oaths, assignments and all

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other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. Consultant further agrees that Consultant's obligation to execute or cause to be executed, when it is in Consultant's power to do so, any such instrument or papers shall continue after the termination of this Agreement.

(c) Consultant agrees that if in the course of performing the Services, Consultant incorporates into any Invention developed hereunder any invention, improvement, development. Concept, discovery or other proprietary information owned by Consultant or in which Consultant has an interest, the Company is hereby granted and shall have a non-exclusive, royalty-free. perpetual. irrevocable, worldwide license to make, have made, modify, use and sell such item as part of or in connection with such Invention.

(d) Consultant agrees that if the Company is unable because of Consultant's unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure Consultant's signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering the Inventions assigned to the Company above, then Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Consultant's agent and attorney in fact, to act for and in Consultant's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by Consultant.

#### 4. REPORTS

Consultant agrees that it will from time to time during the term of this Agreement or any execution thereof keep the Company advised as to Consultant's progress in performing the Services hereunder and that Consultant will, as requested by the Company, prepare written reports with respect thereto. It is understood that the time required in the preparation of such written reports shall be considered time devoted to the performance of Consultant's Services.

#### 5. CONFLICTING OBLIGATIONS

(a) Consultant certifies that Consultant has no outstanding agreement or obligation that is in conflict with any of the provisions of this Agreement. or that would preclude Consultant from complying with the provisions hereof, and further certifies that Consultant will not enter into any such conflicting Agreement during the term of this Agreement.

(b) In view of Consultant's access to the Company's trade secrets and proprietary know-how, Consultant further agrees that Consultant will not, without Company's prior written consent, design identical or substantially similar designs as those developed under this Agreement for any third party during the term of this Agreement and for a period of twelve (12) months after chic termination of this Agreement.

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## 6. TERM AND TERMINATION

(a) This Agreement will commence on the date first written above and will continue until final completion of the Services or termination as provided below.

(b) The Company may terminate this Agreement upon giving two (2) weeks prior written notice thereof to Consultant. All such notice shall be addressed to Consultant at the address shown below or such other address as either party may notify the other of and shall be deemed given upon delivery if personally delivered, or forty-eight (48) hours after deposited in the United States mail postage prepaid, registered or certified mail, return receipt requested. The Company may terminate this Agreement immediately and without prior notice if Consultant refuses to or is unable to perform the Services or is in breach of any material provision of this Agreement.

(c) Upon such termination, all rights and duties of the parties toward each other shall cease except:

(i) that the Company shall be obliged to pay, within thirty (30) days of the effective date of termination, all amounts owing to Consultant for unpaid Services and related expenses, if any, in accordance with the provisions of Section 1 (Services and Compensation) hereof; and

(ii) Sections 2 (Confidentiality), 3 (Ownership) and 8 (Independent Contractors) shall survive termination of this Agreement.

## 7. ASSIGNMENT

Neither this Agreement nor any right hereunder or interest herein may be assigned or transferred by Consultant without the express written consent of the Company.

## 8. INDEPENDENT CONTRACTOR

Nothing in this Agreement shall in any way be construed to constitute Consultant as an agent, employee or representative of the Company. but Consultant shall perform the Services hereunder as an independent contractor. Consultant agrees to furnish (or reimburse the Company for) all tools and materials necessary to accomplish this contract, and shall incur all expenses associated with performance, except as expressly provided on Exhibit A of this Agreement. Consultant acknowledges and agrees that Consultant is obligated to report as income all compensation received by Consultant pursuant to this Agreement. and Consultant agrees to and acknowledges the obligation to pay all self-employment and other taxes thereon. Consultant further agrees to indemnify the Company and hold it harmless to the extent of any obligation imposed on Company (i) to pay in withholding taxes or similar items or (ii) resulting from Consultant's being determined not to be an independent contractor.

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## 9. ARBITRATION AND EQUITABLE RELIEF

(a) Except as provided in Section 9 (b) below, the Company and Consultant agree that any dispute or controversy arising out of or relating to any interpretation, construction, performance or breach of this Agreement shall be settled by arbitration to be held in \_\_\_\_\_ County, California, in accordance with the rules then in effect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court of competent jurisdiction. The Company and Consultant shall each pay one-half of the costs and expenses of such arbitration, and each shall separately pay its respective counsel fees and expenses.

(b) Consultant agrees that it would be impossible or

inadequate to measure and calculate the Company's damages from any breach of the covenants set forth in Sections 2 or 3 herein. Accordingly, Consultant agrees that if Consultant breaches Section 2 or 3, the Company will have available, in addition to any other right or remedy available, the right to obtain from any court of competent jurisdiction, an injunction restraining such breach or threatened breach and specific performance of any such provision. Consultant further agrees that no bond or other security shall be required in obtaining such provision. Consultant further agrees that no bond or other security shall be required in obtaining such equitable relief and Consultant hereby consents to the issuances of such injunction and to the ordering of such specific performance.

10. GOVERNING LAW

This Agreement shall be governed by the laws of the State of California.

11. ENTIRE AGREEMENT

This Agreement is the entire Agreement of the parties and supersedes any prior Agreements between them with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CONSULTANT	(Name of Company)
By:	By:
Title: _____	Title: _____
Address: _____	Address: _____

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EXHIBIT A

SERVICES AND COMPENSATION

- I. Contact      Consultants principal Company contact:  
Name:  
Title:
- 2. Services      Consultant will render to the Company the following Services:
- 3. Compensation
  - (a)      The Company shall pay Consultant \$ \_\_\_\_\_ per
  - (b)      The Company shall reimburse Consultant for all reasonable travel and living expenses incurred by Consultant in performing Services pursuant to this Agreement, provided Consultant receives prior written consent from an authorized agent of the Company prior to incurring such expenses.
  - (c)      Consultant shall submit all statements for services and expenses in prescribed by the Company and such statement shall be approved by the contact listed above or by his or her supervisor.

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EXHIBIT C  
Development and Reproduction Site

Electronics for Imaging, Inc.  
2855 Campus Drive  
San Mateo, CA 94403

Solelectron Corporation  
890 Yosemite Drive  
Milpitas, CA 95035

Micron Custom Manufacturing Services, Inc.  
8455 Westpark Street  
Boise, ID 83704-8366

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EXHIBIT B-3

NOTICE REGARDING CONFIDENTIALITY  
(POSTSCRIPT SUPPORT SOURCE)

1. Recipient has previously signed an agreement with EFI[ pursuant to which Recipient has agreed to maintain the confidentiality of confidential information of EFI and its suppliers (the "Confidential Information") and to use the Confidential Information solely for EFI's benefit. The purpose of this notice is to apprise Recipient that Recipient will be receiving certain proprietary information of Adobe, including internal source code, interface specifications, and related source documentation for the PostScript software and related Adobe information, all of which is of a confidential nature and which contains valuable trade secrets, know-how, and proprietary information of Adobe (the "Adobe Support Information") and which constitutes Confidential Information under Recipient's agreement with EFI.

2. This is to inform Recipient that the Adobe Support Information cannot be used for any purpose except for the specific purposes which EFI or Adobe authorize in writing and that Recipient is not authorized to disclose the Adobe Support Information to any person at any time except to employees of Adobe and to those Authorized Employees and Authorized Contractors which EFI informs Recipient are authorized to receive such Adobe Support Information.

3. All materials including, without limitation, programs, recorded information, documents, drawings, models, apparatus, sketches, designs, and lists furnished to Recipient by EFI or Adobe which are designated in writing to be the property of Adobe remain the property of Adobe and must be returned to Adobe promptly at its request, together with any copies or modifications thereof.

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EXHIBIT C

DEVELOPMENT AND REPRODUCTION SITES  
(POSTSCRIPT SUPPORT SOURCE WITH OBJECT)

EFI's use and storage of the Adobe Support Information shall be restricted to the Following Development Site:

Name of Development Site:  
Electronics for Imaging, Inc

Address:  
2855 Campus Drive  
San Mateo, CA 94403

EFI's reproduction of the Revised Object and Font Programs shall be restricted to the following Reproduction Sites:

Name of Reproduction Sites:  
Solelectron Corporation

Address:  
890 Yosemite Drive  
Milpitas, CA 95035

Micron Custom Manufacturing Services, Inc.

8455 Westpark Street  
Boise, ID 83704-8366

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EXHIBIT D

SAMPLE FORMAT FOR  
LICENSED SYSTEM APPENDIX  
To THE  
ADOBE SYSTEMS INCORPORATED  
POSTSCRIPT SUPPORT SOURCE AND OBJECT CODE DISTRIBUTION  
LICENSE AGREEMENT

Name of EFI: \_\_\_\_\_

Name of Licensed System:

Effective Date: \_\_\_\_\_

This Appendix sets forth additional and different terms and conditions particular to the Licensed System described below and shall be incorporated by reference into the PostScript Support Source and Object Code Distribution License Agreement ("Agreement") between \_\_\_\_\_ and Adobe Systems Incorporated effective as of \_\_\_\_\_. Such different or additional terms are applicable only to the Licensed System described below and in no way alter the terms and conditions applicable to other Licensed Systems incorporated into the Agreement by addition of an appendix.

All the terms used in this Appendix shall retain the same meaning as defined in the Agreement and such definitions are incorporated herein by reference.

A. Licensed System:

1. Software: See PARAGRAPH 1.3 ("Adobe Software") of the Agreement.
2. EFI Hardware:

B. Media for the Software as distributed by EFI:

C. Development Schedule and Testing Expectations:

1. Development Schedule: (This section should contain information on Adobe hardware training including the location, number of days, number of persons and scope of training.)

Milestone Description

Schedule

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D. Definition of Development Schedule Terms:

1. Alpha Release:

- 2. Beta Release:
- 3. Final Report:
- 4. Final Release:
- E. Loaned Equipment:
- F. Applicable Royalties:
  - 1. Licensed System.
    - a. Advance Against Royalties.
    - b. Licensed System Royalties.
    - c. Font Programs.
- G. Roman Initial Installation Font Programs:
 

Identifying Trademark Typeface	Trademark Owner
--------------------------------	-----------------
- H. Additional Font Programs: List all Additional Font Programs which are not set forth in the Roman Initial Installation Font Programs section (Section G above) which will be bundled as a part of the Licensed System, and describe the media for such Additional Font Programs.
 

Media:

Identifying Trademark	Typeface	Trademark Owner
-----------------------	----------	-----------------
- I. Software Training: (Include the location, number of days, number of persons and scope of training.)
- J. Designated Persons:

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- 1. Technically qualified EFI representative who will respond to information requests by Adobe:
 

(name and telephone number)
- 2. Technically qualified Adobe representative who will respond to information requests by EFI:
 

(name and telephone number)
- 3. EFI's designated representative for Continuing Support:
 

(name and telephone number)
- 4. Adobe Contract Representative:
 

(name and telephone number)
- 5. EFI Contract Representative:
 

(name and telephone number)
- 6. EFI financial contact for invoicing and payment:
 

(name, telephone number and fax number)

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IN WITNESS WHEREOF, the parties have caused this Appendix No. by their duly authorized representative.

ADOBE:

EFI:

ADOBE SYSTEMS INCORPORATED

By: SAMPLE FORMAT/NOT FOR SIGNATURE

Print

Name:

Title:

Date:

Address for Notice:

1585 Charleston Road  
P.O. Box 7900  
Mountain View, CA 94039-7900

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#### EXHIBIT E

##### REFERENCE PORT TRAINING AND SUPPORT (POSTSCRIPT SUPPORT SOURCE WITH OBJECT)

###### 1. Training.

a. Adobe agrees to permit a mutually agreeable number of Authorized Employees and Authorized Contractors (as defined in PARAGRAPH 1 of Exhibit J ("Secure Procedures for Handling Adobe Support Information")) of EFI to attend an Adobe-provided Adobe Support Source training class for up to two (2) days during the term of this Agreement at no additional charge (other than the travel and living expenses described below).

b. If EFI and Adobe agree that Adobe should provide any additional training, technical, or development assistance, EFI shall pay Adobe, at Adobe's then current standard hourly rates, for time expended by Adobe personnel in providing such training, technical, or development assistance. EFI shall also bear all reasonable travel and living expenses of Adobe personnel who provide services or training at an EFI site outside of the greater San Francisco Bay Area.

###### 2. Support.

a. Support Services. If EFI purchases the support services for a particular Reference Port and pays the applicable Annual Fee, set forth in Exhibit H ("Payments"), Adobe shall provide EFI with the Adobe Support (as defined in PARAGRAPH 2(D) ("General Description of Adobe Support") below) commencing upon the date of this Agreement or the applicable Reference Port Appendix. Adobe Support shall include delivery to EFI of Updates of that Reference Port.

b. Discontinuance. Adobe Support may, at Adobe's option, be discontinued if EFI fails to pay in a timely manner any Annual Fee (as defined in PARAGRAPH 2 of Exhibit H ("Payments")). The foregoing services, if discontinued, may be reinstated by EFI, at any time during the term hereof, upon EFI's payment to Adobe of an Annual Fee to be mutually agreed upon by the parties for each intervening year for which such payment was not made. The same provision for reinstatement shall apply in the event that EFI chooses to begin purchasing Adobe Support in the second or any subsequent year following the year in which EFI received the initial delivery of that particular Reference Port from Adobe hereunder.

c. Modifications Resulting from Updates. Any modifications to the Revised Support Software necessitated by the release of an Update of a Reference Port to EFI hereunder shall be the sole responsibility of EFI, and



Adobe shall have no responsibility to assist EFI in such effort except to test the modified Revised Object in accordance with the provisions of Exhibit I ("Revised Software Test Procedures").

d. General Description of Adobe Support. "Adobe Support" means (i) the delivery of Updates of a Reference Port and (ii) the problem resolution services described below with respect to Problems (as defined below) in the Reference Port.

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e. Description of Problem Resolution Services Provided by Adobe.

(1) Product Problem Reports (PPRs). EFI shall submit to Adobe, by electronic mail, facsimile, or personal delivery, Product Problem Reports ("PPR") in the form attached hereto as ATTACHMENT 1 TO Exhibit E ("Product Problem Report") to identify any Problems (as defined in PARAGRAPH (E)2 ("Classification of Problems") below). Adobe may modify the form of PPR from time to time and shall provide the new form to EFI.

(2) Classification of Problems. "Problem" means any problem in the Reference Port which causes the Reference Port (including the Unmodified Core) not to execute as part of the designated Reference System or otherwise not to operate substantially in accordance with the PostScript Language Specification or any other problem that EFI discovers in the Reference Port or the Adobe Support Information. EFI will use its reasonable business judgment to classify Problems (in accordance with the classifications set forth below) in the PPR which EFI submits to Adobe.

(3) Level 4 Severity. Level 4 is the classification used in any PPR that demonstrates that (i) there is a Problem that causes the Reference Port to fail to operate in a material manner or to produce substantially incorrect results, and (ii) there is no workaround solution to the Problem.

(4) Level 3 Severity. Level 3 is the classification used in any PPR that demonstrates that (i) there is a Problem that causes the Reference Port to fail to operate in a material manner or to produce substantially incorrect results, and (ii) there is a difficult or no workaround solution to the Problem. Problems which are not demonstrable with a PostScript Software-supporting application or driver (i.e., are reproducible only with hand-generated PostScript software) are generally classified as Level 3 and not Level 4 Severity Problems.

(5) Level 2 Severity. Level 2 is the classification used in any PPR that exhibits a Problem which produces an inconvenient situation in which the Reference Port is usable but does not provide a function in the most convenient or expeditious manner; and the use or value of the Reference Port suffers no significant impact. Level 2 Problems will generally be corrected in a subsequent release of the Reference Port.

(6) Level 1 Severity. Level 1 is the classification used in any PPR that exhibits a Problem which is minor or that is cosmetic in nature. Generally, a Level 1 Problem is reasonably correctable by a PostScript Language Specification change or by a subsequent release of the Reference Port.

(7) Level 0 Severity. This level will be used for new features in a Reference Port (including Unmodified Core) requested by EFI.

f. Adobe's Response to PPRS. Within five (5) business days after receipt by

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Adobe of a PPR involving a classification of a Level 3 or 4 Severity Problem or ten (10) days after receipt of a PPR involving a classification of a Level 2, 1, or 0 Severity Problem, Adobe shall acknowledge receipt of the PPR. If, in Adobe's judgment, a PPR correctly identifies a Level 3 or 4 Severity Problem, Adobe shall use reasonable commercial efforts to correct the identified Problem and issue and deliver to EFI a release with such correction implemented, or take such other corrective action as Adobe deems necessary to correct the Problem. Adobe acknowledges that it shall give priority to and take corrective actions as expeditiously as possible in connection with any Severity 3 or 4 Problem that prevents EFI from shipping a Licensed System. Adobe may choose, in its sole discretion, to implement a Level 0 request, but it is not required to do so.

g. Special Services. EFI may request that Adobe perform special support services with respect to the Reference Port not covered by services provided under Adobe Support as described herein. Adobe shall negotiate in good faith with EFI with respect to any such request for special support services and Adobe shall use reasonable commercial efforts to accommodate any such request by EFI at Adobe's then current prices and upon terms and conditions to be mutually agreed upon by the parties.

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ATTACHMENT 1  
TO  
EXHIBIT E

PRODUCT PROBLEM REPORT

Title: (OEM internal tracking no.) - (short one line title of problem)

A single line, short description of the problem. This line may be prefixed by an OEM's internal problem tracking code for cross reference purposes.

Severity: (4.0)

OEM's proposed severity code. The severity code is based on a general understanding of the nature and effect of the reported problem. Adobe maintains the right to alter the severity code submitted by the OEM after consulting with the OEM. The severity code is based on the following general considerations:

- 4- most severe, no work-around, must be fixed
- 3- fairly severe, difficult to work-around, must be fixed
- 2- easy work-around, should be fixed in a subsequent release
- 1- cosmetic or minor problem 0- enhancement or request for design change

Priority: (A-C)

OEM's requested priority for resolving the report problem. This will help Adobe's Codevelopment engineering support personal when prioritizing the OEM's support needs. The priority code is based on the following general considerations:

- A- move to the top of the priority queue - may result in priority B and C items being delayed
- B- respond to when not working on priority A issues
- C- as time permits

Date: (date report sent to Adobe)

Name: (OEM's project name)

The OEM's project name. This is most applicable if the OEM has, multiple on-going projects with Adobe.

Version: (PostScript/documentation version, date)

The version of the PostScript interpreter in question. For documentation, the document's date should also be included.

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Contact: (contact OEM company/e-mail/phone number)

The primary contact for technical communications at the OEM's site. Include the person's name and appropriate method of contact.

Description: (multi-line detailed description of the issue/problem)

A detailed description of the problem or issue. There is no set limit to the length of the description which may include small sections of C language code [or PostScript] language code. If it becomes necessary to send multiple pages of C or PostScript language code, these should be transferred electronically by UNIX UUCP file transfer and referenced in the Files entry below.

To facilitate replication of the reported problem, the following additional information should also be supplied:

Host computer,  
Operating system, application, driver and their  
respective version numbers,  
Exact error message text,  
Front panel configuration,  
Communications protocol in use (i.e. serial, baud,  
rate, etc.)

Files. (list of files that have been UUCP'D to Adobe)

List of files referenced in the above Description of problem section.

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#### EXHIBIT F

##### SAMPLE FORMAT FOR REFERENCE PORT APPENDIX (POSTSCRIPT SUPPORT SOURCE WITH OBJECT)

- I. Description of Reference Port.
- II. Description of Reference System.
- m. Schedule for Delivery of Adobe Deliverables.
- IV. Description of Adobe Screening Test Suite.
- V. Technical Support.

VI. Font Programs.

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EXHIBIT G

ADOBE SYSTEMS INCORPORATED  
MINIMUM TERMS OF END USER AGREEMENTS

(1) Licensor grants Licensee a non-exclusive sublicense to use the PostScript" software ("Software") and the digitally-encoded machine-readable outline data ("Font Programs") encoded in the special format and in the encrypted form ("Coded Font Programs") provided by Adobe Systems Incorporated ("Adobe") to Licensor to reproduce weights, styles, and versions of letters, numerals, characters and symbols ("Typefaces") on a single output device; and to use the trademarks used by Licensor to identify the Coded Font Programs and Typefaces produced therefrom ("Trademarks"). Licensee may assign its rights under this Agreement to a licensee of all of Licensee's right and interest to such Software and Coded Font Programs provided Licensee transfers to licensee all copies of such Software and Coded Font Programs and licensee agrees to be bound by all of the terms and conditions of this Agreement. Trademarks, if used by Licensee, shall be used in accordance with accepted trademark practice, including identification of the trademark owner's name.

(2) Licensee agrees not to alter, reverse engineer or disassemble the Software or Coded Font Programs. Licensee will not copy the Software or Coded Font Programs except as necessary to use them on the single output device. Licensee agrees that any such copies of the Software or Coded Font Programs shall contain the same proprietary notices which appear on and in the Software or Coded Font Programs.

(3) Except as stated above, this Agreement does not grant Licensee any right (whether by license, ownership or otherwise) in or to intellectual property with respect to the Software or Coded Font Programs.

(4) Licensee will not export or re-export the Software or Coded Font Programs without the appropriate United States or foreign government licenses.

(5) Title to and ownership of the Software, Coded Font Programs and documentation

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and any reproductions thereof shall remain with Licensor and its suppliers.

(6) The Trademarks can only be used to identify printed output produced by the Coded Font Programs. The Trademarks are the property of the Trademark Owners identified herein.

(7) NEITHER LICENSOR NOR ANY OF ITS REPRESENTATIVES MAKES OR PASSES ON TO LICENSEE OR OTHER THIRD PARTY, ANY WARRANTY OR REPRESENTATION ON BEHALF OF LICENSOR'S THIRD PARTY SUPPLIERS.

(8) Licensee is hereby notified that Adobe Systems Incorporated, a California corporation located at 1585 Charleston Road, Mountain View, California 94039-7900 ("Adobe") is a third-party beneficiary to this agreement to the extent that this agreement contains provisions which relate to Licensee's use of the Software, the Fonts, the Coded Font Programs, the Typefaces and the Trademarks licensed hereby. Such provisions are made expressly for the benefit of Adobe and are enforceable by Adobe in addition to Licensor.

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## EXHIBIT H

### PAYMENTS (POSTSCRIPT SUPPORT SOURCE)

1. Source License Fees. Adobe has waived the source license fee for the Adobe Software provided hereunder. EFI shall pay Adobe a Reference Port fee of [\*] for the initial delivery of a Reference Port and accompanying Adobe Deliverables due and payable upon execution of this Agreement. EFI shall pay a source license fee of [\*], or such other amount as specified in an applicable Reference Port Appendix, for each additional Reference Port and accompanying Adobe Deliverables from Adobe's then currently available Reference Port offerings, and specified in a Reference Port Appendix attached hereto, due and payable upon final execution of the Reference Port Appendix.

2. Reference Port Support Fees. Adobe has waived the "Annual Fee" for Adobe support services, as described in Exhibit E ("Reference Port Training and Support") hereto, for the initial Reference Port for the initial year. The "Annual Fee" for subsequent years and Other Reference Ports during the term of this Agreement shall be Adobe's then current annual fee per Reference Port and shall be payable within thirty (30) days after the anniversary date of this Agreement or the applicable Reference Port Appendix.

3. Per Copy License Fees for Use of Reference Port Support Source. EFI will not be required to pay Adobe an additional per copy source license fee for the right to use the Reference Port Support Source, provided that (i) use of the Reference Port Support Source is limited to one (1) copy at one (1) Development Site, (ii) EFI monitors the maximum number of copies of Reference Port Support Source being used concurrently on multiple CPUs at each Development Site and reports that number to Adobe upon request, and (iii) EFI maintains appropriate records to permit Adobe to verify the accuracy of the number of multiple copies in concurrent use at each Development Site reported to Adobe by EFI as required under subitem (ii) above. For purposes of this paragraph, multiple users sharing the use of a single copy of the Reference Port Support Source located on a server with download capability to workstations, terminals, etc. constitutes a single user. In the event that EFI's use of the Reference Port Support Source exceeds the limitation, as specified above in this Paragraph, EFI shall report such usage to Adobe hereunder and EFI shall pay Adobe a source license fee equal to the actual amount of the license fee, payable by Adobe to its third party supplier of software directly resulting from EFI's use of the Reference Port Support Source.

4. Fees for Testing. EFI shall pay Adobe a retesting fee of [\*] for each instance of such resubmission and retesting of Revised Object pursuant to Exhibit I ("Revised Software Test Procedures"). This process shall continue until Adobe accepts the EFI Deliverables. Adobe shall charge EFI a testing fee of [\*] for each initial instance of resubmission and testing of the modified EFI Deliverables pursuant to Exhibit I, PARAGRAPH 3(D) ("Revised Software Test Procedures") following Adobe's initial acceptance of the final release version of the Revised Object. EFI shall pay to Adobe an additional [\*] per instance of resubmission and retesting pursuant to EXHIBIT I, PARAGRAPH 3D ("Revised Software Test Procedures"). Notwithstanding the above-stated requirements for payment of testing fees, EFI shall not be charged for any instance of retesting (whether of the initial final release version or any subsequent modified version of the Revised Object) if retesting is made necessary by Adobe's change to the Unmodified Core or to the Adobe Screening Test Suite. In addition, there will be no charge for retesting if EFI can show that the EFI Deliverables when initially tested by EFI satisfied the specified tests in the Adobe Screening Test Suite.

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EXHIBIT I

REVISED SOFTWARE TEST PROCEDURES  
(POSTSCRIPT SUPPORT SOURCE WITH OBJECT)

1. Adobe Screening Test Suite. Adobe shall provide EFI with a special version, if any, of the Adobe Screening Test Suite to be utilized by EFI in testing each Licensed System in accordance with the milestones set forth in the applicable Licensed System Appendix.

2. EFI Testing. Prior to submission of each Revised Object to Adobe for testing in accordance with the terms hereof, EFI shall verify that the Revised Object satisfies all tests in the Adobe Screening Test Suite (or such subject thereof as is specified in the applicable Licensed System Appendix). EFI shall not make the First Commercial Shipment of a Licensed System, and any updated version thereof until acceptance by Adobe of the EFI Deliverables. To permit testing by Adobe of the final release version of the Revised Object, EFI shall, at Adobe's option, in accordance with a mutually agreeable schedule to be specified in the applicable Licensed System Appendix, provide Adobe with a comprehensive report of the test results of such EFI testing which will include all printer out-put and test results of the Adobe Screening Test Suite, output samples thereof, and a preproduction release of the EFI Deliverables.

3. Adobe Testing.

a. Adobe shall be entitled to test the machine readable version of the Revised Object for each Licensed System prior to First Commercial Shipment and prior to First Commercial Shipment of a Licensed System containing an engineering change order (ECO) or prior to effectiveness of a field change order (FCO) affecting such Revised Object for a Licensed Systems previously approved by Adobe.

b. Unless otherwise specified in the applicable Licensed System Appendix, (i) EFI shall notify Adobe at least ninety (90) days in advance of the estimated date of delivery of the EFI Deliverables to Adobe for testing and (ii) EFI shall give Adobe at least thirty (30) days advance notice of its anticipated delivery of the EFI Deliverables for testing, and Adobe shall have thirty (30) days, or such other period as specified in an applicable Licensed System Appendix, following EFI's timely delivery of the EFI Deliverables (and all necessary Loaned Equipment) to do the following: (i) to test the quality of the EFI Deliverables for conformity with

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the Adobe Screening Test Suite developed by Adobe and, at Adobe's option, with any other tests and procedures or any updated or enhanced versions of the Adobe Screening Test Suite, to verify that EFI has not modified the Adobe Software beyond the scope of modifications permitted by PARAGRAPH 2.1. ("License to Use Reference Port Support Source and Adobe Support Information") of the Agreement, and (ii) to verify that the overall quality of the EFI Deliverables complies with the quality level for Adobe products, as reasonably determined by Adobe from time to time.

c. Adobe shall conduct the initial testing of the final release version of the Revised Object free of charge. Adobe shall inform EFI of the results of such testing and, if Adobe is unable to accept the EFI Revised Object, the basis for a finding of nonconformity or failure of the Revised Object to conform to the criteria specified above. In the event that the EFI Deliverables do not conform to the above criteria, EFI shall use reasonable effort to promptly correct any nonconformity and resubmit the same for retesting by Adobe. This process shall continue until Adobe accepts the EFI Deliverables.

d. Thereafter, if EFI modifies the EFI Deliverables, EFI shall retest the EFI Deliverables pursuant to PARAGRAPH 2 ("EFI Testing") above and resubmit the same as modified to Adobe for testing pursuant to this paragraph. Notwithstanding the foregoing, Adobe shall not have the right to require retesting of EFI Deliverables if EFI has not modified the Adobe Software.

e. Should the modified EFI Deliverables not conform to Adobe's acceptance criteria, as described above, EFI shall use reasonable efforts to promptly correct any nonconformity and resubmit the same for retesting by Adobe.

f. EFI shall, within a commercially reasonable time following Adobe's acceptance of EFI Deliverables, update pre-production units shipped for beta or evaluation purposes prior to First Commercial Shipment.

g. The parties intend that the Adobe testing procedure set forth in this PARAGRAPH 3 be applicable to the Revised Object for the first several Licensed Systems distributed by EFI under this Agreement. With successful certification of these first several Licensed Systems, Adobe and EFI will work together to develop QA test procedures that will streamline the QA process. The goal of this streamlined QA process is for EFI to perform self-testing of Licensed Systems, with Adobe auditing the EFI QA results, on Licensed Systems that are created by modifications other than to the Adobe Source.

4. Adobe Retesting Waived. Under certain circumstances such as, when EFI makes modifications to the EFI Deliverables to correct a minor non-conformance or to implement a minor feature enhancement for its customers, Adobe may request and EFI shall provide Adobe with the comprehensive test results from EFI's testing of the modified EFI Deliverables using the Adobe Screening Test Suites. If Adobe determines from its review of the test results that the modified EFI Deliverables meet all of the tests in the Adobe Screening Test Suite and if it is able to verify to its satisfaction that the overall quality of the modified EFI Deliverables complies

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with Adobe's quality standards, Adobe may, in its sole discretion, waive the requirement for its retesting of the EFI Deliverables. If requested by Adobe, EFI shall supply Adobe with a declaration signed by an authorized representative of EFI attesting to the accuracy of such test results supplied to Adobe hereunder.

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#### EXHIBIT J

##### SECURE PROCEDURES FOR HANDLING ADOBE SUPPORT INFORMATION (POSTSCRIPT SUPPORT SOURCE WITH OBJECT DISTRIBUTION)

1. Authorized Employees and Contractors. EFI agrees that it will not disclose all or any portion of the Adobe Support Information to third parties, with the exception of authorized employees ("Authorized Employees") and authorized contractors ("Authorized Contractors") (subject to EFI's having obtained authorization for use of such contractors in accordance with PARAGRAPH 2 ("Prior Approval of Contractors") below) who (i) require access thereto for a purpose authorized by this Agreement, (ii) have signed the appropriate employee or contractor agreement substantially in the form attached as Exhibit B-1 ("Employee Nondisclosure Agreement") or EXHIBIT B-2 ("Contractor Agreement"), as applicable and (iii) in the case of disclosure of Adobe Support Information, have received a notice of confidentiality prior to access to Adobe Support Information, and again upon any termination of such access, that contains, at a minimum (a) provisions substantially in accordance with the provisions set out in Exhibit B-3 ("Notice Regarding Confidentiality") and (b) specific references to the Employee Nondisclosure Agreement (Exhibit B-1) or the Contractor Agreement (Exhibit B-2) as appropriate. EFI guarantees the compliance of all

such Authorized Employees and Authorized Contractors with their obligations under such Confidentiality Agreements.

2. Prior Approval of Contractors. Notwithstanding the provisions in this Exhibit J permitting Authorized Contractors to have access to Adobe Support Information, EFI may not permit a contractor to come into contact with Adobe Support Information, or engage in the development of Licensed System products hereunder unless EFI has first obtained such authorization in writing from Adobe. Adobe, in its sole discretion, may withhold such approval in the event that a contractor (or contractor's employer) to whom EFI intends to disclose Adobe Support Information is engaged in Clone Product development, either for its own benefit or for the benefit of a third party, or if Adobe believes that the contractor may be engaged in similar product development, and EFI cannot assure Adobe to its satisfaction that contractor, while engaged in supporting such development activities, will be able to refrain from commingling or sharing any portion of the Adobe Support Information with any such Clone Product development. Notwithstanding the foregoing, Adobe shall be deemed to have approved any contractor if it does not notify EFI of its rejection of such contractor within seven (7) days after EFI notifies Adobe of its intent to permit such contractor to obtain access to the Adobe Support Information.

3. Adobe Support Information.

a. EFI shall ensure that all Adobe Support Information received from Adobe, and

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copies made thereof, will be properly marked or otherwise appropriately identified as Adobe Support Information before being made available to Authorized Employees and Authorized Contractors hereunder.

b. EFI shall ensure that the same degree of care is used to prevent the unauthorized use, dissemination, or publication of the Adobe Support Information as EFI uses to protect its own confidential information of a like nature, but in no event shall the safeguards for protecting such Adobe Support Information be less than a reasonably prudent business would exercise under similar circumstances. EFI shall take prompt and appropriate action to prevent unauthorized use or disclosure of Adobe Support Information.

c. Authorized Employees and Authorized Contractors shall be instructed not to copy Adobe Support Information on their own, and not to disclose Adobe Confidential Information to anyone not authorized to receive it.

d. Adobe Support Information shall be handled, used, and stored solely at the Development Site.

4. Trade Secrets. Adobe Support Information in object code, source code and hard copy printout form, the PostScript Screening Test Suites, the techniques, ,algorithms, and processes contained in the Adobe Software, and Font Programs which have been developed, acquired, or licensed by Adobe, or any modification or extraction thereof, constitute trade secrets of Adobe and/or its suppliers, and will be used by EFI only in accordance with the terms of this Agreement. EFI will take all measures reasonably required to protect the proprietary rights of Adobe and its suppliers in the Adobe Support Information and will promptly notify Adobe of any lost or missing items and take all reasonable steps to recover such items.

5. Marketing of Clone Products. If at any time during the term of this Agreement EFI chooses to market a Clone Product, it may do so, provided however, that Adobe may in its sole discretion, and without liability to EFI, terminate its license grant pursuant to PARAGRAPH 2.1 ("License to Use Reference Port Support Source and Adobe Support Information") of the Agreement and any obligation to provide updates to such Reference Port Support Source pursuant to Exhibit E ("Reference Port Training and Support") of the Agreement effective sixty (60) days after notice of termination. In the event of such termination, EFI shall return all copies and portions of copies of Reference Port Support Source and all other Adobe Support Information, and an officer of EFI will



certify in writing to Adobe that it has no further right to use any such code or information.

6. Clone Product Development.

a. The terms of PARAGRAPH 5 ("Marketing of Clone Products") above do not preclude EFI from developing a Clone Product; however, if EFI engages in such Clone Product development during the term of this Agreement, it shall ensure that there is no sharing with such Clone Product development any of the following: (i) design documents or schematics supplied by Adobe; (ii) Reference Port Support Source or other information based upon or derived from

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the Reference Port Support Source; (iii) any other portions of Adobe Support Information; or (iv) any facilities (including, but not limited to, disks, computer systems, workstations and networks) or personnel with access to any of (i)-(iii) above.

b. EFI shall ensure that, except as set forth in subparagraph (c) below, all Authorized Employees and Authorized Contractors who have had previous access to Adobe Support Information will be precluded for a period of twelve (12) months after their latest access to such Adobe Support Information, including Reference Port Support Source, from being employed in any Clone Product development (either internal or external) by or for EFI. "Employment in any Clone Product Development" shall be defined as having direct access to, or producing any specifications, documentation, or source code for, components of a Clone Product. EFI shall further ensure that each such employee or contractor shall, concurrent with the commencement of work on such Clone Product development within EN, sign a written affirmation to EFI on a form provided by EFI which states that each such employee or contractor (a) has neither retained nor had access for a minimum period of twelve (12) months to any Adobe Support Information, and (b) will not utilize, or facilitate use of, any Adobe Support Information in such Clone Product development.

c. Adobe agrees that EFI will continue to engage in the development of its own controller technology and the underlying environment for the controller. In the event that EFI wishes to integrate a portion of the Adobe Software into EFI's controller technology without subjecting the EFI employees and contractors working on EFI's controller technology to the restriction against Employment in any Clone Product Development set forth in subparagraph (b) above, EFI may request Adobe to provide EFI with an opaque interface which does not disclose any Adobe Support Information or, if the foregoing is not possible, to provide EFI with a portion of the Adobe Support Information which would enable EFI to accomplish the integration (such information will hereafter be referred to as the "Adobe Interfaces"). In the event that Adobe, in its discretion, provides one or more Adobe Interfaces to EFI, EFI's only obligation with respect to the Adobe Interfaces shall be not to disclose it outside EFI. The interfaces ("EFI Interfaces") developed by EN prior to the Effective Date that do not contain any Adobe Support Information are listed on Attachment J-1 to this Exhibit J ("EFI Interfaces"), as may be amended pursuant to the procedure set forth below. Upon request of EFI, the parties will amend Attachment J-1 to include additional interfaces or new versions of EFI Interfaces developed by EFI after the Effective date (which may be based on the Adobe Interfaces); provided that Adobe shall have thirty (30) days from receipt of EFI's request to approve such interfaces for inclusion on Attachment J-1, which approval shall not be unreasonably withheld. Adobe agrees that Authorized Employees or Authorized Contractors who had access solely to EFI Interfaces shall not be subject to the restriction against Employment in any Clone Product Development set forth in subparagraph (b) above.

d. The prohibition relating to Clone Product development set forth in this PARAGRAPH 6 ("Clone Product Development") shall apply equally to raster-output devices, to display or screen output devices, or to any other peripheral devices.

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7. Certification. At Adobe's request, EFI will provide Adobe with written certification by an officer of EFI of EFI's compliance with its obligations under PARAGRAPH 1 ("Authorized Employees and Contractors") and PARAGRAPH 6 ("Clone Product Development") above.

8. Proprietary Notices. In order to protect Adobe's copyright and other ownership interests, EFI agrees that as a condition of its rights hereunder, each copy of the Adobe Support Information, or any portion thereof or documentation therefor, shall contain a valid copyright notice and any other proprietary notices, including the copyright notices of Adobe's suppliers, which appear on or in the Adobe Support Information and documentation delivered to EN hereunder or as Adobe may require from time to time. Presence of a copyright notice does not constitute an acknowledgment of publication.

9. Font Programs. EFI agrees to hold any unencrypted outline information relating to the Font Programs in confidence, disclosing such information only to Authorized Employees and Authorized Contractors having a need to use such information as permitted by this Agreement, and to take all reasonable precautions to prevent disclosure of such information to other parties.

10. Proprietary Rights Audit. During the term of the Agreement and for a period of eighteen (18) months thereafter, an independent auditor selected by Adobe shall have access to such portion of EFI's records and premises to allow Adobe to determine whether EFI is substantially in compliance with this Exhibit J, and PARAGRAPH 8 ("Proprietary Rights and Legends") of the Agreement. In no event shall audits be made hereunder more frequently than once per year. Such access shall be (a) during EFI's regular business hours, (b) arranged so that, to the extent possible, EFI's regular business activities are minimally disrupted and (c) under the terms of an appropriate confidentiality agreement executed by the individual(s) conducting such audit. If Adobe determines, after conducting such audit, that EFI is not substantially in compliance with its obligations to protect Adobe's proprietary rights, EFI shall pay the costs of such audit. Otherwise, Adobe shall pay the costs of such audit. Such payment will not preclude Adobe from exercising any right which it may have under the Agreement. EFI shall immediately correct any deficiencies discovered in the course of the audit.

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ATTACHMENT J-1

EFI INTERFACES

The purpose of this Attachment J-1 is to specify an API for PostScript interpreter setup, execution and page delivery mechanisms. The idea is to clearly define the "current" interface used by EN in the Fiery SW. This will allow EFI to continue to develop front-end SW (Communications, Networking, Spooling, Job Dispatch) & Back-end (Page Delivery) without triggering the application of the restriction against Employment in any Clone Product Development set forth in PARAGRAPH 6(B) of EXHIBIT J.

Interpreter Setup & Execution

For simplicity EFI would like to maintain a "CPSI like" wrapper external to the clean room. EN would leave the CPSI computational model as is:

```
CPSIInitialize(init)
CPSStartInterpreter( configuration record, &interpreter)

foreach (job) {
    foreach(buffer in job)
```

```

        CPSIExecutePostScript( interpreter, Buffer, Length);
    }
    CPSIEndOfFile(Interpreter);

}
CPSIStopInterpreter(Interpreter);
CPSIFinalize0;

```

Data required for initialization of the Interpreter is available in the configuration record and includes all machine attributes (such as resolutions, Color Spaces, Engine capabilities etc.).

Additional calls supported are:

- o CPSIInterrupt(Interpreter) - Invoking the Interrupt Error.
- o CPSITimeout(Interpreter) - Invoking the Timeout Error.
- o CPSIGetParameter (Interpreter, +setname, +parameter)

Retrieves current value of the specified parameter from "system" or "user" parameter sets.

The CPSI model of call-back functions would be maintained as well:

- o CPSIOutput(Interpreter, \*Buffer, Length, \*handle) - to transfer output from %stdout
- o CPSIErrorInterpreter, \*Buffer, Length, \*handle) - to transfer output from %stderr
- o CPSISetPageDevice
- o CPSIGetTrayDetails

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- o CPSIGetConfirmation
- o CPSIInitRaster
- o CPSIExternalCommand
- o CPSIProgress
- o CPSIRender

For a complete description of the CPSI interfaces please refer to the "Configurable PostScript Interpreter Functional Specifications" Version 2013.

#### Page Delivery Interface

The main interface for the page delivery mechanism is the CPSIRender callback. The purpose of this call in EFI's setup is to deliver a page (or a band) to a pipeline mechanism which will send the data to the marking head. Upon completing the rendering of a band (or frame) the PostScript co-development integration team will accompany each page with a "Page Dictionary".

The page dictionary is read only for the video interface. This dictionary will be used by the video driver to set-up various engine parameter and complete the print job.

A dictionary is defined as keyword/value pair. All keyword/value pairs are stored as ASCII text or Strings. A partial list of keys in the page dictionary includes:

ManualFeed	Yes/No
ColorModel	DeviceGray/DeviceRGB/DeviceCMYK
BitesPerPixel	1/8
BufferSize	Unsigned long
BufferAddress	Unsigned long

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EXHIBIT K

USE OF ADOBE TRADEMARKS

1. Ownership of Trademarks. EFI acknowledges the ownership of the Adobe Trademarks in Adobe and the ownership of the Typeface Trademarks in the entities identified as "Trademark Owner" in a Reference Port or Licensed System Appendix hereto. Adobe and such Typeface Trademark owners are referred to as the "Trademark Owners". EFI agrees that it will do nothing inconsistent with such ownership and that all use of the Adobe Trademarks by EFI shall inure to the benefit of and be on behalf of Adobe. EFI acknowledges that EFI's utilization of the Trademarks will not create any right, title or interest in or to such trademarks. EFI acknowledges Trademark Owners' exclusive right to use of the Trademarks and agrees not to do anything contesting or impairing the trademark rights of the Trademark Owners. Any use of the Trademarks must identify the applicable "Trademark Owner" as the owner of such Trademarks. EFI agrees that it will notify or require notification of sublicensees who receive Font Programs that (i) Typeface Trademarks can only be used to identify printed output produced by the Font Programs, and (ii) the Typeface Trademarks are the property of the Trademark Owners. EFI will maintain a high quality standard in producing copies of Font Programs and Typefaces. At the request of Adobe, EFI must supply samples of any Typeface identified by a Typeface Trademark.

2. Quality Standards. Adobe shall review and approve or disapprove in writing the quality of the Revised Object, Font Programs, and EFI's documentation relating to the Revised Object and Font Program packages and the use of the Trademarks on such products and authorize the commencement of demonstration, commercial distribution and marketing of the Revised Object or Font Programs. At least thirty (30) days prior to the date scheduled by EFI for commencing such demonstration, commercial distribution and marketing, directly or indirectly to End Users, EFI shall submit to Adobe for its approval, sufficient samples of the Revised Object, EN's documentation and Font Programs together with or including the containers, packages, cartons, wrappers and the like. Unless otherwise agreed in writing by Adobe, EFI shall not make any change in such products or their containers, packages, cartons, wrappers or the like from that approved by Adobe. EFI agrees, at any time as requested by Adobe to provide Adobe with a reasonable number of the samples of the packages of such products and use of the Trademarks to allow Adobe to review the quality thereof. Where Trademarks are used in connection with the execution of any software on a computer system, EFI agrees to provide Adobe with access to such software and computer system, and reasonable assistance in the operation of same, to facilitate Adobe's review. If, at any time, any sample is disapproved by Adobe, Adobe shall so advise EFI and, upon EFI's receipt of such notice by any means, EFI shall have sixty (60) days to improve the quality to the standard previously approved by Adobe. EFI shall comply with all applicable laws and regulations and obtain all appropriate government approvals pertaining to the sublicensing, transfer and advertising of the Revised Object and Font Programs.

3. Infringement Proceeding. EFI agrees to notify Adobe of any unauthorized use or

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the Trademarks by others promptly as it comes to EFI's attention. Adobe shall have the sole right and discretion to bring infringement or unfair competition proceedings involving the Trademarks.

4. EFI's Use of Trademarks. EFI agrees that it will permanently include the Adobe Trademarks on all copies of the Revised Object and in any advertising or printed materials concerning the Revised Object and that it will use the applicable Trademarks on all copies, advertisements, brochures, manuals and other appropriate uses made in the promotion, distribution or use of the Revised Object, Font Programs and PostScript Language Specification including any EFI translated version. EFI shall make specific reference to the Revised Object or

Font Programs in any advertisement concerning the Licensed Systems which also contains specific names of other software products. All such uses shall be in accordance with Adobe's then current trademark manual.

5. Trademark Registrations. EFI, at Adobe's request and expense, shall (i) promptly provide Adobe with any specimens, (ii) execute all applications for trademark -registrations, assignments or other applicable documents and (iii) perform any other act reasonably necessary for any Trademark Owner to secure or maintain any and all Trademark rights in any country, provided that EFI is marketing the Revised Object, Font Programs and Licensed Systems in association with a Trademark and in such country.

6. No Unitary or Composite Marks. EFI agrees not to use any other trademark or service mark in close proximity to any of the Adobe Trademarks or combine the marks so as to effectively create a unitary composite mark without the prior written approval of Adobe.

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MANAGEMENT GRAPHICS, INC.

NONQUALIFIED STOCK OPTION PLAN  
FOR KEY EMPLOYEES

1. Purpose. The purpose of this Nonqualified Stock Option Plan (the "Plan") is to promote the interests of Management Graphics, Inc. (the "Corporation"), and its shareholders by providing a method to encourage key employees of the Corporation and its subsidiaries (if any) to invest in the Corporation's common stock on reasonable terms and thereby increase their proprietary interest in the Corporation's business, to encourage such key employees to remain in the employment of the Corporation and to increase their personal interest in its continued success and progress.

2. Administration.

(a) The Plan shall be administered by the Board of Directors who may from time to time issue orders or adopt resolutions, not inconsistent with the provisions of the Plan, to interpret the provisions and supervise the administration of the Plan. All determinations shall be made by the Board of Directors in accordance with the Minnesota Business Corporation Act (the "Act"). A majority of the Directors acting on any matter involving the interpretation or administration of the Plan shall not be eligible to participate in the Plan. Subject to the foregoing, the Corporation's Bylaws and any applicable provisions of the Act, all decisions made by the directors in selecting optionees, establishing the number of shares and terms applicable to each option, and in construing the provisions of the Plan shall be final, conclusive and binding on all persons, including the Corporation, shareholders, employees and optionees.

(b) The Board of Directors may from time to time appoint a Stock Option Plan Committee (the "Committee"), consisting of not less than three (3) directors, none of whom shall be eligible to participate in the Plan while a member of the Committee. The Board of Directors may delegate to the Committee power to select the particular employees who are to receive options and to determine the number of shares to be optioned to each such employee.

(c) Each option shall be evidenced by an option agreement substantially in the form of the option agreement which is attached to the Plan as an Exhibit. The day on which the Board of Directors or the Committee approves the granting of an option shall be considered the date on which such option is granted.

(d) If the laws relating to nonqualified stock options are changed during the term of the Plan, the Board of Directors shall have the power to alter the Plan in accordance with section 13 hereof, to conform to such changes in the law.

3. Eligibility. Options shall be granted only to key employees, in the judgement of the Board of Directors (or the Committee) who, at the time of the grant, are employees of the Corporation or any subsidiary. The term "employees" means employees of the Corporation, or any subsidiary, including salaried officers of the Corporation.

4. Shares Subject to Plan. The Board of Directors (or the Committee) may from time to time provide for the option and sale in the aggregate of up to 350,000 shares of the Corporation's Class A common stock, \$0.01 par value, under the Plan subject to adjustments required by section 10 of the Plan. Shares may be authorized unissued or reacquired shares of common stock. The Corporation shall not be required, upon the exercise of any option,

to issue or deliver any shares of stock prior to the completion of such registration or other qualification of such shares under any state or federal law, rule or regulation as the Corporation shall determine to be necessary or desirable.

5. Price. The purchase price of the stock under each option shall be determined by the Board of Directors. The purchase price of each share on the exercise of any option shall be paid in full in cash at the time of exercise or, at the discretion of the Board of Directors or the Committee, by the surrender of other shares of stock of the Corporation having a fair market value equal to the purchase price, and a certificate representing shares so purchased shall be delivered to the person entitled thereto.

6. Duration of Option. The option period shall not be more than fifteen (15) years from the date the option is granted.

7. Exercise of Option. The Board of Directors shall have full and complete authority to determine, at the time of granting of any option, whether the option will be exercisable in full at any time or from time to time during the term of the option, or to provide for the exercise thereof in such installments and at such times during the term of the option, or upon the satisfaction of such conditions, as the Board of Directors may determine.

8. Nontransferability of Option. Each option granted under the Plan shall by its terms be nontransferable by the optionee other than by will or the laws of descent and distribution and shall be exercisable during his lifetime only by the optionee.

9. Other Terms and Conditions. The Board of Directors shall have power, subject to the limitations contained herein, to fix any terms and conditions for the granting or exercise of any option under the Plan. Nothing contained in the Plan, or in any option granted pursuant to the Plan, shall confer upon any optionee any right to continued employment by the Corporation, nor limit in any way the right of the Corporation to terminate the optionee's employment at any time.

10. Adjustment of Shares Subject to Option. In the event there is any change in the common stock of the Corporation through the declaration of stock dividends, or through recapitalization resulting in stock split-ups, or combinations or exchanges of shares, or otherwise, the number of shares available for option and the shares subject to any option and exercise price thereof shall be appropriately adjusted. The Corporation shall give notice of such adjustment to each holder of an option under the Plan, and such adjustment shall be effective and binding on the optionee. In the event of the proposed dissolution or liquidation of the Corporation, or in the event of a proposed sale of substantially all of the assets of the Corporation, the Board of Directors may declare that each option granted under the Plan shall terminate as of a date to be fixed by the Board of Directors; provided that not less than thirty (30) days' written notice of the date so fixed shall be given to each optionee, and each optionee shall have the right, during the period of thirty (30) days preceding such termination, to exercise any options owned by such optionee as to all or any part of the shares covered thereby, including shares as to which such option would not otherwise be exercisable.

11. Death of Optionee. If an optionee dies while an employee of the Corporation or of any subsidiary or within ninety (90) days after the termination of such employment, any option may be exercised without regard to the restrictions on exercise set forth in section 7 within twelve (12) months after the optionee's death by the optionee's personal representative or the person or persons to whom the optionee's rights under the option shall pass by the optionee's will or by the applicable laws of descent and distribution; provided, however, that no such option may be exercised after the expiration date specified therein.

12. Termination of Employment; Retirement and Disability. If an optionee shall cease to be employed by the Corporation for any reason (including retirement and disability and, with respect to an optionee under an option, death) after the optionee has continuously been so employed for one (1) year from the date of granting of the option, the optionee, or the optionee's personal representative or legatees, as the case may be, may, but only within the three (3) month

period immediately following such termination of employment and in no event later than the expiration date specified in the option, exercise the optionee's option to the extent the optionee was entitled to exercise it at the date of such termination.

13. Modification of Plan. The Board of Directors may amend, suspend or discontinue the Plan, at any time, by the act of the Board of Directors. No such action may prejudice the right of any employee who has prior thereto been granted an option or options of the Plan.

14. Termination of Plan. The Plan shall terminate on December 31, 1990. Options may be granted under the Plan at any time and from time to time prior to its termination. Any option outstanding under the Plan, at the time of its termination, shall remain in effect until the option shall have been exercised or shall have expired.

14. Effective Date of Plan. The effective date of the Plan is November 26, 1985, the date on which the Plan was adopted by the Board of Directors of the Corporation.



January 11, 2000

Dan Avida  
2312 Casa Bona Avenue  
Belmont, Ca 94002

Dear Dan:

This letter agreement (the "Agreement") will memorialize and constitute the agreement between you and Electronics for Imaging, Inc. (the "Company") concerning your employment status with the Company.

1. Employment As a Part-Time Employee: Effective January 1, 2000, you will transition your employment from your current position as the Company's Chairman and Chief Executive Officer to a part-time employee. Unless this Agreement is earlier terminated as provided in Section 2, for the period of January 1, 2000 through December 31, 2001 (the "Part-Time Employment Period"), you will continue to remain employed by the Company, in the position of Part-Time Employee. As a Part-Time Employee to the Company, you will undertake such duties commensurate with this position as set forth below and as agreed between you and the Board. Your duties will include making yourself available for consultation with the Board, the Chief Executive Officer, and such other officers of the Company as reasonably necessary to facilitate in the transition of your former responsibilities. Your duties as a Part-Time Employee also will entail acting in an advisory capacity regarding the organizations and people representing new technology sources and the Company's clients and competitors. To that end you will, at your reasonable discretion, network, travel, and liase as appropriate so that you may convey to the Company's management and Board your insights and recommendations on the Company's operations and business. The timing of your performance of these duties, which are expected to be performed on a part-time basis, will be coordinated between the Company and you. The Company shall provide reasonable advance notice of specific requests for your services. For your services rendered during the Part-Time Employment Period, the Company will pay you an annual base salary of four hundred twenty five thousand dollars (\$425,000), subject to standard payroll deductions and withholdings and paid on the Company's normal payroll schedule ("Base Salary"). You will not be eligible to receive any bonus or to participate in any Company bonus plan during the Part-Time Employment Period, with the sole exception that you will receive a bonus for 1999 pursuant to the Company's executive bonus plan. During the Part-Time Employment Period, you will be entitled to the following benefits:

(i) reimbursement for all reasonable travel and other expenses (including internet access charges, telephone, telex and telecopier service) incurred by you in connection with the performances of your duties under this Agreement, provided that you comply with the Company's business expense reimbursement policy, including the requirement of providing appropriate documentation of such expenses;

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(ii) an annual automobile allowance of four thousand eight hundred dollars (\$4,800) per year, paid on a monthly basis;

(iii) participation in any employee benefit and group insurance programs including life insurance, long-term disability insurance and comprehensive health insurance programs, developed by the Company for its officers or employees generally (but in any event not less than those in effect immediately prior to commencement of the Part-Time Employment Period) (the "Company's Benefit Plans");

(iv) accrual of vacation pay at an annual rate of four (4) weeks per year; and

(v) you will be eligible to receive counsel on tax matters as offered to the Company's executive officers by Price Waterhouse Coopers LLP.

2. Termination: Your employment during the Part-Time Employment Period

is at-will, and either you or the Company can terminate your employment and this Agreement for any reason whatsoever, either with or without cause, by providing thirty (30) days advance written notice of such termination to the other.

(a) Unless earlier terminated by either party as provided above, this Agreement and your employment by the Company will automatically terminate upon the earliest of the following: (i) expiration of the Part-Time Employment Period; (ii) your Incapacity (as defined herein); or (iii) your death.

(b) In the event this Agreement terminates due to your death or Incapacity, or if the Company terminates your employment prior to the expiration of the Part-Time Employment Period, the Company shall pay to either you or your estate, as appropriate, a lump sum payment, subject to standard payroll deductions and withholdings, equal to the total Base Salary that would have been paid to you if the Agreement and your employment had continued from the Agreement termination date through the expiration of the Part-Time Employment Period. Notwithstanding the preceding sentence, as a condition of your receiving the lump sum payment referred to in this paragraph in the event this Agreement terminates at the Company's request or due to your Incapacity, you must first execute a full release of any and all claims you may have against the Company, which release shall be in a form acceptable to the Company.

(c) For the purposes of this Agreement, your "Incapacity" shall mean that you are physically or mentally unable to regularly perform your essential duties hereunder with or without reasonable accommodation for a period in excess of four (4) consecutive months, or for more than one hundred eighty (180) days in any consecutive twelve (12) month period.

(d) Subject to Section 6 of this Agreement, in the event this Agreement terminates due to your death or Incapacity, or if the Company terminates your employment prior to the expiration of the Part-Time Employment Period, all unvested stock options you hold will accelerate immediately, such that all shares in such options will be fully vested and exercisable.

(e) Except as provided in this Agreement, the Company shall have no obligation to continue to pay your Base Salary or to provide any compensation or benefits upon termination of this Agreement for any reason.

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3. Benefits After Part-Time Employment Period: To the fullest extent permitted by law, you will be entitled to participate in the Company's Benefit Plans for a period of up to ten (10) years following the termination of this Agreement for any reason; provided, however, that the Company's obligation to allow your continued participation in the Benefit Plans shall immediately cease if you secure comparable benefits from another employer. If the Company cannot provide coverage for you through its employee benefits plans, the Company will reimburse you the actual and direct costs of your benefits premiums for benefits coverage you obtain elsewhere, at a coverage level that is equivalent to the coverage that had been provided to you as a full-time employee of the Company. The Company's payments on your and your dependents' behalf under the Benefit Plans or as reimbursement for other coverage after the termination of this Agreement will be considered taxable income to you.

#### 4. Confidential Information, Company Property and Change in Control:

(a) Confidential Information: You agree to continue to maintain the confidentiality of all confidential and proprietary information of the Company. Your continuing obligations do not apply to information that, without any breach of your obligations to the Company, has entered into the public domain. In addition, you acknowledge your continuing obligations under your Agreement Not To Reexport Technology dated February 2, 1990, a copy of which is attached hereto as Exhibit A.

(b) Company Property: As part of this Agreement, the Company will transfer to you ownership of the laptop computer and cellular telephones that were provided by the Company for your use. This property shall be given to you without warranty of any kind.

(c) Change in Control: Subject to Section 6 of this Agreement, in the event of a Change of Control (as defined herein) prior to the termination

of this Agreement, any unvested shares in stock options that you hold shall automatically accelerate and become fully exercisable on the effective date of the Change of Control (the "Acceleration"), provided that you first execute a full release of any and all claims you may have against the Company, which release shall be in a form acceptable to the Company. Upon the Acceleration, you shall have the right to exercise all or any portion of such options in accordance with your stock option agreements. Notwithstanding the foregoing, if any unvested shares of the options are not subject to the Acceleration by reason of Section 6 and this Agreement has been terminated, you shall continue to be employed as a Part-Time Employee of the successor of the Company at an hourly rate of two hundred dollars (\$200) for the period necessary to allow the remaining unvested shares to vest in full, but in no event shall such Part-Time employment extend beyond the Part-Time Employment Period. As a Part-Time Employee of the Company's successor, you agree to make yourself available for up to ten (10) hours per month to provide advice in any area of your expertise, as reasonably requested by the successor. For the purposes of this Agreement, a "Change in Control" shall mean any of the following: (i) if any person (as this term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) becomes the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the total voting power represented by the Company's outstanding securities; (ii) if the individuals who, at the beginning of any period of two (2) consecutive years, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason during such period to constitute at least a majority of the Board

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of Directors (unless the election or the nomination for election by the Company's stockholders of a Director first elected during such period was approved by the vote of a majority of the Incumbent Directors, whereupon such Director shall also be classified as an Incumbent Director); or (iii) a merger or consolidation of the Company with another corporation (other than a merger which would result in the Company's stockholders before the merger continuing to hold more than fifty percent (50%) of the total voting power of the Company or the entity controlling the Company after the merger).

5. Stock Options: Except as otherwise provided herein, vesting of your current stock options or any other stock compensation award will continue during the Part-Time Employment Period pursuant to the terms of your grant agreements.

6. Limitation on Payments:

(a) To the extent that any payments or benefits (including shares that vest as a result of accelerated vesting under Sections 2(d) and/or 4(c)) provided for in this Agreement or otherwise payable to you constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and, but for this section, would be subject to the excise tax imposed by Section 4999 of the Code, the aggregate amount of such payments and benefits shall be reduced such that the present value thereof (as determined under the Code and the applicable regulations), is equal to 2.99 times your "base amount" (as defined in Section 280G(b)(3) of the Code).

(b) Within sixty (60) days after the Change of Control, the Company shall notify you in writing if it believes that any reduction in the payments and benefits that would otherwise be paid or provided to you under the terms of this Agreement is required to comply with the provisions of Subsection 6(a). If the Company determines that any such reduction is required, it will provide you with copies of the information used and calculations made by the Company to determine the amount of such reduction. If the Company gives no notice to you of a required reduction as provided in this Subsection 6(b), you may unilaterally determine the amount of reduction required, if any, and, upon written notice to the Company, that amount will be conclusive and binding on both parties.

(c) Within thirty (30) days after your receipt of the Company's notice pursuant to Subsection 6(b), you shall notify the Company in writing if you disagree with the amount of reduction determined by the Company. As part of such notice, you shall also advise the Company of the amount of reduction, if any, that you have determined, in good faith, to be necessary to comply with the provisions of Subsection 6(a). Failure by you to provide this notice within the time allowed will be treated as acceptance by you of the

amount of reduction determined by the Company. If any differences regarding the amount of the reduction have not been resolved by mutual agreement within sixty (60) days after your receipt of the Company's notice pursuant to Subsection 6(b), the amount of reduction determined by you will be conclusive and binding on both parties unless, prior to the expiration of the sixty (60) day period, the Company notifies you in writing of the Company's intention to have the matter submitted to arbitration for final and binding resolution, and proceeds to do so promptly. If the Company gives no notice to you of a required reduction as provided in Subsection 6(b), you may

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unilaterally determine the amount of required reduction, if any, and, upon written notice to the Company, that amount will be conclusive and binding on both parties.

(d) If a reduction in the payments and benefits that would otherwise be paid or provided to you under the terms of this Agreement is necessary to comply with the provisions of Subsection 6(a), so long as the requirements of Subsection 6(a) are met, you shall be entitled to select which payments or benefits will be reduced including, without limitation, determining the number of shares subject to accelerated vesting. To the greatest extent permissible under the applicable stock option plan, your grant agreement(s), and applicable law, you will continue to vest all shares not subject to accelerated vesting by virtue of application of this Section 6, according to their original vesting schedule(s). Within thirty (30) days after the amount of any required reduction in payments and benefits is finally determined in accordance with the provisions of Subsection 6(c), you will notify the Company in writing regarding which payments or benefits are to be reduced. If no notification is given by you, the Company will determine which amounts to reduce. If, as a result of the reductions required by Subsection 6(a), any amounts previously paid to you exceed the amount to which you are entitled, you will promptly return the excess amount to the Company.

7. Administrative Assistance: While this Agreement is in effect, the Company will provide you with an office and shared administrative assistance, including secretarial assistance, to aid you in the performance of your duties hereunder; such secretarial services will be provided by Gina Farrugia while she remains employed by the Company.

8. Non-Competition, Non-Interference and Non-Disclosure:

(a) You covenant and agree that during the Part-Time Employment Period, unless you first obtain the advance written authorization of the Company:

(i) neither you nor any Executive Entity (as defined herein) will, anywhere in the Market, either directly or indirectly, own, manage, operate, control, or participate, whether as a proprietor, partner, stockholder, director, officer, "Key Employee" (defined herein to include any person who is employed in a management, executive, supervisory, marketing or sales capacity), joint venturer, investor or other participant (except as the holder of not more than one percent (1%) of the outstanding stock of a publicly held company), in any business which competes with the Business ("Competitive Business"). For the purposes of this Agreement, "Executive Entity" is defined as any entity in which you and/or any of your immediate family members (including your spouse, parents, siblings or children) at any time during the Part-Time Employment Period: (a) own five percent (5%) or more of the beneficial interest; or (b) hold five percent (5%) or more of a controlling interest;

(ii) neither you nor any Executive Entity will directly or indirectly solicit, or induce any person who is a customer, supplier, lender, or lessor of the Company, or any other person with a business relationship with the Company, at any time during the Part-Time Employment Period, to discontinue or reduce the extent of such relationship with the Company; and

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(iii) neither you nor any Executive Entity will (a) directly or indirectly recruit, solicit or otherwise induce any employee of the Company to discontinue such employment with the Company, or (b) cause any Competitive Business to recruit, solicit or induce any person who is employed by the Company during the Part-Time Employment Period to discontinue such employment relationship with the Company.

(b) For the purposes of this Agreement, (i) the "Business" refers to the business conducted by the Company and its subsidiaries in the design and manufacture of printer controllers as of the Effective Date hereof, and (ii) the "Market" refers to the State of California and any other State of the United States in which a material amount of Business is conducted at such time. For purposes hereof, "a material amount of Business" shall mean that ten percent (10%) or more of the Company's gross sales for the last completed fiscal year were made from, to or in such State.

#### 9. Company's Successors:

(a) Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and assets shall assume the obligations under this Agreement and the Company shall take all necessary steps to ensure that any successor shall agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. As used throughout this Agreement, the term "Company" shall include any successor to the Company's business and assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound to the terms of this Agreement by operation of law.

(b) Executive's Successors: The terms of this Agreement and all of your rights hereunder shall inure to the benefit of, and be enforceable by, your personal or legal representatives, executors, administrators, successors, heirs, devisees and legatees, except that your duties hereunder may not be assigned without the written consent of the Company.

10. Release by Dan Avida: You acknowledge that you have carefully read and understand this Agreement and have been offered the opportunity to consider this Agreement before signing it. In exchange for the consideration provided to you under this Agreement, including but not limited to your continued employment, and except as otherwise set forth in this Agreement, you release, acquit and forever discharge the Company, and its officers, directors, agents, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, obligations of every kind and nature, in law, equity or otherwise, known or unknown, suspected or unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to and including the date you sign this Agreement, including but not limited to all such claims and demands directly or indirectly arising out of or in any way connected with or related to your employment with the Company. Notwithstanding anything to the contrary stated herein, you are not releasing any rights under the Indemnification Agreement between you and the Company dated July 30, 1992 (the "Indemnification Agreement"), a copy of which is attached hereto as Exhibit B and which shall continue in full force and effect in accordance with its terms.

6.

(a) You acknowledge that the above waiver and release extends to any and all claims you may have under Title VII of the Civil Rights Act of 1964, the federal Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, as amended, and the California Fair Employment and Housing Act. You acknowledge that this waiver and release is knowing and voluntary. You agree that this waiver and release does not apply to any rights or claims that may arise after the date you sign this Agreement. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this Agreement that: (i) you should consult with an attorney prior to executing this agreement; (ii) you had at least twenty-one (21) days within which to consider this Agreement (although you may choose to execute it earlier); (iii) you have seven (7) days following your execution of this Agreement in which to revoke this Agreement; and (iv) this

Agreement shall not be effective until the revocation period has expired, which will be the eighth day after this Agreement is executed by you ("Effective Date").

11. Release by The Company: Except as otherwise set forth in this Agreement, the Company hereby releases, acquits, and forever discharges you and your heirs, assigns, agents, representatives and attorneys of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to and including the date the Company executes this Agreement, with the exception of any claim arising out of your obligations under this Agreement, your proprietary information obligations, criminal misconduct, regulatory violations, or fraud.

12. Section 1542 Waiver: In granting the releases herein, which include claims that may be unknown to you or the Company at present, both you and the Company acknowledge that each has read and understands section 1542 of the Civil Code of the State of California, which reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Both you and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to the release of unknown and unsuspected claims granted in this Agreement. Both you and the Company acknowledge that each has been advised by their counsel of the meaning and consequences of Section 1542, and their waiver of said section is knowing and voluntary.

11. Binding Arbitration To Resolve Disputes: In the event of a dispute concerning application, interpretation or enforcement of any provision or aspect of this Agreement, the parties agree that any such dispute shall be resolved by final and binding confidential arbitration in lieu of proceeding before a state or federal agency or court to the fullest extent permitted by law. Such arbitration will take place in the City and County of San Francisco, California, and shall be conducted by an arbitrator mutually agreed upon between the parties from a panel of

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arbitrators from JAMS/Endispute. The arbitration will be conducted in accordance with the JAMS/Endispute rules regarding arbitration for employment disputes then in effect. The parties further agree that, notwithstanding any rule to the contrary, the Company shall pay the costs and fees of the arbitration proceeding, including the arbitrator's fees.

12. Miscellaneous: This Agreement, including its exhibits, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company regarding your employment with the Company. It is entered into without reliance on any agreement, promise or representation, written or oral, express or implied, other than as expressly contained herein. Except as otherwise provided herein, this Agreement wholly replaces and supersedes any and all agreements, whether written, oral, express or implied, with respect to your employment with the Company, including but not limited to that certain Employment Agreement dated July 17, 1995, and that certain Amendment No. 1 To Employment Agreement dated October 15, 1995 (both of which are attached hereto as Exhibit C), which, as of the Effective Date, shall terminate and have no further force or effect. Notwithstanding the preceding sentence, nothing contained in this Agreement shall in any way amend, modify or supersede the provisions of the Indemnification Agreement (Exhibit B) and the Agreement Not To Reexport Technology (Exhibit A), which shall continue in full force and effect in accordance with their terms. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable consistent with the general intent of the parties insofar as possible. This Agreement will be deemed to have been entered into and

will be construed and enforced in accordance with the laws of the State of California as applied to contracts made and to be performed entirely within California.

If this letter correctly sets forth the parties' agreement, please sign below and return a copy to me.

Sincerely,

ELECTRONICS FOR IMAGING, INC.

/s/ Guy Gecht

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[Name] Guy Gecht

[Title] Chief Executive Officer

UNDERSTOOD AND AGREED:

/s/ Dan Avida

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Dan Avida

Date: 01/11/00

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Exhibit A - Agreement Not To Reexport Technology

8.

Exhibit B - Indemnification Agreement

Exhibit C - Employment Agreement and Amendment No. 1

9.

Exhibit A

Agreement Not To Reexport Technology

10.

Exhibit B

Indemnification Agreement

11.

Exhibit C

Employment Agreement and Amendment No. 1

12.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into effective as of March 8, 2000 by and between Fred Rosenzweig (the "Executive") and Electronics for Imaging, Inc., a Delaware corporation (the "Company").

RECITALS

A. It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other change of control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Executive and can cause the Executive to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes that it is in the best interests of the Company and its stockholders to provide the Executive with an incentive to continue his employment and to motivate the Executive to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

C. The Board believes that it is imperative to provide the Executive with certain benefits upon a Change of Control and, under certain circumstances, upon termination of the Executive's full-time employment in connection with a Change of Control, which benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possibility of a Change of Control.

D. Further, the Board believes that it is in the best interest of the Company and its stockholders to provide additional benefits to the Executive in the event the Executive's employment terminates for any reason other than a Change in Control. Such benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possible termination of employment.

E. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by the Executive, to agree to the terms provided herein.

F. Certain capitalized terms used in the Agreement are defined in Section 6 below.

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Executive by the Company, the parties agree as follows:

1. Duties and Scope of Employment.

(a) Position. The Company shall employ the Executive in the position of President and Chief Operating Officer, as such position is defined in terms of responsibilities and compensation as of the effective date of this Agreement; provided, however, that the Board of Directors by mutual agreement with the Executive shall have the right, at any time prior to the occurrence of a Change of Control, to revise such responsibilities and compensation. The Executive shall continue to devote his full business efforts and time to the Company and its subsidiaries. The Executive shall comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during his employment. During the term of the Executive's employment with the Company, the Executive shall devote his full-time, skill and attention to his duties and responsibilities, and shall perform them faithfully, diligently and competently, and the Executive shall use his best efforts to further the business of the Company and its affiliated entities. Subject to the Executive's fiduciary duties to the Company, this Agreement shall not prohibit the Executive from serving on the board of directors or any advisory board of other companies.



## 2. Base Compensation.

(a) Annual Salary. The Company shall pay the Executive as compensation for his services a base salary at an annualized rate that is not less than his base salary as of the effective date of this Agreement (the "Annual Salary"). The Annual Salary may be subject to annual increases as the Board may authorize from time to time in connection with Executive's annual review. The Annual Salary shall be paid periodically in accordance with normal Company payroll procedures. The Annual Salary (together with bonus amounts as specified in Section 2), and any increases in such compensation that the Board of Directors may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) Bonus. In addition to the Annual Salary, the Executive will be eligible to receive an annual bonus under the Company's Executive Bonus Plan as determined by the Board in its discretion.

3. Executive Benefits. The Executive shall be eligible to participate in the employee benefit plans and executive compensation programs maintained by the Company applicable to other key executives of the Company, including (without limitation) retirement plans, savings or profit-sharing plans, stock option, incentive or other bonus plans, life, disability, health, accident and other insurance programs, paid vacations, and similar plans or programs, subject in each case to the generally applicable terms and conditions of the applicable plan or program in question and to the determination of any committee administering such plan or program. In addition, the Executive shall continue to be entitled to receive any other benefits currently received by the Executive such as automobile and car phone allowance benefits.

4. At-Will Employment. The Company and the Executive acknowledge that the Executive's employment is and shall continue to be at-will, as defined under applicable law. If the Executive's employment terminates for any reason, including, without limitation, any termination prior to and not in connection with a Change of Control, the Executive shall not be entitled to any

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payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date that all obligations of the parties hereunder have been satisfied, or (ii) March 8, 2003, or (iii) eighteen (18) months after a Change of Control unless the Executive's employment terminates as a result of Involuntary or Constructive Termination. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement.

## 5. Severance Benefits.

(a) Termination in Connection with a Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time during the period beginning upon the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, and ending eighteen (18) months after a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Involuntary or Constructive Termination. If the Executive's employment terminates as a result of Involuntary or Constructive Termination other than for Cause, then the Executive shall be entitled to receive severance pay in an amount equal to two (2) times the Executive's Base Compensation for the year coinciding with the year of termination, plus an amount equal to the bonus the Executive would have earned had he been employed by the Company at the end of such year multiplied by a fraction (x) the numerator of which is the number of completed months in that year, and (y) the denominator of which is twelve (12) (the "Current Bonus"). Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of

the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(ii) Voluntary Resignation; Termination For Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination described in subsection 5(a)(i)), or if the Company terminates the Executive's employment for Cause, then the Executive shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing benefit plans at the time of such termination.

(iii) Disability; Death. If the Company terminates the Executive's employment as a result of the Executive's Disability, or such Executive's employment is terminated due to the death of the Executive, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus his Current Bonus, (ii) in addition to the Executive's stock options that were exercisable immediately prior to such

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termination, the vesting of additional options shall accelerate and become exercisable as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such Disability or death. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(b) Termination Apart from Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time, either before the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, or after the 18-month period following a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Voluntary Resignation; Termination for Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination), or if the Company terminates the Executive's employment for Cause, then the Executive shall be entitled to receive severance and any other benefits only as may then be established under the Company's then existing benefit plans at the time of such termination.

(ii) Termination other than Voluntary Resignation or Termination for Cause. In the event the Executive's employment is terminated for any reason (including as a result of the Executive's Disability or due to the death of the Executive) except for termination as described in Section 5(b)(i) above, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus his Current Bonus, (ii) in addition to Executive's stock options that were exercisable immediately prior to such termination, the vesting of additional options shall accelerate and become exercisable by the Executive or the Executive's estate, as the case may be, as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) the same level of health (i.e., medical, vision and dental) coverage and benefits as in effect for the Executive on the day immediately preceding the day of Executive's termination of employment; provided, however, that (i) the Executive constitutes

a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. The Company shall continue to provide Executive with health coverage until the earlier to occur of (i) the date Executive is no longer

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eligible to receive continuation coverage pursuant to COBRA, or (ii) eighteen (18) months from the termination date. In addition to the foregoing, Executive shall also be paid such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such termination. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(c) Options. Subject to Section 7 hereof, upon a Change of Control, the vested portion of any stock option held by the Executive shall automatically be accelerated and the Executive or the Executive's representative, as the case may be, shall have the right to exercise all or any portion of such stock option, in addition to any portion of the option exercisable prior to the Change of Control and in accordance with the Executive's stock option agreement.

6. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean (i) any act of personal dishonesty taken by the Executive in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Executive, (ii) committing a felony or an act of fraud against the Company or its affiliates, and (iii) acts by the Executive which constitute gross misconduct, are injurious to the Company, and which are demonstrably willful and deliberate on the Executive's part after there has been delivered to the Executive a written demand of cessation of such acts from the Company which describes the basis for the Company's belief that the Executive has engaged or committed such acts.

(b) Change of Control. "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) A change in the composition of the Board of Directors of the Company occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

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(iii) A merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or

consolidation.

(c) Involuntary or Constructive Termination. "Involuntary or Constructive Termination" shall mean (i) without the Executive's express written consent, the assignment to the Executive of any duties or the significant reduction of the Executive's duties, either of which is inconsistent with the Executive's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Executive from such position and responsibilities; (ii) without the Executive's express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the Executive immediately prior to such reduction; (iii) a reduction by the Company in the Base Compensation of the Executive as in effect immediately prior to such reduction; (iv) a material reduction by the Company in the kind or level of employee benefits to which the Executive is entitled immediately prior to such reduction with the result that the Executive's overall benefits package is significantly reduced; (v) the relocation of the Executive to a facility or a location more than 30 miles from the Executive's then present location, without the Executive's express written consent; (vi) any purported termination of the Executive by the Company which is not effected for Disability or for Cause, or any purported termination for which the grounds relied upon are not valid; or (vii) the failure of the Company to obtain the assumption of this agreement by any successors contemplated in Section 8 below.

(d) Disability. "Disability" shall mean that the Executive has been unable to perform his duties under this Agreement as the result of his incapacity due to physical or mental illness, and such inability, at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least 30 days' written notice by the Company of its intention to terminate the Executive's employment. In the event that the Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

7. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's benefits under this Agreement shall be either:

(i) delivered in full, or

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(ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

Unless the Company and the Executive otherwise agree in writing, any determination required under this Section 7(a) shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"). In the event of a reduction in benefits hereunder, the Executive shall be given the choice of which benefits to reduce. For purposes of making the calculations required by this Section 7(a), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 7(a).

8. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, devisees and legatees.

#### 9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

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(b) Notice of Termination. Any termination by the Company shall be communicated by a notice of termination to the other party hereto given in accordance with Section 9 of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than 15 days after the giving of such notice). The failure by the Executive to include in the notice any fact or circumstance which contributes to a showing of Involuntary or Constructive Termination shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

#### 10. Arbitration.

(a) Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

(b) The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. Executive hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) Executive understands that nothing in this Section modifies Executive's at-will employment status. Either Executive or the Company can terminate the employment relationship at any time, with or without Cause.

(d) EXECUTIVE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT SUBMITTING ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS

OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED;

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NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION;

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

#### 11. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (f) shall be void.

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(g) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(h) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a Section of

this Agreement shall mean the corporation that actually employs the Executive.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

ELECTRONICS FOR IMAGING, INC.

EXECUTIVE:

/s/ Guy Gecht

/s/ Fred Rosenzweig

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Chief Executive Officer

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Fred Rosenzweig

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into effective as of March 8, 2000, by and between Eric Saltzman (the "Executive") and Electronics for Imaging, Inc., a Delaware corporation (the "Company").

RECITALS

A. It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other change of control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Executive and can cause the Executive to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes that it is in the best interests of the Company and its stockholders to provide the Executive with an incentive to continue his employment and to motivate the Executive to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

C. The Board believes that it is imperative to provide the Executive with certain benefits upon a Change of Control and, under certain circumstances, upon termination of the Executive's full-time employment in connection with a Change of Control, which benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possibility of a Change of Control.

D. Further, the Board believes that it is in the best interest of the Company and its stockholders to provide additional benefits to the Executive in the event the Executive's employment terminates for any reason other than a Change in Control. Such benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possible termination of employment.

E. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by the Executive, to agree to the terms provided herein.

F. Certain capitalized terms used in the Agreement are defined in Section 6 below.

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Executive by the Company, the parties agree as follows:

1. Duties and Scope of Employment.

(a) Position. The Company shall employ the Executive in the position of Chief Financial Officer, as such position is defined in terms of responsibilities and compensation as of the effective date of this Agreement; provided, however, that the Board of Directors by mutual agreement with the Executive shall have the right, at any time prior to the occurrence of a Change of Control, to revise such responsibilities and compensation. The Executive shall continue to devote his full business efforts and time to the Company and its subsidiaries. The Executive shall comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during his employment. During the term of the Executive's employment with the Company, the Executive shall devote his full-time, skill and attention to his duties and responsibilities, and shall perform them faithfully, diligently and competently, and the Executive shall use his best efforts to further the business of the Company and its affiliated entities. Subject to the Executive's fiduciary duties to the Company, this Agreement shall not prohibit the Executive from serving on the board of directors or any advisory board of other companies.



## 2. Base Compensation.

(a) Annual Salary. The Company shall pay the Executive as compensation for his services a base salary at an annualized rate that is not less than his base salary as of the effective date of this Agreement (the "Annual Salary"). The Annual Salary may be subject to annual increases as the Board may authorize from time to time in connection with Executive's annual review. The Annual Salary shall be paid periodically in accordance with normal Company payroll procedures. The Annual Salary (together with bonus amounts as specified in Section 2), and any increases in such compensation that the Board of Directors may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) Bonus. In addition to the Annual Salary, the Executive will be eligible to receive an annual bonus under the Company's Executive Bonus Plan as determined by the Board in its discretion.

3. Executive Benefits. The Executive shall be eligible to participate in the employee benefit plans and executive compensation programs maintained by the Company applicable to other key executives of the Company, including (without limitation) retirement plans, savings or profit-sharing plans, stock option, incentive or other bonus plans, life, disability, health, accident and other insurance programs, paid vacations, and similar plans or programs, subject in each case to the generally applicable terms and conditions of the applicable plan or program in question and to the determination of any committee administering such plan or program. In addition, the Executive shall continue to be entitled to receive any other benefits currently received by the Executive such as automobile and car phone allowance benefits.

4. At-Will Employment. The Company and the Executive acknowledge that the Executive's employment is and shall continue to be at-will, as defined under applicable law. If the Executive's employment terminates for any reason, including, without limitation, any termination prior to and not in connection with a Change of Control, the Executive shall not be entitled to any

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payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date that all obligations of the parties hereunder have been satisfied, or (ii) March 8, 2003, or (iii) eighteen (18) months after a Change of Control unless the Executive's employment terminates as a result of Involuntary or Constructive Termination. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement.

## 5. Severance Benefits.

(a) Termination in Connection with a Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time during the period beginning upon the earlier of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, and ending eighteen (18) months after a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Involuntary or Constructive Termination. If the Executive's employment terminates as a result of Involuntary or Constructive Termination other than for Cause, then the Executive shall be entitled to receive severance pay in an amount equal to two (2) times the Executive's Base Compensation for the year coinciding with the year of termination, plus an amount equal to the bonus the Executive would have earned had he been employed by the Company at the end of such year multiplied by a fraction (x) the numerator of which is the number of completed months in that year, and (y) the denominator of which is twelve (12) (the "Current Bonus"). Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is

entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(ii) Voluntary Resignation; Termination For Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination described in subsection 5(a)(i)), or if the Company terminates the Executive's employment for Cause, then the Executive shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing benefit plans at the time of such termination.

(iii) Disability; Death. If the Company terminates the Executive's employment as a result of the Executive's Disability, or such Executive's employment is terminated due to the death of the Executive, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus his Current Bonus, (ii) in addition to the Executive's stock options that were exercisable immediately prior to such

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termination, the vesting of additional options shall accelerate and become exercisable as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such Disability or death. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(b) Termination Apart from Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time, either before the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, or after the 18-month period following a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Voluntary Resignation; Termination for Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination), or if the Company terminates the Executive's employment for Cause, then the Executive shall be entitled to receive severance and any other benefits only as may then be established under the Company's then exiting benefit plans at the time of such termination.

(ii) Termination other than Voluntary Resignation or Termination for Cause. In the event the Executive's employment is terminated for any reason (including as a result of the Executive's Disability or due to the death of the Executive) except for termination as described in Section 5(b)(i) above, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus his Current Bonus, (ii) in addition to Executive's stock options that were exercisable immediately prior to such termination, the vesting of additional options shall accelerate and become exercisable by the Executive or the Executive's estate, as the case may be, as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) the same level of health (i.e., medical, vision and dental) coverage and benefits as in effect for the Executive on the day immediately preceding the day of Executive's termination of employment; provided, however, that (i) the Executive constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal

Revenue Code of 1986, as amended (the "Code"); and (ii) Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. The Company shall continue to provide Executive with health coverage until the earlier to occur of (i) the date Executive is no longer

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eligible to receive continuation coverage pursuant to COBRA, or (ii) eighteen (18) months from the termination date. In addition to the foregoing, Executive shall also be paid such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such termination. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(c) Options. Subject to Section 7 hereof, upon a Change of Control, the unvested portion of any stock option held by the Executive shall automatically be accelerated and the Executive or the Executive's representative, as the case may be, shall have the right to exercise all or any portion of such stock option, in addition to any portion of the option exercisable prior to the Change of Control and in accordance with the Executive's stock option agreement.

6. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean (i) any act of personal dishonesty taken by the Executive in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Executive, (ii) committing a felony or an act of fraud against the Company or its affiliates, and (iii) acts by the Executive which constitute gross misconduct, are injurious to the Company, and which are demonstrably willful and deliberate on the Executive's part after there has been delivered to the Executive a written demand of cessation of such acts from the Company which describes the basis for the Company's belief that the Executive has engaged or committed such acts.

(b) Change of Control. "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) A change in the composition of the Board of Directors of the Company occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

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(iii) A merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(c) Involuntary or Constructive Termination. "Involuntary or Constructive Termination" shall mean (i) without the Executive's express written consent, the assignment to the Executive of any duties or the significant reduction of the Executive's duties, either of which is inconsistent with the Executive's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Executive from such position and responsibilities; (ii) without the Executive's express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the Executive immediately prior to such reduction; (iii) a reduction by the Company in the Base Compensation of the Executive as in effect immediately prior to such reduction; (iv) a material reduction by the Company in the kind or level of employee benefits to which the Executive is entitled immediately prior to such reduction with the result that the Executive's overall benefits package is significantly reduced; (v) the relocation of the Executive to a facility or a location more than 30 miles from the Executive's then present location, without the Executive's express written consent; (vi) any purported termination of the Executive by the Company which is not effected for Disability or for Cause, or any purported termination for which the grounds relied upon are not valid; or (vii) the failure of the Company to obtain the assumption of this agreement by any successors contemplated in Section 8 below.

(d) Disability. "Disability" shall mean that the Executive has been unable to perform his duties under this Agreement as the result of his incapacity due to physical or mental illness, and such inability, at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least 30 days' written notice by the Company of its intention to terminate the Executive's employment. In the event that the Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

7. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's benefits under this Agreement shall be either:

(i) delivered in full, or

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(ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

Unless the Company and the Executive otherwise agree in writing, any determination required under this Section 7(a) shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"). In the event of a reduction in benefits hereunder, the Executive shall be given the choice of which benefits to reduce. For purposes of making the calculations required by this Section 7(a), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 7(a).

8. Successors.

(a) Company's Successors. Any successor to the Company

(whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, devisees and legatees.

#### 9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

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(b) Notice of Termination. Any termination by the Company shall be communicated by a notice of termination to the other party hereto given in accordance with Section 9 of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than 15 days after the giving of such notice). The failure by the Executive to include in the notice any fact or circumstance which contributes to a showing of Involuntary or Constructive Termination shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

#### 10. Arbitration.

(a) Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

(b) The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. Executive hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) Executive understands that nothing in this Section modifies Executive's at-will employment status. Either Executive or the Company can terminate the employment relationship at any time, with or without Cause.

(d) EXECUTIVE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT SUBMITTING ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE

FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED;

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NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION;

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

11. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (f) shall be void.

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(g) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(h) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a Section of this Agreement shall mean the corporation that actually employs the Executive.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

ELECTRONICS FOR IMAGING, INC.

EXECUTIVE:

/s/ Guy Gecht

/s/ Eric Saltzman

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Chief Executive Officer

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Eric Saltzman

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into effective as of March 8, 2000, by and between Jan Smith (the "Executive") and Electronics for Imaging, Inc., a Delaware corporation (the "Company").

RECITALS

A. It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other change of control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Executive and can cause the Executive to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes that it is in the best interests of the Company and its stockholders to provide the Executive with an incentive to continue her employment and to motivate the Executive to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

C. The Board believes that it is imperative to provide the Executive with certain benefits upon a Change of Control and, under certain circumstances, upon termination of the Executive's full-time employment in connection with a Change of Control, which benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possibility of a Change of Control.

D. Further, the Board believes that it is in the best interest of the Company and its stockholders to provide additional benefits to the Executive in the event the Executive's employment terminates for any reason other than a Change in Control. Such benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possible termination of employment.

E. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by the Executive, to agree to the terms provided herein.

F. Certain capitalized terms used in the Agreement are defined in Section 6 below.

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Executive by the Company, the parties agree as follows:

1. Duties and Scope of Employment.

(a) Position. The Company shall employ the Executive in the position of Vice President of Human Resources and Corporate Communications, as such position is defined in terms of responsibilities and compensation as of the effective date of this Agreement; provided, however, that the Board of Directors by mutual agreement with the Executive shall have the right, at any time prior to the occurrence of a Change of Control, to revise such responsibilities and compensation. The Executive shall continue to devote her full business efforts and time to the Company and its subsidiaries. The Executive shall comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during her employment. During the term of the Executive's employment with the Company, the Executive shall devote her full-time, skill and attention to her duties and responsibilities, and shall perform them faithfully, diligently and competently, and the Executive shall use her best efforts to further the business of the Company and its affiliated entities. Subject to the Executive's fiduciary duties to the Company, this Agreement shall not prohibit the Executive from serving on the board of directors or any advisory board of



other companies.

## 2. Base Compensation.

(a) Annual Salary. The Company shall pay the Executive as compensation for her services a base salary at an annualized rate that is not less than her base salary as of the effective date of this Agreement (the "Annual Salary"). The Annual Salary may be subject to annual increases as the Board may authorize from time to time in connection with Executive's annual review. The Annual Salary shall be paid periodically in accordance with normal Company payroll procedures. The Annual Salary (together with bonus amounts as specified in Section 2), and any increases in such compensation that the Board of Directors may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) Bonus. In addition to the Annual Salary, the Executive will be eligible to receive an annual bonus under the Company's Executive Bonus Plan as determined by the Board in its discretion.

3. Executive Benefits. The Executive shall be eligible to participate in the employee benefit plans and executive compensation programs maintained by the Company applicable to other key executives of the Company, including (without limitation) retirement plans, savings or profit-sharing plans, stock option, incentive or other bonus plans, life, disability, health, accident and other insurance programs, paid vacations, and similar plans or programs, subject in each case to the generally applicable terms and conditions of the applicable plan or program in question and to the determination of any committee administering such plan or program. In addition, the Executive shall continue to be entitled to receive any other benefits currently received by the Executive such as automobile and car phone allowance benefits.

4. At-Will Employment. The Company and the Executive acknowledge that the Executive's employment is and shall continue to be at-will, as defined under applicable law. If the Executive's employment terminates for any reason, including, without limitation, any termination

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prior to and not in connection with a Change of Control, the Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date that all obligations of the parties hereunder have been satisfied, or (ii) March 8, 2003, or (iii) eighteen (18) months after a Change of Control unless the Executive's employment terminates as a result of Involuntary or Constructive Termination. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement.

## 5. Severance Benefits.

(a) Termination in Connection with a Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time during the period beginning upon the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, and ending eighteen (18) months after a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Involuntary or Constructive Termination. If the Executive's employment terminates as a result of Involuntary or Constructive Termination other than for Cause, then the Executive shall be entitled to receive severance pay in an amount equal to two (2) times the Executive's Base Compensation for the year coinciding with the year of termination, plus an amount equal to the bonus the Executive would have earned had he been employed by the Company at the end of such year multiplied by a fraction (x) the numerator of which is the number of completed months in that year, and (y) the denominator of which is twelve (12) (the "Current Bonus"). Any severance payments except for the Current Bonus to which the Executive is entitled

pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(ii) Voluntary Resignation; Termination For Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination described in subsection 5(a)(i)), or if the Company terminates the Executive's employment for Cause, then the Executive shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing benefit plans at the time of such termination.

(iii) Disability; Death. If the Company terminates the Executive's employment as a result of the Executive's Disability, or such Executive's employment is terminated due to the death of the Executive, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus her Current Bonus, (ii)

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in addition to the Executive's stock options that were exercisable immediately prior to such termination, the vesting of additional options shall accelerate and become exercisable as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such Disability or death. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(b) Termination Apart from Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time, either before the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, or after the 18-month period following a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Voluntary Resignation; Termination for Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination), or if the Company terminates the Executive's employment for Cause, then the Executive shall be entitled to receive severance and any other benefits only as may then be established under the Company's then existing benefit plans at the time of such termination.

(ii) Termination other than Voluntary Resignation or Termination for Cause. In the event the Executive's employment is terminated for any reason (including as a result of the Executive's Disability or due to the death of the Executive) except for termination as described in Section 5(b)(i) above, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus her Current Bonus, (ii) in addition to Executive's stock options that were exercisable immediately prior to such termination, the vesting of additional options shall accelerate and become exercisable by the Executive or the Executive's estate, as the case may be, as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) the same level of health (i.e., medical, vision and dental) coverage and benefits as in effect for the Executive on the day immediately preceding the day of Executive's

termination of employment; provided, however, that (i) the Executive constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. The Company shall continue to provide

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Executive with health coverage until the earlier to occur of (i) the date Executive is no longer eligible to receive continuation coverage pursuant to COBRA, or (ii) eighteen (18) months from the termination date. In addition to the foregoing, Executive shall also be paid such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such termination. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(c) Options. Subject to Section 7 hereof, upon a Change of Control, the unvested portion of any stock option held by the Executive shall automatically be accelerated and the Executive or the Executive's representative, as the case may be, shall have the right to exercise all or any portion of such stock option, in addition to any portion of the option exercisable prior to the Change of Control and in accordance with the Executive's stock option agreement.

6. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean (i) any act of personal dishonesty taken by the Executive in connection with her responsibilities as an employee and intended to result in substantial personal enrichment of the Executive, (ii) committing a felony or an act of fraud against the Company or its affiliates, and (iii) acts by the Executive which constitute gross misconduct, are injurious to the Company, and which are demonstrably willful and deliberate on the Executive's part after there has been delivered to the Executive a written demand of cessation of such acts from the Company which describes the basis for the Company's belief that the Executive has engaged or committed such acts.

(b) Change of Control. "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) A change in the composition of the Board of Directors of the Company occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

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(iii) A merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of

the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(c) Involuntary or Constructive Termination. "Involuntary or Constructive Termination" shall mean (i) without the Executive's express written consent, the assignment to the Executive of any duties or the significant reduction of the Executive's duties, either of which is inconsistent with the Executive's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Executive from such position and responsibilities; (ii) without the Executive's express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the Executive immediately prior to such reduction; (iii) a reduction by the Company in the Base Compensation of the Executive as in effect immediately prior to such reduction; (iv) a material reduction by the Company in the kind or level of employee benefits to which the Executive is entitled immediately prior to such reduction with the result that the Executive's overall benefits package is significantly reduced; (v) the relocation of the Executive to a facility or a location more than 30 miles from the Executive's then present location, without the Executive's express written consent; (vi) any purported termination of the Executive by the Company which is not effected for Disability or for Cause, or any purported termination for which the grounds relied upon are not valid; or (vii) the failure of the Company to obtain the assumption of this agreement by any successors contemplated in Section 8 below.

(d) Disability. "Disability" shall mean that the Executive has been unable to perform her duties under this Agreement as the result of her incapacity due to physical or mental illness, and such inability, at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least 30 days' written notice by the Company of its intention to terminate the Executive's employment. In the event that the Executive resumes the performance of substantially all of her duties hereunder before the termination of her employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

7. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's benefits under this Agreement shall be either:

(i) delivered in full, or

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(ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

Unless the Company and the Executive otherwise agree in writing, any determination required under this Section 7(a) shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"). In the event of a reduction in benefits hereunder, the Executive shall be given the choice of which benefits to reduce. For purposes of making the calculations required by this Section 7(a), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 7(a).

## 8. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, devisees and legatees.

## 9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to her at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

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(b) Notice of Termination. Any termination by the Company shall be communicated by a notice of termination to the other party hereto given in accordance with Section 9 of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than 15 days after the giving of such notice). The failure by the Executive to include in the notice any fact or circumstance which contributes to a showing of Involuntary or Constructive Termination shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing her rights hereunder.

## 10. Arbitration.

(a) Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

(b) The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. Executive hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) Executive understands that nothing in this Section modifies Executive's at-will employment status. Either Executive or the Company can terminate the employment relationship at any time, with or without Cause.

(d) EXECUTIVE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT SUBMITTING ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION

THEREOF TO BINDING ARBITRATION, CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED;

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NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION;

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

#### 11. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (f) shall be void.

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(g) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(h) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the

assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a Section of this Agreement shall mean the corporation that actually employs the Executive.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

ELECTRONICS FOR IMAGING, INC.

EXECUTIVE:

/s/ Guy Gecht

/s/ Jan Smith

-----  
Chief Executive Officer

-----  
Jan Smith

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into effective as of March 8, 2000, by and between Guy Gecht (the "Executive") and Electronics for Imaging, Inc., a Delaware corporation (the "Company").

RECITALS

A. It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other change of control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Executive and can cause the Executive to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes that it is in the best interests of the Company and its stockholders to provide the Executive with an incentive to continue his employment and to motivate the Executive to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

C. The Board believes that it is imperative to provide the Executive with certain benefits upon a Change of Control and, under certain circumstances, upon termination of the Executive's full-time employment in connection with a Change of Control, which benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possibility of a Change of Control.

D. Further, the Board believes that it is in the best interest of the Company and its stockholders to provide additional benefits to the Executive in the event the Executive's employment terminates for any reason other than a Change in Control. Such benefits are intended to provide the Executive with financial security and provide sufficient incentive and encouragement to the Executive to remain with the Company notwithstanding the possible termination of employment.

E. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by the Executive, to agree to the terms provided herein.

F. Certain capitalized terms used in the Agreement are defined in Section 6 below.

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Executive by the Company, the parties agree as follows:

1. Duties and Scope of Employment.

(a) Position. The Company shall employ the Executive in the position of Chief Executive Officer, as such position is defined in terms of responsibilities and compensation as of the effective date of this Agreement; provided, however, that the Board of Directors by mutual agreement with the Executive shall have the right, at any time prior to the occurrence of a Change of Control, to revise such responsibilities and compensation. The Executive shall continue to devote his full business efforts and time to the Company and its subsidiaries. The Executive shall comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during his employment. During the term of the Executive's employment with the Company, the Executive shall devote his full-time, skill and attention to his duties and responsibilities, and shall perform them faithfully, diligently and competently, and the Executive shall use his best efforts to further the business of the Company and its affiliated entities. Subject to the Executive's fiduciary duties to the Company, this Agreement shall not prohibit the Executive from serving on the board of directors or any advisory board of other companies.



## 2. Base Compensation.

(a) Annual Salary. The Company shall pay the Executive as compensation for his services a base salary at an annualized rate that is not less than his base salary as of the effective date of this Agreement (the "Annual Salary"). The Annual Salary may be subject to annual increases as the Board may authorize from time to time in connection with Executive's annual review. The Annual Salary shall be paid periodically in accordance with normal Company payroll procedures. The Annual Salary (together with bonus amounts as specified in Section 2), and any increases in such compensation that the Board of Directors may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) Bonus. In addition to the Annual Salary, the Executive will be eligible to receive an annual bonus under the Company's Executive Bonus Plan as determined by the Board in its discretion.

3. Executive Benefits. The Executive shall be eligible to participate in the employee benefit plans and executive compensation programs maintained by the Company applicable to other key executives of the Company, including (without limitation) retirement plans, savings or profit-sharing plans, stock option, incentive or other bonus plans, life, disability, health, accident and other insurance programs, paid vacations, and similar plans or programs, subject in each case to the generally applicable terms and conditions of the applicable plan or program in question and to the determination of any committee administering such plan or program. In addition, the Executive shall continue to be entitled to receive any other benefits currently received by the Executive such as automobile and car phone allowance benefits.

4. At-Will Employment. The Company and the Executive acknowledge that the Executive's employment is and shall continue to be at-will, as defined under applicable law. If the Executive's employment terminates for any reason, including, without limitation, any termination prior to and not in connection with a Change of Control, the Executive shall not be entitled to any

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payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date that all obligations of the parties hereunder have been satisfied, or (ii) March 8, 2003, or (iii) eighteen (18) months after a Change of Control unless the Executive's employment terminates as a result of Involuntary or Constructive Termination. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement.

## 5. Severance Benefits.

(a) Termination in Connection with a Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time during the period beginning upon the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, and ending eighteen (18) months after a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Involuntary or Constructive Termination. If the Executive's employment terminates as a result of Involuntary or Constructive Termination other than for Cause, then the Executive shall be entitled to receive severance pay in an amount equal to two (2) times the Executive's Base Compensation for the year coinciding with the year of termination, plus an amount equal to the bonus the Executive would have earned had he been employed by the Company at the end of such year multiplied by a fraction (x) the numerator of which is the number of completed months in that year, and (y) the denominator of which is twelve (12) (the "Current Bonus"). Any severance payments except for the Current Bonus to which the Executive is entitled

pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(ii) Voluntary Resignation; Termination For Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination described in subsection 5(a)(i)), or if the Company terminates the Executive's employment for Cause, then the Executive shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing benefit plans at the time of such termination.

(iii) Disability; Death. If the Company terminates the Executive's employment as a result of the Executive's Disability, or such Executive's employment is terminated due to the death of the Executive, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus his Current Bonus, (ii) in addition to the Executive's stock options that were exercisable immediately prior to such

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termination, the vesting of additional options shall accelerate and become exercisable as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such Disability or death. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(b) Termination Apart from Change of Control. Subject to Section 7 below, if the Company terminates the Executive's employment at any time, either before the earlier to occur of (i) the execution of a binding letter of intent regarding a Change of Control, and (ii) ninety (90) days before a Change of Control, or after the 18-month period following a Change of Control, and the Executive signs and does not revoke a standard release of claims with the Company attached hereto as Exhibit A, then the Executive shall be entitled to receive severance benefits as follows:

(i) Voluntary Resignation; Termination for Cause. If the Executive voluntarily resigns from the Company (other than as an Involuntary or Constructive Termination), or if the Company terminates the Executive's employment for Cause, then the Executive shall be entitled to receive severance and any other benefits only as may then be established under the Company's then existing benefit plans at the time of such termination.

(ii) Termination other than Voluntary Resignation or Termination for Cause. In the event the Executive's employment is terminated for any reason (including as a result of the Executive's Disability or due to the death of the Executive) except for termination as described in Section 5(b)(i) above, then the Executive or the Executive's estate, as the case may be, shall be entitled to receive (i) severance pay in an amount equal to one-half (1/2) of the Executive's Base Compensation for the year coinciding with the year of termination plus his Current Bonus, (ii) in addition to Executive's stock options that were exercisable immediately prior to such termination, the vesting of additional options shall accelerate and become exercisable by the Executive or the Executive's estate, as the case may be, as to that number of shares that would have vested if the Executive had remained continuously employed for a period of six (6) months following such termination (and if any of such options vest on an annual basis, the appropriate credit shall be given as if the vesting accrued monthly), and such options shall remain exercisable for the period prescribed in Executive's stock option agreements, and (iii) the same level of health (i.e., medical, vision and dental) coverage and benefits as in effect for the Executive on the day immediately preceding the day of Executive's

termination of employment; provided, however, that (i) the Executive constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. The Company shall continue to provide Executive with health coverage until the earlier to occur of (i) the date Executive is no longer

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eligible to receive continuation coverage pursuant to COBRA, or (ii) eighteen (18) months from the termination date. In addition to the foregoing, Executive shall also be paid such other benefits (if any) as may then be established under the Company's then existing benefit plans at the time of such termination. Any severance payments except for the Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the Executive's termination. The Current Bonus to which the Executive is entitled pursuant to this Section shall be paid in a lump sum within thirty (30) days of the date that the Company's audit is complete for such year.

(c) Options. Subject to Section 7 hereof, upon a Change of Control, the unvested portion of any stock option held by the Executive shall automatically be accelerated and the Executive or the Executive's representative, as the case may be, shall have the right to exercise all or any portion of such stock option, in addition to any portion of the option exercisable prior to the Change of Control and in accordance with the Executive's stock option agreement.

6. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean (i) any act of personal dishonesty taken by the Executive in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Executive, (ii) committing a felony or an act of fraud against the Company or its affiliates, and (iii) acts by the Executive which constitute gross misconduct, are injurious to the Company, and which are demonstrably willful and deliberate on the Executive's part after there has been delivered to the Executive a written demand of cessation of such acts from the Company which describes the basis for the Company's belief that the Executive has engaged or committed such acts.

(b) Change of Control. "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) A change in the composition of the Board of Directors of the Company occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

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(iii) A merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the total voting power represented by the voting securities of the Company or

such surviving entity outstanding immediately after such merger or consolidation.

(c) Involuntary or Constructive Termination. "Involuntary or Constructive Termination" shall mean (i) without the Executive's express written consent, the assignment to the Executive of any duties or the significant reduction of the Executive's duties, either of which is inconsistent with the Executive's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Executive from such position and responsibilities; (ii) without the Executive's express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the Executive immediately prior to such reduction; (iii) a reduction by the Company in the Base Compensation of the Executive as in effect immediately prior to such reduction; (iv) a material reduction by the Company in the kind or level of employee benefits to which the Executive is entitled immediately prior to such reduction with the result that the Executive's overall benefits package is significantly reduced; (v) the relocation of the Executive to a facility or a location more than 30 miles from the Executive's then present location, without the Executive's express written consent; (vi) any purported termination of the Executive by the Company which is not effected for Disability or for Cause, or any purported termination for which the grounds relied upon are not valid; or (vii) the failure of the Company to obtain the assumption of this agreement by any successors contemplated in Section 8 below.

(d) Disability. "Disability" shall mean that the Executive has been unable to perform his duties under this Agreement as the result of his incapacity due to physical or mental illness, and such inability, at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least 30 days' written notice by the Company of its intention to terminate the Executive's employment. In the event that the Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

7. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's benefits under this Agreement shall be either:

(i) delivered in full, or

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(ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

Unless the Company and the Executive otherwise agree in writing, any determination required under this Section 7(a) shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"). In the event of a reduction in benefits hereunder, the Executive shall be given the choice of which benefits to reduce. For purposes of making the calculations required by this Section 7(a), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 7(a).

8. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, devisees and legatees.

#### 9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

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(b) Notice of Termination. Any termination by the Company shall be communicated by a notice of termination to the other party hereto given in accordance with Section 9 of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than 15 days after the giving of such notice). The failure by the Executive to include in the notice any fact or circumstance which contributes to a showing of Involuntary or Constructive Termination shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

#### 10. Arbitration.

(a) Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

(b) The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. Executive hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) Executive understands that nothing in this Section modifies Executive's at-will employment status. Either Executive or the Company can terminate the employment relationship at any time, with or without Cause.

(d) EXECUTIVE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT SUBMITTING ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A

JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED;

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NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION;

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

#### 11. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (f) shall be void.

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(g) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(h) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In

the case of any such assignment, the term "Company" when used in a Section of this Agreement shall mean the corporation that actually employs the Executive.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

ELECTRONICS FOR IMAGING, INC.

EXECUTIVE:

/s/ Dan Avida

/s/ Guy Gecht

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Chairman of the Board

-----  
Guy Gecht

EXECUTION COPY

MASTER LEASE

THIS DOCUMENT SECURES FUTURE ADVANCES

Dated as of December 29, 1999

between

ELECTRONICS FOR IMAGING, INC.,  
as the Lessee,

and

SOCIETE GENERALE FINANCIAL CORPORATION,  
as the Lessor.

This Master Lease is subject to a lien in favor of the Lender under the Loan Agreement. This Master Lease has been executed in several counterparts. To the extent, if any, that this Master Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no lien on this Master Lease may be created through the transfer or possession of any counterpart other than the original counterpart containing the receipt therefor executed by SOCIETE GENERALE, acting through its New York Branch, as the Lender, on or following the signature page hereof.

This counterpart is not the original counterpart.

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MASTER LEASE

THIS DOCUMENT SECURES FUTURE ADVANCES

THIS MASTER LEASE (this "Master Lease"), dated as of December 29, 1999, between SOCIETE GENERALE FINANCIAL CORPORATION, a Delaware corporation, as Lessor (in such capacity, the "Lessor") and ELECTRONICS FOR IMAGING, INC., a Delaware corporation, as Lessee (in such capacity, the "Lessee").

W I T N E S S E T H:

WHEREAS, pursuant to the Participation Agreement dated as of the date hereof (as amended, modified, restated or supplemented from time to time, the "Participation Agreement"), among the Lessee, as Lessee and Construction Agent, the Lessor and Societe Generale, acting through its New York Branch, as Lender (the "Lender") under the Loan Agreement, the Lender and the Lessor have agreed to finance the Construction of Improvements on the Properties;

WHEREAS, the Lessor, on each Funding Date, will finance the Construction of Improvements on the Properties;

WHEREAS, the Lessee, as Construction Agent for the Lessor, will cause the Construction of said Improvements to be effected on the Properties;

WHEREAS, the Lessor desires to lease to the Lessee, and the Lessee desires to lease from the Lessor, the Lessor's interest in the Land and the Improvements constructed thereon; and

WHEREAS, each Property will be subject to the terms of this Master Lease;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

I.1 Definitions; Interpretation. Capitalized terms used but not otherwise defined in this Master Lease have the respective meanings specified in

Appendix A to this Master Lease (as the same may be amended, supplemented, amended and restated or otherwise modified from time to

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time, "Appendix A to this Master Lease"); and the rules of interpretation set forth in Appendix A to this Master Lease shall apply to this Master Lease.

## ARTICLE II

### MASTER LEASE

II.1 Acceptance and Lease of Property. Subject to the conditions set forth in the Participation Agreement, including without limitation the satisfaction or waiver of the conditions set forth in Article VI thereof, the Lessor hereby covenants and agrees to acquire a leasehold interest in and simultaneously to lease to the Lessee hereunder and under the Lease Supplements for the Lease Term, the Lessor's interest in the Land together with any Improvements which thereafter may be constructed on such Land pursuant to the Construction Agency Agreement or this Master Lease, and the Lessee hereby agrees, expressly for the direct benefit of the Lessor, to lease from the Lessor for the Lease Term, the Lessor's interest in such Parcels of Land and in such Improvements together with any Improvements so acquired by Lessor, which thereafter may be constructed on such Land pursuant to the Construction Agency Agreement and this Master Lease.

II.2 Acceptance Procedure. The Lessee hereby agrees that the execution and delivery by the Lessee on each applicable Funding Date of an appropriately completed Lease Supplement in the form of Exhibit A-1 hereto covering any Property shall, without further act, constitute the acceptance by the Lessee of the Property which is the subject of such Lease Supplement for all purposes of this Master Lease and the other Operative Documents on the terms set forth therein and herein.

II.3 Lease Term. Unless otherwise specified in the Lease Supplement, the Basic Lease Term (the "Basic Lease Term") of this Master Lease with respect to any Property shall begin on the Completion Date for such Property and shall end on the Expiration Date. In the event the Basic Lease Term commences on any day other than the day following the last day of the then effective Interest Period, the Lessee shall pay any Break Costs associated with the early termination of the Interest Period.

II.4 Title. Each Property is leased to the Lessee without any representation or warranty, express or implied, by the Lessor and subject to the rights of parties in possession, the existing state of title (including, without limitation, all Liens other than Lessor Liens) and all applicable Requirements of Law. The Lessee shall in no event have any recourse against the Lessor for any defect in or exception to title to any Property other than resulting from Lessor Liens.

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## ARTICLE III

### PAYMENT OF RENT

#### III.1 Rent.

(a) During the Basic Lease Term for a Property, the Lessee shall pay Basic Rent for such Property to the Lessor on each Basic Rent Payment Date, on the date required under Section 20.1(g) in connection with the Lessee's exercise of the Remarketing Option and on any date on which this Master Lease shall terminate with respect to such Property. At least 10 days prior to each Basic Rent Payment Date, the Lessor shall deliver to the Lessee a notice of the amount of the Basic Rent due on such date (the "Invoice"). For the purposes of this Section 3.1, delivery of the Invoice by facsimile transmission, receipt confirmed, will be sufficient.

(b) The Lessee's inability or failure to take possession of

all or any portion of any Property upon Completion shall not delay or otherwise affect the Lessee's obligation to pay Rent for such Property in accordance with the terms of this Master Lease.

III.2 Payment of Rent. Rent shall be paid absolutely net to each Person entitled thereto, so that this Master Lease shall yield to such Person the full amount thereof, without setoff, deduction or reduction.

III.3 Supplemental Rent. The Lessee shall pay to the Lessor or any other Person entitled thereto any and all Supplemental Rent promptly as the same shall become due and payable, and if the Lessee fails to pay any Supplemental Rent, the Lessor and such other Persons entitled to the receipt of such payment shall have all rights, powers and remedies provided for herein or by law or equity or otherwise. The Lessee shall pay to the Lessor, as Supplemental Rent, among other things, on demand, to the extent permitted by applicable Requirements of Law, interest at the applicable Overdue Rate on any installment of Basic Rent not paid when due for the period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded by the Lessor for the period from the due date or the date of any such demand, as the case may be, until the same shall be paid. The expiration or other termination of the Lessee's obligations to pay Basic Rent hereunder shall not limit or modify the obligations of the Lessee with respect to Supplemental Rent. Unless expressly provided otherwise in this Master Lease, in the event of any failure on the part of the Lessee to pay and discharge any Supplemental Rent as and when due, the Lessee shall also promptly pay and discharge any fine, penalty, interest or cost which may be assessed or added under any agreement to which Lessee is a party or which is authorized in writing by the Lessee with a third party for nonpayment or late payment of such Supplemental Rent, all of which shall also constitute Supplemental Rent.

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III.4 Method of Payment. Each payment of Rent payable by the Lessee to the Lessor under this Lease or any other Operative Document shall be made by the Lessee to the Lender as assignee of the Lessor under the Assignment of Lease (or, if all Loans and all other amounts owing to the Lender under the Loan Agreement and the other Operative Documents have been paid in full and all Commitments of the Lender have been permanently terminated, to the Lessor) prior to 2:00 p.m., New York City time, to the Account in immediately available funds consisting of lawful currency of the United States of America on the date when such payment shall be due. Payments received after 2:00 p.m., New York City time, on the date due shall for the purpose of Section 16.1 hereof be deemed received on such day; provided, however, that for the purposes of the second sentence of Section 3.3 hereof, such payments shall be deemed received on the next succeeding Business Day and, unless the Lender (or the Lessor, as applicable) is otherwise able to invest or employ such funds on the date received, subject to interest at the Overdue Rate as provided in such Section 3.3.

III.5 Certain Payments. Payments of Basic Rent, Supplemental Rent and other amounts hereunder are, as applicable, subject to netting and offset as provided pursuant to Section 7.12 of the Participation Agreement.

#### ARTICLE IV

##### QUIET ENJOYMENT; RIGHT TO INSPECT

IV.1 Quiet Enjoyment. Subject to Sections 2.4 and 4.2, and subject to the rights of the Lessor contained in Article XV and the other terms of the Operative Documents to which the Lessee is a party, the Lessee shall peaceably and quietly have, hold and enjoy the Property for the Lease Term, free of any claim or other action by the Lessor or anyone claiming by, through or under the Lessor (other than the Lessee) with respect to any matters arising from and after the applicable Completion Date. Such right of quiet enjoyment is independent of, and shall not affect the Lessor's rights otherwise to initiate legal action to enforce the obligations of the Lessee under this Master Lease.

IV.2 Right to Inspect. During the Lease Term, the Lessee shall upon reasonable notice from the Lessor, permit the Lessor, the Lender, and their respective authorized representatives to inspect any Property subject to this Master Lease during normal business hours, provided that such inspections shall

not unreasonably interfere with the Lessee's business operations at such Property.

#### ARTICLE V

#### NET LEASE, ETC.

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V.1 Net Lease. This Master Lease shall constitute a net lease. Any present or future law to the contrary notwithstanding, this Master Lease shall not terminate, nor shall the Lessee be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense with respect to the Rent, nor shall the obligations of the Lessee hereunder be affected (except as expressly herein permitted and by performance of the obligations in connection therewith) by reason of: (i) any defect in the condition, merchantability, design, construction, quality or fitness for use of any Property or any part thereof, or the failure of any Property to comply with all Requirements of Law, including any inability to occupy or use such Property by reason of such non-compliance; (ii) any damage to, removal, abandonment, salvage, loss, contamination of or Release from, scrapping or destruction of or any requisition or taking of any Property or any part thereof; (iii) any restriction, prevention or curtailment of or interference with the construction on or any use of any Property or any part thereof including eviction; (iv) any defect in title to or rights to any Property or any Lien on such title or rights or on any Property (other than Lessor Liens); (v) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by the Lessor or the Lender; (vi) to the extent permitted by Applicable Law, any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to the Lessee, the Lessor, the Lender or any other Person, or any action taken with respect to this Master Lease by any trustee or receiver of the Lessee, the Lessor, the Lender or any other Person, or by any court, in any such proceeding; (vii) any claim that the Lessee has or might have against any Person, including without limitation the Lessor, the Lender, or any vendor, manufacturer, contractor of or for any Property; (viii) any failure on the part of the Lessor to perform or comply with any of the terms of this Master Lease (other than performance by the Lessor of its obligations set forth in Section 2.1 hereof), of any other Operative Document or of any other agreement; (ix) any invalidity or unenforceability or illegality or disaffirmance of this Master Lease against or by the Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof; (x) the impossibility or illegality of performance by the Lessee, the Lessor or both; (xi) any action by any court, administrative agency or other Governmental Authority; or (xii) any other cause or circumstances whether similar or dissimilar to the foregoing and whether or not the Lessee shall have notice or knowledge of any of the foregoing. The Lessee's agreement in the preceding sentence shall not affect any claim, action or right the Lessee may have against the Lessor or any other Participant, and notwithstanding the foregoing provisions, nothing contained in this Section 5.1 shall provide Lessor with any right to payment by the Lessee with respect to any Property prior to the Completion Date for such Property which is contrary to Lessor's rights under the Construction Agency Agreement including the limitations set forth in Section 5.4 thereof; it being the express intention of the parties to this Master Lease that Lessee shall have no liability hereunder with respect to any Construction Period Property. The parties intend that the obligations of the Lessee hereunder shall be covenants and agreements that are separate and independent from any obligations of the Lessor hereunder or under any other Operative Documents and the obligations of the Lessee shall continue unaffected unless such obligations

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shall have been modified or terminated in accordance with an express provision of this Master Lease.

V.2 No Termination or Abatement. The Lessee shall remain obligated under this Master Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Master Lease (except as provided herein), notwithstanding any action for bankruptcy, insolvency, reorganization, liquidation, dissolution, or other proceeding affecting the Lessor or any

Participant, or any action with respect to this Master Lease which may be taken by any trustee, receiver or liquidator of the Lessor or any Participant or by any court with respect to the Lessor or any Participant. The Lessee hereby waives all right to terminate or surrender this Master Lease (except as provided herein) or except as a consequence of a reduction in the Lease Balance as a result of Casualty or Condemnation proceeds pursuant to the terms of Section 14.1 of this Master Lease, or as a result of a purchase of any or all of the Properties pursuant to Section 18.1 of this Master Lease, to avail itself of any abatement, suspension, deferment, reduction, setoff, counterclaim or defense with respect to the Lease Balance. The Lessee shall remain obligated under this Master Lease in accordance with its terms and the Lessee hereby waives any and all rights now or hereafter conferred by statute or otherwise to modify or to avoid strict compliance with its obligations under this Master Lease and the Operative Documents. Notwithstanding any such statute or otherwise, the Lessee shall be bound by all of the terms and conditions contained in this Master Lease.

## ARTICLE VI

### SUBLEASES

VI.1 Subletting. (a) The Lessee may from time to time, sublease any Property or any portion thereof to any Person and extend, modify or renew any sublease without the approval of Lessor or Lender; provided, however, that: (i) no sublease or other relinquishment of possession of any Property shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder, and the Lessee shall remain directly and primarily liable under this Master Lease as to the Properties, or portion thereof, so sublet and (ii) each sublease to an Affiliate of the Lessee shall be made subject and subordinate to this Master Lease and to the rights of the Lessor hereunder.

(b) Lessor hereby agrees, that, in the event of the early termination of this Master Lease from any cause whatsoever, and while any sublease is in full force and effect, such termination of this Master Lease shall not act as a merger or other termination of such sublease, and Lessee's interest as sublessor in such sublease shall be deemed automatically assigned, transferred, and conveyed to Lessor; and, from and after such termination, Lessor shall be bound by the provisions of the sublease then in full force and effect on the part of the Lessee, as sublessor; and that the sublessee shall be deemed thereupon and without further act to have attorned to Lessor.

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It is the intention hereof to provide that the termination of this Lease while such sublease is in full force and effect shall not, in any way, by reason thereof, terminate such sublease or affect the rights of such sublessee. The foregoing is subject to the right of Lessee (or Lessor, if this Master Lease has terminated) to terminate any sublease which is in default (notice thereof, if any required, having been given and the time for curing such default having expired) and any other rights and remedies reserved to Lessee in such sublease, and any other rights and remedies afforded to a lessor of real property against a defaulting lessee.

## ARTICLE VII

### LESSEE ACKNOWLEDGMENTS

VII.1 Condition of the Properties. THE LESSEE ACKNOWLEDGES AND AGREES THAT ALTHOUGH THE LESSOR WILL OWN AND HOLD TITLE TO THE IMPROVEMENTS, THE LESSEE, ACTING AS CONSTRUCTION AGENT, IS SOLELY RESPONSIBLE UNDER THE TERMS OF THE CONSTRUCTION AGENCY AGREEMENT FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE IMPROVEMENTS AND ANY ALTERATIONS OR MODIFICATIONS. THE LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT IT IS LEASING EACH PROPERTY AND EACH OF THE IMPROVEMENTS CONSTRUCTED THEREON "AS IS" WITHOUT REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) BY THE LESSOR OR THE LENDER AND IN EACH CASE SUBJECT TO (A) THE EXISTING STATE OF TITLE (EXCLUDING LESSOR LIENS), (B) THE RIGHTS OF ANY PARTIES IN POSSESSION THEREOF, (C) ANY STATE OF FACTS WHICH AN ACCURATE SURVEY OR PHYSICAL INSPECTION MIGHT SHOW, AND (D) VIOLATIONS OF REQUIREMENTS OF LAW WHICH MAY EXIST ON THE DATE HEREOF. NEITHER THE LESSOR NOR THE LENDER HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) OR SHALL BE DEEMED TO HAVE ANY LIABILITY

WHATSOEVER AS TO THE TITLE (OTHER THAN FOR LESSOR LIENS), VALUE, HABITABILITY, USE, CONDITION, DESIGN, OPERATION, OR FITNESS FOR USE OF ANY PROPERTY (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT (EXCEPT SECTION 4.1 HEREOF) WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY PROPERTY (OR ANY PART THEREOF) AND NEITHER THE LESSOR NOR THE LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN (OTHER THAN FOR LESSOR LIENS) OR THE FAILURE OF ANY PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY REQUIREMENT OF LAW.

VII.2 Risk of Loss. Subject to the terms of Section 14.1 of this Master Lease, during the Lease Term the risk of loss of or decrease in the enjoyment and beneficial use of the Properties

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as a result of the damage or destruction thereof by fire, earthquake, the elements, casualties, thefts, riots, wars or otherwise is assumed by the Lessee, and except for loss or damages arising from the gross negligence or willful misconduct of Lessor or Lender or their respective agents, employees or contractors, neither the Lessor nor the Lender shall in any event be answerable or accountable to Lessee therefor.

#### ARTICLE VIII

##### POSSESSION AND USE OF THE PROPERTIES, ETC.

VIII.1 Utility Charges. The Lessee shall pay or cause to be paid all charges for electricity, power, gas, oil, water, telephone, sanitary sewer service and all other rents and utilities used in or on the Properties during the Lease Term. The Lessee shall be entitled to receive any credit or refund with respect to any utility charge paid by the Lessee and the amount of any credit or refund received by the Lessor on account of any utility charges paid by the Lessee, net of the costs and expenses reasonably incurred by the Lessor in obtaining such credit or refund, shall be promptly paid over to the Lessee.

VIII.2 Possession and Use of the Property. After the Completion Date for each Property, each Property shall be used in a manner consistent with this Master Lease for any lawful purpose in accordance with Applicable Law now or hereafter in effect; provided, that such use does not (i) result in a diminution in the value of the Property from that projected in the original Appraisal delivered with respect to such Property or (ii) violate any restriction with respect to Hazardous Materials as they relate to such Property pursuant to the Operative Documents. The Lessee shall pay, or cause to be paid, all charges and costs required in connection with the use of the Properties as contemplated by this Master Lease. The Lessee shall not commit or permit any waste of the Properties or any part thereof.

VIII.3 Compliance with Requirements of Laws and Insurance Requirements. Subject to the terms of Article XII relating to permitted contests, the Lessee, at its sole cost and expense, shall (a) comply in all material respects with all Requirements of Law (including all Hazardous Materials Laws) and Insurance Requirements relating to the Properties, including the use, construction, operation, maintenance, repair and restoration thereof and the remarketing thereof pursuant to Article XX, whether or not compliance therewith shall require structural or extraordinary changes in the Improvements or interfere with the use and enjoyment of the Properties, and (b) procure, maintain and comply with all licenses, permits, orders, approvals, consents and other authorizations required for the construction, use, maintenance and operation of the Properties and for the use, operation, maintenance, repair and restoration of the Improvements. Notwithstanding the preceding sentence, the Lessee shall be deemed to be in compliance with all Hazardous Materials Laws for purposes of this Master Lease notwithstanding any Environmental Violation if the severity of such Environmental Violation is less

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than Federal, state or local standards requiring remediation or removal or, if such standards are exceeded, remediation or removal is proceeding in accordance with all applicable Hazardous Materials Laws.



VIII.4 Assignment by Lessee. The Lessee may not assign this Master Lease or any of its rights or obligations hereunder in whole or in part to any Person. Notwithstanding the foregoing sentence, the Lessee may, so long as no Event of Default has occurred and is continuing or would result therefrom, upon prior written notice to each of the Lessor and the Lender, assign this Master Lease and all of the Lessee's rights and obligations hereunder to an Affiliate of the Lessee pursuant to an assignment and assumption agreement and such other documentation, including opinions of counsel, all in form and substance reasonably satisfactory to the Lessor and the Lender; provided, that, in any event of such assignment, the Lessee shall deliver a guaranty of such Affiliate's obligation hereunder in form and substance and in all respects satisfactory to the Lessor and the Lender.

## ARTICLE IX

### MAINTENANCE AND REPAIR; RETURN

#### IX.1 Maintenance and Repair; Return.

(a) From and after the Completion Date for a Property, the Lessee, at its sole cost and expense, shall maintain such Property in good condition (ordinary wear and tear excepted) and make all necessary repairs thereto, of every kind and nature whatsoever, whether interior or exterior, ordinary or extraordinary, structural or nonstructural or foreseen or unforeseen, in each case as required by all Requirements of Law and Insurance Requirements and in no event less than the standards applied by the Lessee in the operation and maintenance of other comparable properties owned or leased by the Lessee or its Affiliates.

(b) The Lessor shall under no circumstances be required to build any improvements on any Property, make any repairs, replacements, alterations or renewals of any nature or description to any Property, make any expenditure whatsoever in connection with this Master Lease (other than for Advances made in accordance with and pursuant to the terms of the Participation Agreement and the Construction Agency Agreement) or maintain any Property in any way. The Lessee waives any right to (i) require the Lessor to maintain, repair, or rebuild all or any part of any Property or (ii) make repairs at the expense of the Lessor pursuant to any Requirement of Law, Insurance Requirement, contract, agreement, or covenant, condition or restriction in effect at any time during the Lease Term.

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(c) The Lessee shall, upon the expiration or earlier termination of this Master Lease with respect to any Property (other than as a result of the Lessee's purchase of such Property from the Lessor as provided herein), vacate and surrender such Property to the Lessor in its then-current, "AS IS" condition, without any express or implied warranty subject to the Lessee's obligations under Sections 8.3, 9.1(a), 10.1, 11.1, 14.1, 14.2 and 20.1. Title to all improvements, furnishings, furniture, fixtures and any personal property of the Lessee which were not funded by the Lessor and the Lender pursuant to the Participation Agreement, located on or about a Property whether or not affixed to the realty, shall, subject to the following sentence, be and remain the property of the Lessee throughout the Lease Term, and at any time during the Lease Term, and within thirty (30) days following the expiration or earlier termination date, may be removed by the Lessee or, at the Lessee's election surrendered with the Property, in which event title to such surrendered property shall, if the Lessor so elects, be deemed transferred to the Lessor. Notwithstanding the foregoing, any fixture constituting part of the Property which is required by Applicable Law or which cannot be removed without causing Material damage to or the diminution in the Fair Market Sales Value of the applicable Property shall at all times remain part of the Property.

## ARTICLE X

## MODIFICATIONS, ETC.

X.1 Modifications, Substitutions and Replacements. During the Lease Term, the Lessee, at its sole cost and expense, may at any time and from time to time make alterations, renovations, improvements and additions to any Property or any part thereof and substitutions and replacements therefor (collectively, "Modifications"); provided, however, that:

(i) except for any Modification required to be made pursuant to a Requirement of Law (a "Required Modification"), no Modification shall adversely affect the Fair Market Sales Value of such Property below the Property Balance of such Property as a whole following the completion of such Modification;

(ii) such Modifications shall be (and shall be done in a manner) consistent with the Plans and Specifications for such Property;

(iii) such Modifications shall comply with Sections 8.3 and 9.1(a); and

(iv) the Lessee shall have provided notice to the Lessor of any structural Modification the cost of which exceeds 10% of the Improvements Budget for such Property.

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All Modifications shall remain part of the realty and shall be subject to this Master Lease; provided, however, that Modifications that (x) are not Required Modifications, (y) were not financed by the Participants and (z) can be removed without causing material damage to or diminution in the Fair Market Sales Value of the Property below the Property Balance shall be the property of the Lessee or other third party and may be removed by Lessee during the Lease Term and up to 30 days following the expiration or earlier termination thereof and shall not be subject to this Master Lease. The Lessee may place upon the Properties any trade fixtures, machinery, equipment, inventory or other property belonging to the Lessee or third parties and may remove the same, subject, however, to the terms of Section 9.1(a); provided, however, that such trade fixtures, machinery, equipment, inventory or other property can be removed without causing material damage to or diminution in the Fair Market Sales Value of the Property below the Property Balance; provided, further, however, that the Lessee shall keep and maintain at the Properties and shall not remove from the Properties any Equipment financed or otherwise paid for by the Participants pursuant to the Participation Agreement.

## ARTICLE XI

### WARRANT OF TITLE; EASEMENTS

#### XI.1 Warrant of Title.

(a) The Lessee agrees that except as otherwise provided herein and subject to the terms of Article 12 relating to permitted contests, the Lessee shall not directly or indirectly create or allow to remain, and shall (subject to the limitations of Section 5.4 of the Construction Agency Agreement which shall apply to Lessee's liability under this Section 11.1 prior to the Completion Date) promptly discharge at its sole cost and expense, any Lien (other than any Lessor Lien or any Permitted Property Lien), defect, attachment, levy, title retention agreement or claim upon any Property or any Lien, attachment, levy or claim with respect to the Rent or with respect to any amounts held by the Lessor or the Lender pursuant to the Loan Agreement or the other Operative Documents, other than Permitted Property Liens and Liens on machinery, equipment, general intangibles and other personal property not financed by the proceeds of the Loans or the Lessor Amounts.

(b) Nothing contained in this Master Lease shall be construed as constituting the consent or request of the Lessor or any other Participant, expressed or implied, to or for the performance by any

contractor, mechanic, laborer, materialman, supplier or vendor of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to any Property or any part thereof. NOTICE IS HEREBY GIVEN THAT NEITHER THE LESSOR NOR THE LENDER IS

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OR SHALL BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO THE LESSEE, OR TO ANYONE HOLDING A PROPERTY OR ANY PART THEREOF THROUGH OR UNDER THE LESSEE, AND THAT NO MECHANIC'S OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF THE LESSOR OR THE LENDER IN AND TO ANY PROPERTY.

XI.2 Grants and Releases of Easements; Lessor's Waivers.

(a) Provided that no Lease Event of Default shall have occurred and be continuing, and subject to the provisions of Articles VII, IX and X and Section 8.3, the Lessor hereby consents in each instance to the following actions by the Lessee as the Lessor's agent, and the Lessor hereby appoints the Lessee the Lessor's attorney-in-fact, with full authority in the place and stead of the Lessor to take such action or actions from time to time during the Lease Term, but at the Lessee's sole cost and expense: (i) the granting of easements, licenses, rights-of-way and other rights and privileges in the nature of easements reasonably necessary or desirable for the use, repair, or maintenance of any Property as herein provided; (ii) the release of existing easements or other rights in the nature of easements which are for the benefit of any Property; (iii) if required by applicable Governmental Authority in connection with the Construction, the dedication or transfer of unimproved portions of any Property for road, highway or other public purposes; (iv) the imposition of and the execution of amendments to any covenants and restrictions; (v) the filing and processing of Site Development Permit Amendments, Parcel Maps, Tentative Maps, Development Agreements and any and all other permit applications, authorizations, entitlement, agreements with any government or regulatory agency or amendments thereof, or other documents reasonably required or beneficial for construction or Modification of the Improvements, or amendments to Permitted Property Liens or governmental permits or approvals affecting any Property; and (vi) the execution and filing of tract or parcel maps subdividing the Land into lots or parcels or reconfiguring existing lots or parcels; provided, however, that in each case (A) such grant, release, dedication, transfer, imposition or amendment does not reduce the Fair Market Sales Value of the applicable Property, (B) such grant, release, dedication, transfer or amendment that in the Lessee's judgment is reasonably necessary or beneficial in connection with the use, maintenance, alteration or improvement of the applicable Property, (C) such grant, release, dedication, transfer, imposition or amendment will not cause the applicable Property or any portion thereof to fail to comply with the provisions of this Master Lease or any other Operative Documents and all Requirements of Law (including, without limitation, all applicable zoning, planning, building and subdivision ordinances, all applicable restrictive covenants and all applicable architectural approval requirements); (D) any and all governmental consents or approvals required prior to such grant, release, dedication, transfer, imposition, annexation or amendment have been obtained, and any and all filings required prior to

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such action have been made; (E) the Lessee shall remain obligated under this Master Lease and under any instrument executed by the Lessee consenting to the assignment of the Lessor's interests in this Master Lease as security for indebtedness, in each such case in accordance with their terms, substantially as though such grant, release, dedication, transfer or amendment had not been effected and (F) the Lessee shall pay and perform any obligations of the Lessor under such grant, release, dedication, transfer, imposition or amendment. Without limiting the effectiveness of the foregoing, the Lessor shall, upon the request of the Lessee, and at the Lessee's sole cost and expense,

execute and deliver any instruments necessary or appropriate to confirm any such grant, release, dedication, transfer, imposition or amendment to any Person permitted under this Section 11.2(a) including landlord waivers with respect to any of the foregoing.

(b) The Lessor acknowledges the Lessee's (and any permitted sublessee's) right to finance and to secure under the Uniform Commercial Code, inventory, furnishings, furniture, equipment, machinery, leasehold improvements and other personal property located at the Properties other than Equipment, and the Lessor agrees to execute Lessor waiver forms and release of Lessor Liens in favor of any purchase money seller, lessor or lender which has financed or may finance in the future such items.

## ARTICLE XII

### PERMITTED CONTESTS

XII.1 Permitted Contests in Respect of Applicable Law Other Than Impositions. Except to the extent otherwise provided in Section 13.5(b) of the Participation Agreement regarding Taxes and other Impositions, if, to the extent and for so long as (a) a test, challenge, appeal or proceeding for review of any Applicable Law relating to any Property shall be prosecuted diligently and in good faith in appropriate proceedings by the Lessee or (b) compliance with such Applicable Law shall have been excused or exempted by a valid nonconforming use, variance permit, waiver, extension or forbearance, the Lessee shall not be required to comply with such Applicable Law but only if and so long as any such test, challenge, appeal, proceeding, waiver, extension, forbearance or noncompliance shall not, in the reasonable opinion of the Lessor and the Lender, involve (A) any risk of criminal liability being imposed on the Lessor or the Lender or (B) any risk of (1) foreclosure, forfeiture or loss of such Property, or any material part thereof, or (2) the nonpayment of Rent or (C) any substantial risk of (1) the sale of, or the creation of any Lien (other than a Permitted Property Lien) on, any part of such Property, (2) civil liability being imposed on the Lessor, the Lender, or such Property, or (3) enjoinder of, or interference with, the use, possession or disposition of such Property in any material respect. Lessor, at Lessee's sole cost and expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in connection with any such permitted contest.

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The Lessor will not be required to join in any proceedings pursuant to this Section 12.1 unless a provision of any Applicable Law requires that such proceedings be brought by or in the name of the Lessor; and in that event the Lessor will join in the proceedings or permit them or any part thereof to be brought in its name if and so long as (i) the Lessee has not elected the Remarketing Option and (ii) the Lessee pays all related expenses and indemnifies the Lessor and the Lender with respect to such proceedings.

## ARTICLE XIII

### INSURANCE

XIII.1 Public Liability and Workers' Compensation Insurance.

(a) During the Lease Term, the Lessee shall procure and carry, at the Lessee's sole cost and expense, commercial general liability insurance for claims for injuries or death sustained by persons or damage to property while on the Properties and such other public liability coverages as are ordinarily procured by the Lessee or its Affiliates who own or operate similar properties, but in any case shall provide liability coverage of at least \$2,000,000 per person and \$1,000,000 for property damage per occurrence. Such insurance shall be on terms and in amounts that are no less favorable than insurance maintained by the Lessee or such Affiliates with respect to similar properties that they own and that are in accordance with normal industry practice. The policy shall be endorsed to include the Lessor and the Lender as additional insureds. The policy shall also specifically provide that the policy shall be considered primary insurance which shall apply to any loss or claim before any contribution by any insurance which the Lessor or the Lender may have in force.

(b) During the Basic Lease Term, the Lessee shall have the right to self-insure with respect to any of the insurance required under this Master Lease so long as (i) the Lessee is a publicly traded domestic corporation whose stock is traded on a nationally recognized exchange; (ii) the Lessee has not assigned this Master Lease; (iii) the Lessee maintains a consolidated net worth (determined as provided in Section 10.2.1 of the Participation Agreement) of at least \$400 million according to its most recent audited financial statement; and (iv) the Lessee governs and manages its self-insurance program in a manner consistent with programs managed by prudent businesses whose stock is publicly traded on nationally recognized exchanges. Upon request, the Lessee shall supply the Lessor from time to time with evidence reasonably satisfactory to the Lessor of the Lessee's net worth and the satisfaction of the condition set forth above. If the Lessee elects to self-insure, the Lessee shall be responsible for losses or liabilities which would have been assumed by the insurance companies which would have issued the insurance required of the Lessee under the Master Lease. The Lessee will notify the Lessor in advance of any period for which it intends to self-insure and shall provide Lessor with satisfactory evidence that it complies with these requirements in order to give the Lessor an opportunity to confirm the

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satisfaction of the conditions set forth above. For so long as the Lessee self-insures, the Lessee, for applicable periods, shall and does hereby indemnify and hold harmless the Lessor, its officers, directors, agents, employees and representatives from and against all costs, damages, or expenses (including reasonable attorneys' fees) incurred or paid by the Lessor as a result of any claim customarily covered by a broad-form policy of commercial general liability insurance, including a contractual liability endorsement.

#### ARTICLE XIV

##### CASUALTY AND CONDEMNATION; ENVIRONMENTAL MATTERS

###### XIV.1 Casualty and Condemnation.

(a) Subject to the provisions of this Article XIV, if all or a portion of any Property is damaged or destroyed in whole or in part by a Casualty or if the use, access, occupancy, easement rights or title to any Property or any part thereof, is the subject of a Condemnation, then

(i) any insurance proceeds payable with respect to such Casualty shall be paid directly to the Lessee (or if received by the Lessor, shall be paid over to the Lessee) for the sole purpose of reconstruction, refurbishment and repair of such Property; provided, that such reconstruction, refurbishment or repair can be completed prior to the end of the Lease Term; provided, further, that in the event that either (i) such reconstruction, refurbishment or repair cannot be completed prior to the end of the Lease Term or (ii) the Lessee shall elect not to use such proceeds for the reconstruction, refurbishment or repair of such Property, then all such insurance proceeds payable with respect to such Casualty shall be paid to the Lessor to be applied towards the payment of the Lease Balance in accordance with Section 7.2 of the Participation Agreement, and

(ii) (x) in the case of a Condemnation (that is not a Significant Condemnation) of any part of any Land (not including the applicable Improvements), any award or compensation relating thereto shall be paid to the Lessee for the sole purpose of restoration of such Property (provided, that such restoration can be completed prior to the end of the Lease Term) or else shall be paid to the Lessor to be applied in the Lessor's and the Lender's reasonable discretion to the partial restoration of such Property or towards the payment of the applicable Lease Balance, and (y) in the case of a Significant Condemnation, such award or compensation shall be paid to the Lessor to be applied in the Lessor's and the Lender's reasonable discretion to the restoration of such Property or

toward the payment of the applicable Lease Balance in accordance with Article VII of the Participation Agreement;

provided, however, that, in each case, if a Lease Event of Default shall have occurred and be continuing, such award, compensation or insurance proceeds shall be paid directly to the Lessor or, if received by the Lessee, shall be held in trust for the Lessor and the Lender, and shall be paid by the Lessee to the Account to be distributed in accordance with Article VII of the Participation Agreement. All amounts held by the Lessor or the Lender when a Lease Event of Default exists hereunder on account of any award, compensation or insurance proceeds either paid directly to the Lessor or the Lender or turned over to the Lessor or the Lender shall at the option of the Lessor either be (i) paid to the Lessee for the repair of damage caused by such Casualty or Condemnation in accordance with clause (d) of this Section 14.1, or (ii) applied to the repayment of the Lease Balance of such Property on the Termination Date with respect to such Property in accordance with Article XV.

(b) The Lessee may appear in any proceeding or action to negotiate, prosecute, adjust or appeal any claim for any award, compensation or insurance payment on account of any such Casualty or Condemnation and shall pay all expenses thereof. At the Lessee's reasonable request, and at the Lessee's sole cost and expense, the Lessor and the Lender shall participate in any such proceeding, action, negotiation, prosecution or adjustment. The Lessor and the Lessee agree that this Master Lease shall control the rights of the Lessor and the Lessee in and to any such award, compensation or insurance payment.

(c) If the Lessor or the Lessee shall receive notice of a Casualty or of an actual, pending or threatened Condemnation of any Property or any interest therein, the Lessor or the Lessee, as the case may be, shall give notice thereof to the other and to the Lender promptly after the receipt of such notice.

(d) If pursuant to this Section 14.1 and Section 15.1 this Master Lease shall continue in full force and effect following a Casualty or Condemnation with respect to any Property, the Lessee shall, at its sole cost and expense (and, without limitation, if any award, compensation or insurance payment is not sufficient to restore such Property in accordance with this clause (d), the Lessee shall pay the shortfall), promptly and diligently repair any damage to such Property caused by such Casualty or Condemnation in conformity with the requirements of Sections 8.3 and 9.1, to restore such Property to at least the same condition, operative value and useful life as existed immediately prior to such Casualty or Condemnation. Upon completion of such restoration, the Lessee shall furnish to the Lessor (which, in turn, shall furnish to the Lender) an architect's certificate of substantial completion and a Responsible Officer's Certificate confirming that such restoration has been completed pursuant to this Master Lease.

(e) In no event shall a Casualty or Condemnation affect the Lessee's obligations to pay Rent pursuant to Section 3.1 or to perform its obligations and pay any amounts due on the Expiration Date or pursuant to Articles XVIII and XXI.

(f) Any Excess Casualty/Condemnation Proceeds received by the Lessor or the Lender in respect of a Casualty or Condemnation shall be turned over to the Lessee.

XIV.2 Environmental Matters. Promptly upon the Lessee's knowledge of the existence of an Environmental Violation with respect to any Property, the Lessee shall notify the Lessor in writing of such Environmental Violation. If the Lessor elects not to terminate this Master Lease with respect to such Property pursuant to Section 15.1, at the Lessee's sole cost and expense, the

Lessee shall promptly and diligently commence any response, clean up, remedial or other action necessary to remove, clean up or remediate the Environmental Violation in accordance with the terms of Section 8.3 (including the last sentence thereof). The Lessee shall, upon completion of remedial action by the Lessee, cause to be prepared by an environmental consultant reasonably acceptable to the Lessor a report describing the Environmental Violation and the actions taken by the Lessee (or its agents) in response to such Environmental Violation, and a statement by the consultant that the Environmental Violation has been remedied in compliance in all material respects with applicable Hazardous Materials Laws. Each such Environmental Violation shall be remedied prior to the Expiration Date unless each Property with respect to which an Environmental Violation has occurred but has not been remedied has been purchased by the Lessee in accordance with Section 18.1. Nothing in this Article XIV shall reduce or limit the Lessee's obligations under Sections 13.1, 13.2 or 13.3 of the Participation Agreement.

XIV.3 Notice of Environmental Matters. Promptly, but in any event within thirty (30) Business Days from the date the Lessee has actual knowledge thereof pursuant to written notice from any Governmental Authority, the Lessee shall provide to the Lessor written notice of any pending or threatened claim, action or proceeding involving any Hazardous Materials Laws or any Release on or in connection with any Property. All such notices shall describe in reasonable detail the nature of the claim, action or proceeding and the Lessee's proposed response thereto. In addition, the Lessee shall provide to the Lessor, within thirty (30) Business Days of receipt, copies of all written communications with any Governmental Authority relating to any Environmental Violation in connection with any Property. The Lessee shall also promptly provide such detailed reports of any such material environmental claims. In the event that the Lessor receives written notice of any pending or threatened claim, action or proceeding involving any Hazardous Materials Laws or any Release on or in connection with the Property, the Lessor shall promptly give notice thereof to the Lessee. For purposes of this paragraph, "actual knowledge" of the Lessee shall mean the actual knowledge of the Lessee's Senior Director of Facilities and Real Estate, who is responsible for the day to day operations of the Properties.

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## ARTICLE XV

### TERMINATION OF LEASE

XV.1 Partial Termination upon Certain Events. If any of the following occurs during the Basic Lease Term with respect to any Parcel of Land or related Improvements:

- (i) a Significant Casualty occurs;
- (ii) a Significant Condemnation occurs; or
- (iii) an Environmental Violation occurs or is discovered the cost of remediation of which would exceed \$5,000,000 (x) and such violation has not been remediated within 180 days after the occurrence or discovery or (y) the Lessee has notified the Lessor prior to the expiration of such 180 day period that the violation will not be remediated within such period;

and the Lessor shall have given written notice (a "Termination Notice") to the Lessee that, as a consequence of such event (x) the Lease Supplement relating to such Parcel of Land and related Improvements is to be terminated and (y) this Master Lease is to be terminated with respect to such Parcel of Land and related Improvements, then the Lessee shall be obligated to purchase the Lessor's interest in such affected Parcel of Land and related Improvements within 30 days after Lessee's receipt of the Termination Notice, by paying to the Lessor an amount equal to the Lease Balance allocable to such affected Parcel of Land and related Improvements.

XV.2 Termination Procedures. On the date of the payment by the Lessee of the portion of the Lease Balance allocable to the affected Parcel of Land and related Improvements in accordance with Section 15.1 (such date, the "Termination Date"), the Lease Supplement relating to each such affected Parcel

of Land and related Improvements shall terminate and this Master Lease shall terminate with respect to each such Parcel of Land and related Improvements and, concurrent with the Lessor's receipt of such payment,

(a) each such Parcel of Land and related Improvements shall be conveyed to the Lessee (or to the Lessee's designee) "AS IS" and in its then present physical condition free of Lessor Liens and the Lessor shall execute and deliver a termination of Ground Lease and an assignment of the Lessor's entire interest in the Parcel of Land and the Improvements thereon with respect to such Land in recordable form; and

(b) in the case of a termination pursuant to clause (i) or (ii) of Section 15.1, the Lessor shall convey to the Lessee any Net Proceeds with respect to the Significant

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Casualty or Significant Condemnation giving rise to the termination of this Master Lease with respect to such Parcel of Land and related Improvements theretofore received by the Lessor or, at the request of the Lessee, such amounts shall be applied towards payment of the Lease Balance allocable to the affected Parcel of Land and related Improvements.

#### ARTICLE XVI

##### EVENTS OF DEFAULT

XVI.1 Lease Events of Default. The occurrence of any one or more of the following events (whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall constitute a "Lease Event of Default":

(a) the Lessee shall fail to make payment of (i) any Basic Rent within three (3) Business Days after the same shall be due and payable, (ii) any Supplemental Rent due and payable within five (5) Business Days after receipt of written notice thereof, or (iii) any Property Balance, Lease Balance, Purchase Option Price or Maximum Recourse Amount on the date due therefor; or

(b) the Lessee shall fail to deposit with the Collateral Agent, on the Business Day next succeeding the occurrence of a Deficiency Date, the Deficiency Collateral;

(c) the Lessee shall not be in compliance with Section 10.2 of the Participation Agreement (which breach shall constitute an Event of Default hereunder even if the Basic Lease Term has not commenced with respect to any Property);

(d) the Lessee shall fail to observe or perform any term, covenant or condition of the Lessee under this Master Lease or the other Operative Documents to which it is party other than those described in the foregoing clauses (a), (b) or (c) of this Section 16.1, and, in each such case, such failure shall have continued unremedied for thirty (30) days after written notice; provided, that such cure period shall be extended from thirty (30) days to one-hundred and twenty (120) days if such term, covenant or condition is, without prejudice to the Lessor and/or the Lender, curable or remediable and the Lessee is at all times during such extended period diligently taking action reasonably satisfactory to the Lessor and the Lender to so cure or remedy default; provided, further, that failure by the Lessee to fully comply with the requirements of Section 20.1 hereof shall not be subject to any cure period; provided, further, that, for purposes of clarification, the failure by the Lessee to comply with the foregoing clauses (a), (b) or (c) of this Section 16.1 shall not be subject to any cure period except as expressly set forth in such clauses (a), (b) or (c);

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(e) any representation or warranty made or deemed made by the Lessee herein or in any Operative Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with any Operative Document shall prove to have been incorrect, false or misleading in any material respect on or as of the date made or deemed made, unless the fact or condition which made such representation or warranty incorrect, false or misleading is, without prejudice to the Lessor and/or the Lender, curable or remediable and the Lessee is at all times diligently taking action reasonably satisfactory to the Lessor and the Lender to so cure or remedy such fact or condition in order to make such representation and/or warranty true and correct in all material respects, in which event the Lessee shall have one-hundred and eighty (180) days from the date such representation or warranty was made or deemed made to cure or remedy such default;

(f) a Construction Agency Agreement Event of Default for which the Lessor shall have full recourse against the Lessee in its capacity as Construction Agent shall have occurred and be continuing;

(g) any Operative Document or any Lien granted under any Operative Document shall, taken as a whole, terminate, cease to be effective against, or cease to be the legal, valid, binding and enforceable obligation of the Lessee;

(h) the Lessee shall directly or indirectly contest the effectiveness, validity, binding nature of enforceability of any Operative Document or any Lien granted under any Operative Document;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$5,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$5,000,000;

(j) any judgements or orders for the payment of money, in any case not covered by insurance, individually or in the aggregate in excess of \$10,000,000 shall be rendered

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against the Lessee and such judgment or order shall continue unsatisfied and unstayed (pursuant to laws, rules or court orders) for a period of thirty (30) days;

(k) a default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness of the Lessee or any of its Consolidated Subsidiaries having a principal amount, individually or in the aggregate, in excess of \$10,000,000, or a default shall occur in the performance or observance of any obligation or condition with respect to such Indebtedness if the effect of such default is to accelerate the maturity of any such Indebtedness or such default shall continue unremedied for any applicable period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its expressed maturity;

(l) [Intentionally Omitted]

(m) the Lessee shall fail to maintain the insurance required under Article XIII hereof or shall fail to observe or perform any term, covenant on condition to be performed by it under Section 20.1 of this Master Lease;

(n) the Lessee shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) file a petition under the United States bankruptcy laws or any other applicable insolvency law or statute of the United States of America or any State or Commonwealth thereof, (iii) make a general assignment for the benefit of its creditors, (iv) consent to the appointment of a receiver of itself or the whole or any substantial part of its property, (v) fail to cause the discharge of any custodian, trustee or receiver appointed for the Lessee or the whole or a substantial part of its property within sixty (60) days after such appointment, or (vi) file a petition or answer seeking or consenting to reorganization under the United States bankruptcy laws or any other applicable insolvency law or statute of the United States of America or any State or Commonwealth thereof; or

(o) insolvency proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency law or statute of the United States of America or any State or Commonwealth thereof shall be filed against the Lessee and not dismissed within sixty (60) days from the date of its filing (provided, that the Lessee, hereby expressly authorizes the Lessor and each Lender to appear in any court conducting any such proceeding during such sixty (60) day period to preserve, protect and defend their respective rights under the Operative Documents), or a court of competent jurisdiction shall enter an order or decree appointing, without the consent of the Lessee, a receiver of the Lessee or the whole or a substantial part of any of its property, and such order or decree shall not be vacated or set aside within sixty (60) days from the date of the entry thereof.

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XVI.2 Remedies. Upon the occurrence of any Lease Event of Default and the declaration thereof, the Lease Balance due hereunder without further act shall be accelerated and be deemed to be due and payable hereunder, and at any time thereafter, the Lessor may, subject to the last three paragraphs of this Section 16.2 and so long as such Lease Event of Default is continuing, do one or more of the following as the Lessor in its sole discretion shall determine, without limiting any other right or remedy the Lessor may have on account of such Lease Event of Default.

(a) The Lessor may, by notice to the Lessee, rescind or terminate this Master Lease as to any Property or all of the Properties as of the date specified in such notice; provided, however (i) no reletting, reentry or taking of possession of any Property (or any portion thereof) by the Lessor will be construed as an election on the Lessor's part to terminate this Master Lease unless a written notice of such intention is given to the Lessee, (ii) notwithstanding any reletting, reentry or taking of possession, the Lessor may at any time thereafter elect to terminate this Master Lease for a continuing Lease Event of Default and (iii) no act or thing done by the Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of the Properties shall be valid unless the same be made in writing and executed by the Lessor;

(b) The Lessor may (i) demand that the Lessee, and the Lessee shall upon the written demand of the Lessor, return any Property promptly to the Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, Articles VII and IX and Section 8.3 hereof as if such Property were being returned at the end of the Lease Term, and the Lessor shall not be liable for the reimbursement of the Lessee for any costs and expenses incurred by the Lessee in connection therewith and (ii) without prejudice to any other remedy which the Lessor may have for possession of any Property, and to the extent and in the manner permitted by Applicable Law, enter upon such Property and take immediate possession of (to the exclusion of the Lessee) such Property or any part thereof and expel or remove the Lessee and any other Person who may be occupying such Property, by summary proceedings or otherwise, all without liability to the Lessee

for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise and, in addition to the Lessor's other damages, the Lessee shall be responsible for all costs and expenses incurred by the Lessor and/or the Lender in connection with any reletting, including, without limitation, reasonable brokers' fees and all costs of any alterations or repairs made by the Lessor or the Lender;

(c) As more fully set forth in each Lease Supplement, the Lessor may sell all or any part of any one or more Properties, subject in each case to the Ground Lease, at public or private sale, as the Lessor may determine and upon any such sale the Lessee's obligation to pay Basic Rent with respect to the Property sold shall terminate;

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(d) The Lessor may, at its option, elect not to terminate this Master Lease with respect to any Property or all of the Properties and continue to collect all Basic Rent, Supplemental Rent, and all other amounts due to the Lessor (together with all costs of collection) and enforce the Lessee's obligations under this Master Lease as and when the same become due, or are to be performed, and at the option of the Lessor, upon any abandonment of any Property by the Lessee or re-entry of same by the Lessor, the Lessor may enforce, by suit or otherwise, all other covenants and conditions hereof to be performed or complied with by the Lessee hereunder and to exercise all other remedies permitted by Section 1951.4 of the California Civil Code or any amendments thereof or any successor laws which replace such Section 1951.4;

(e) Unless all of the Properties have been sold in their entirety, the Lessor may, whether or not the Lessor shall have exercised or shall thereafter at any time exercise any of its rights under clause (b), (c) or (d) of this Section 16.2 with respect to the Properties or any portions thereof, demand, by written notice to the Lessee specifying a date (a "Termination Date") not earlier than five (5) days after the date of such notice, that the Lessee purchase, on such Termination Date for a price equal to the Lease Balance the Properties subject to the Master Lease, in accordance with the provisions of Article XXI;

(f) The Lessor may exercise any other right or remedy that may be available to it under Applicable Law, including any and all rights or remedies under the Pledge Agreement, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any period(s), and such suits shall not in any manner prejudice the Lessor's right to collect any such damages for any subsequent period(s), or the Lessor may defer any such suit until after the expiration of the Lease Term, in which event such suit shall be deemed not to have accrued until the expiration of the Lease Term;

(g) The Lessor may retain and apply against the Lease Balance all sums which the Lessor would, absent such Lease Event of Default, be required to pay to, or turn over to, the Lessee pursuant to the terms of this Master Lease and upon payment in full of the Lease Balance from such sums, the Properties shall be conveyed to Lessee in accordance with Section 21.1 of the Master Lease;

(h) If a Lease Event of Default shall have occurred and be continuing, the Lessor, to the extent permitted by Applicable Law, as a matter of right and with notice to the Lessee, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of any Property, and the Lessee hereby irrevocably consents to any such appointment. Any such receiver(s) shall have all of the usual powers and duties of receivers in like or similar cases and all of the powers and duties of the Lessor in case of

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entry, and shall continue as such and exercise such powers until the

date of confirmation of the sale of such Property unless such receivership is sooner terminated;

(i) To the maximum extent permitted by law, the Lessee hereby waives the benefit of any appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale of any Property or any interest therein;

(j) The Lessor shall be entitled to enforce payment of the indebtedness and performance of the obligations secured hereby and to exercise all rights and powers under this instrument or under any of the other Operative Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, security agreement, pledge, lien, assignment or otherwise. Neither the acceptance of this instrument nor its enforcement, shall prejudice or in any manner affect the Lessor's right to realize upon or enforce any other security now or hereafter held by the Lessor, it being agreed that the Lessor shall be entitled to enforce this instrument and any other security now or hereafter held by the Lessor in such order and manner as the Lessor may determine in its absolute discretion. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Operative Documents to the Lessor or to which it may otherwise be entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor. In no event shall the Lessor, in the exercise of the remedies provided in this instrument (including, without limitation, in connection with the assignment of rents to Lessor, or the appointment of a receiver and the entry of such receiver onto all or any part of the Properties), be deemed a "mortgagee in possession", and the Lessor shall not in any way be made liable for any act, either of commission or omission, in connection with the exercise of such remedies, except for the exercise of the remedies set forth in clauses (c), (j) or (k) of this Section 16.2 within thirty (30) days after the declaration of the occurrence of an Event of Default in contravention of Lessee's purchase right set forth in the last paragraph of this Section 16.2;

(k) Foreclosure; Power of Sale. The Lessee hereby grants to Chicago Title Insurance Company, as trustee (together with all successor trustees, the "Trustee"), IN TRUST, WITH POWER OF SALE, all of the Lessee's right, title and interest in and to the Properties and, upon the occurrence of a Lease Event of Default and following termination of this Master Lease by the Lessor, the Lessor shall have the power and authority, after proper notice and lapse of such time as may be required by law and by the

Master Lease, to cause the Trustee to sell any Property or the Properties by notifying the Trustee of that election and depositing with the Trustee this instrument and receipts and evidence of expenditures made and secured hereby as the Trustee may reasonably require. Upon receipt of any such notice from the Lessor, the Trustee shall cause to be recorded, published and delivered to Lessee such Notice of Default and Election to Sell as is then required by applicable statutory authority and by this instrument, which notice shall set forth, among other things, the nature of the breach(es) or default(s), the action(s) required to effect a cure thereof and the time period within which that cure may be effected. If no cure is effected within the statutory time limits following recordation of the Notice of Default and Election to Sell and after Notice of Sale has been given as required by the above-referenced statutes, the Trustee may without further notice or demand sell and convey any Property or the Properties in accordance with the above-referenced statutes. Each Property may be sold as a whole or in separate lots, parcels or items and in such order as the Lessor may direct, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. The Trustee shall deliver to such purchaser(s) a good

and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty express or implied. The recitals in such deed of any matter or fact shall be conclusive proof of the truthfulness thereof. Any Person, including the Lessee, the Trustee or the Lessor, may purchase at any sale. After deducting all costs, fees and expenses of the Lessor and the Trustee, including costs of evidence of title in connection with any sale, the Lessor shall apply the proceeds of sale, in the following order of priority, to payment of the following (collectively referred to herein as the "Obligated Amounts"): (i) first, all amounts expended by or for the account of the Lessor under the terms hereof and not then repaid, with accrued interest at the Overdue Rate; and (ii) second, all other amounts then due and owing hereunder including, without limitation, all Basic Rent, Supplemental Rent, the full amount of the Lease Balance as of the date of sale as if this Lease had been terminated with respect to all of the Properties then subject to this Lease under Section 18.1, and all other amounts then payable by the Lessee under this Lease and the other Operative Documents, with the Lessor having the right to apply the proceeds of sale to the amounts described above in this clause (ii) in such order, proportion and priority as the Lessor may elect in its sole and absolute discretion. To the extent permitted by applicable statutes, the Trustee may postpone the sale of all or any portion of any Property or the Properties by public announcement at the time and place of sale, and from time to time thereafter may again postpone that sale by public announcement or subsequently noticed sale, and without further notice may make such sale at the time fixed at the last postponement or may, in its discretion, give a new notice of sale. A sale of less than all of any Property or the Properties or any defective or irregular sale made hereunder shall not exhaust the power of sale provided for herein, and subsequent sales may be made hereunder until all of the Obligated Amounts have been satisfied or all the Properties have been sold, without defect or irregularity. No action of the Lessor or the Trustee based upon the provisions contained herein or contained in the applicable statutes, including, without limitation, the giving of the Notice of Default and

Election to Sell or the Notice of Sale, shall constitute an election of remedies which would preclude the Lessor from pursuing judicial foreclosure before a completed sale pursuant to the power of sale contained herein. The Lessor shall have the right, with the irrevocable consent of the Lessee hereby given and evidenced by the execution of this instrument, to obtain appointment of a receiver by any court of competent jurisdiction without further notice to the Lessee, which receiver shall be authorized and empowered to enter upon and take possession of any Property or the Properties, including all personal property used upon or in connection with the real property herein conveyed, to let any Property or the Properties, to receive all the rents, issues and profits, if any, which may be due or become due in respect to the leasing of any Property or the Properties to another party (herein, "Property Rents"), and apply the Property Rents after payment of all necessary charges and expenses to reduction of the Obligated Amounts in such order, proportion and priority as the Lessor may elect. At the option of the Lessor, the receiver shall accomplish entry and taking possession of any Property or the Properties by actual entry and possession or by notice to the Lessee. The receiver so appointed by a court of competent jurisdiction shall be empowered to issue receiver's certificates for funds advanced by the Lessor for the purpose of protecting the value of any Property or the Properties as security for the Obligated Amounts. The amounts evidenced by receiver's certificates shall bear interest at the Overdue Rate and may be added to the Obligated Amounts if the Lessee or a junior lienholder purchases any Property or the Properties at the trustee's sale. The Trustee or any successor acting hereunder may resign and thereupon be discharged of the trusts hereunder upon thirty (30) days' prior written notice to the Lessor. Regardless of whether the Trustee resigns, the Lessor may, from time to time, substitute a successor or successors to any Trustee named herein or acting hereunder in accordance with any statutory procedure for such substitution; or if Lessor, in its sole and absolute discretion, so elects, and if permitted by law, the Lessor may substitute such successors or successors by recording, in the office of the recorder of the county or counties where such Property is located,

a document executed by the Lessor and containing the name of the original Lessee and Lessor hereunder, the book and page where this instrument (or a memorandum hereof) is recorded (and/or instrument number, as applicable) and the name of the new Trustee, which instrument shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the predecessor Trustee, succeed to the rights, powers and duties hereunder. It is acknowledged that A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT; A POWER OF SALE MAY ALLOW LESSOR TO TAKE THE PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE LESSEE UNDER THIS INSTRUMENT.

The Lessor acknowledges and agrees that upon the declaration of an Event of Default, to the maximum extent permitted by law, the Lessee waives any right to contest the sum of the

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Lessor Balance and the Loan Balance as the liquidated sum due upon acceleration of this instrument.

If, pursuant to the exercise by the Lessor of its remedies pursuant to this Section 16.2, the Lease Balance and all other amounts due and owing from the Lessee under this Master Lease and the other Operative Documents have been paid in full, then the Lessor shall remit to the Lessee any excess amounts received by the Lessor. The obligation to deliver such excess to the Lessee shall survive this Master Lease.

The Lessor agrees that for thirty (30) days after the declaration of the occurrence of an Event of Default, Lessor shall forebear from exercising the remedies set forth in clauses (c), (j) or (k) of this Section 16.2 during which time Lessee may tender to the Lessor in immediately available funds the Lease Balance and all past due and accrued and unpaid Rent upon the receipt of which Lessor shall transfer all Parcels of Land and related Improvements to the Lessee or its designee in accordance with Article XXI hereof.

XVI.3 Waiver of Certain Rights. Subject to the foregoing, if this Master Lease shall be terminated pursuant to Section 16.2, the Lessee waives, to the fullest extent permitted by law, (a) any notice of re-entry or the institution of legal proceedings to obtain re-entry or possession; (b) any right of redemption, re-entry or repossession except as expressly provided herein; (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt or limiting the Lessor with respect to the election of remedies; and (d) any other rights which might otherwise limit or modify any of the Lessor's rights or remedies under this Article XVI.

## ARTICLE XVII

### LESSOR'S RIGHT TO CURE

XVII.1 The Lessor's Right to Cure the Lessee's Lease Defaults. The Lessor, without waiving or releasing any obligation or Lease Event of Default, may (but shall be under no obligation to) remedy any Lease Event of Default for the account and at the sole cost and expense of the Lessee, including the failure by the Lessee to maintain the insurance required by Article XIII, and may, to the fullest extent permitted by law, and notwithstanding any right of quiet enjoyment in favor of the Lessee, enter upon any Property for such purpose and take all such action thereon as may be necessary or appropriate therefor. No such entry shall be deemed an eviction of the Lessee. All reasonable out-of-pocket costs and expenses so incurred (including fees and expenses of counsel), together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid by the Lessor, shall be paid by the Lessee to the Lessor as Supplemental Rent.

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## ARTICLE XVIII

### PURCHASE PROVISIONS

XVIII.1 Purchase of the Properties.

(a) Subject to the conditions contained herein, the Lessee shall have the irrevocable option on any Business Day to purchase all or subject, however, to clause (b) of this Section 18.1, certain of the Properties subject to this Master Lease at a price (the "Purchase Price") equal to that portion of the Lease Balance allocable to the applicable Property or Properties on the date of such purchase, plus Break Costs (if any). The Lessee's exercise of its option pursuant to this Section 18.1 shall be subject to the following conditions:

(i) the Lessee shall have delivered a Purchase Notice to the Lessor not less than thirty (30) days prior to such purchase, specifying the date of such purchase;

(ii) the Lessee shall not have given notice of its intention to exercise the Remarketing Option;

(iii) notwithstanding any other provision contained herein, if any Environmental Violation shall not be remedied by the Lessee with respect to any Property in accordance with Section 14.2, the Lessee shall be deemed to have made a timely election of its option to purchase such Property in accordance with this Section 18.1.

(b) If the Lessee elects to purchase less than all of the Properties, it may do so provided that if only two buildings are subject to separate Lease Supplements, the Lessee may purchase only one such building together with the parking garage, if any, then subject to a separate Lease Supplement. If three buildings have been constructed and are subject to separate Lease Supplements, the Lessee may purchase one building with or without the parking garage or any two building together with the parking garage; provided, however, that in each case the Lessee must demonstrate to the reasonable satisfaction of the Lessor that adequate adjacent parking complying with Applicable Law remains available for the building(s) retained by the Lessor and that such partial purchase has not materially diminished the Fair Market Sales Value of such retained building(s).

(c) If the Lessee exercises its option pursuant to this Section 18.1 then, upon the Lessor's receipt of all amounts due in connection therewith, the Lessor shall transfer to the Lessee or its designee all of the Lessor's right, title and interest in and to the applicable Properties in accordance with the procedures set forth in Section 21.1(a), such transfer to be effective as of the date specified in the Purchase Notice. The Lessee may

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designate, in a notice given to the Lessor not less than ten (10) Business Days prior to the closing of such purchase (time being of the essence), the transferee or transferees to whom the conveyance shall be made (if other than to the Lessee), in which case such conveyance shall (subject to the terms and conditions set forth herein) be made to such designee; provided, however, that such designation of a transferee or transferees shall not cause the Lessee to be released, fully or partially, from any of its obligations under this Master Lease, including, without limitation, the obligation to pay to the Lessor that portion of the Lease Balance allocable to the applicable Properties on the date specified in the applicable Purchase Notice. The Lessee shall have the right to elect by written notice to the Lessor and the Lender to have all or part of any such Purchase Price paid by liquidation of the Collateral so long as, in the case of a purchase of less than all the Properties, Sufficient Collateral remains subject to the Pledge Agreement.

ARTICLE XIX

EXTENSION OF EXPIRATION DATE

XIX.1 Extension of Expiration Date. The Lessee may extend the Expiration Date subject to, and in accordance with, the terms and conditions of Section 11.2 of the Participation Agreement.

ARTICLE XX

REMARKETING OPTION

XX.1 Option to Remarket. Subject to the fulfillment of each of the conditions set forth in this Section 20.1, the Lessee shall have the option (the "Remarketing Option") to market all of the Property on behalf of the Lessor.

The Lessee's effective exercise and consummation of the Remarketing Option shall be subject to the due and timely fulfillment of each of the following provisions as to the Property as of the dates set forth below:

(a) No earlier than twelve months and not later than six months prior to the Scheduled Basic Lease Term Termination Date, the Lessee shall give to the Lessor written notice of the Lessee's exercise of the Remarketing Option, which exercise shall be irrevocable. Failure by the Lessee to give timely notice shall be deemed to be an election by the Lessee, without further act thereby, of its Purchase Option for all of the Properties.

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(b) Not later than ninety (90) days prior to the Scheduled Basic Lease Term Termination Date, the Lessee shall deliver to the Lessor an Environmental Audit for the Properties. Such Environmental Audit shall be prepared by an environmental consultant selected by the Lessor in the Lessor's reasonable discretion and shall contain conclusions reasonably satisfactory to the Lessor as to the environmental status of the Properties. If any such Environmental Audit indicates any exceptions, the Lessee shall have also delivered prior to the Scheduled Basic Lease Term Termination Date, a Phase Two environmental assessment by such environmental consultant and a written statement by such environmental consultant indicating that all such exceptions have been remedied in compliance with Applicable Law. As of the Scheduled Basic Lease Term Termination Date, any Permitted Property Liens (other than (x) Liens of the type described in clause (iii) of the definition of "Permitted Property Liens" to the extent, but only to the extent, the Lessor is in its opinion fully indemnified therefrom, and (y) Liens of the type described in clause (vii) of the definition of "Permitted Property Liens") on any Property that were contested by the Lessee shall have been removed.

(c) No Event of Default shall have occurred and be continuing that shall not have been cured on or prior to the Expiration Date.

(d) During the Marketing Period, the Lessee shall, as nonexclusive agent for the Lessor, use reasonable commercial efforts to sell the Lessor's interest in the Properties on or before the Scheduled Basic Lease Term Termination Date and will attempt to obtain the highest purchase price therefor and for not less than the Fair Market Sales Value.

(e) The Lessee shall have obtained, at its cost and expense, all required governmental and regulatory consents and approvals and shall have made all filings as required by Applicable Law in order to carry out and complete the transfer of each of the Properties. As to the Lessor, any such sale shall be made on an "as is, with all faults" basis without representation or warranty by the Lessor other than the absence of Lessor Liens.

(f) The Lessee shall pay directly, and not from the sale proceeds, all prorations and credits, whether incurred by the Lessor or the Lessee, including without limitation, the cost of all environmental reports, appraisals required under Section 13.2 of the Participation Agreement and the Lessee's attorneys' fees.

(g) The Lessee shall pay to the Lessor on or prior to the Scheduled Basic Lease Term Termination Date (or in the case of Supplemental Rent, to the Person entitled thereto) an amount equal to the Maximum Recourse Amount plus all accrued and unpaid Rent and all other amounts hereunder which have accrued or will accrue prior to or



as of the Scheduled Basic Lease Term Termination Date, in the type of funds specified in Section 3.1(b) hereof;

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(h) The gross proceeds (the "Gross Remarketing Proceeds") of the sale of the Properties (less any marketing, closing or other costs, prorations or commissions related to the marketing of the Properties), shall be paid directly to the Lessor; provided, however, that if the sum of (x) the Gross Remarketing Proceeds from such sale plus (y) the Maximum Recourse Amount received by the Lessor pursuant to Section 20.1(g) creates an excess over the Lease Balance, then the excess shall be paid to the Lessee promptly after receipt thereof by the Lessor. The obligations of the Lessor under this paragraph shall survive the expiration or termination of this Master Lease.

(i) No subleases affecting any Property shall be in effect on the Scheduled Basic Lease Term Termination Date.

If the Lessee effectively elects the Remarketing Option and the sale of any Property is not consummated prior to the end of the Marketing Period, the Lessee shall, in addition to making the payment required pursuant to Section 20.1(g) above, at its own cost and expense, do each of the following:

(i) execute and deliver to the Lessor and the Lessor's title insurance company an affidavit as to the absence of any Liens (other than Permitted Property Liens of the type described in clause (i), (vii), (viii), (ix) or (x) Liens for taxes not yet due and Lessor Liens), and shall execute and deliver to the Lessor a statement of termination of this Master Lease to the extent relating to such Property;

(ii) on the Expiration Date, transfer possession of such Property to the Lessor or any Person designated by the Lessor, by surrendering the same into the possession of the Lessor or such Person, as the case may be, in the condition required by this Section 20.1 and in compliance with Applicable Law; and

(iii) for a period of up to one year after the Expiration Date, cooperate reasonably with the Lessor and/or any Person designated by the Lessor to receive such Property, which cooperation shall include reasonable efforts with respect to the following, all of which the Lessee shall do on or before the Expiration Date for such Property or as soon thereafter as is reasonably practicable: providing copies of all books and records regarding the maintenance and ownership of such Property and all know-how, data and technical information relating thereto, providing a current copy of the applicable Plans and Specifications, granting or assigning all assignable licenses necessary for the operation and maintenance of such Property and cooperating reasonably in seeking and obtaining all necessary Governmental Action. The obligations of the Lessee under this paragraph shall survive the expiration or termination of this Master Lease.

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Lessor shall have no obligation to approve any bid for the Properties except for bona fide all-cash bids which, together with amounts payable by the Lessee under clause (g) hereof, in the aggregate is at least equal to the Lease Balance and the acceptance of which will not subject the Lessor to any additional liability. Except as expressly set forth herein, the Lessee shall have no right, power or authority to bind the Lessor or any Participant in connection with any proposed sale of any Property.

If one or more of the foregoing provisions (a) through (i) shall not be fulfilled as of the Expiration Date with respect to any Property, then the Remarketing Option shall be null and void (whether or not it has been theretofore exercised by the Lessee) as to all of the Properties, in which event

all of the Lessee's rights under this Section 20.1 shall immediately terminate and the Lessee shall purchase from the Lessor, and the Lessor shall convey to the Lessee, on the Expiration Date all of the Lessor's interest in all of the Properties for an amount equal to the Lease Balance.

XX.2 Certain Obligations Continue. During the Marketing Period, the obligation of the Lessee to pay Rent with respect to each Property (including the installment of Rent due on the Expiration Date) shall continue undiminished until payment in full of the Loan Balance plus any unpaid Supplemental Rent due to the Lessor with respect to the Properties under the Operative Documents to which the Lessee is a party. The Lessor shall have the right, but shall be under no duty, to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take action in connection with any such sale.

## ARTICLE XXI

### PROCEDURES RELATING TO PURCHASE OR REMARKETING

XXI.1 Provisions Relating to the Exercise of Purchase Option or Obligation and Conveyance Upon Remarketing and Conveyance Upon Certain Other Events.

(a) In connection with any termination of this Master Lease with respect to any Property pursuant to the terms of Article XV, in connection with any purchase or in connection with the Lessee's purchase of any Property in accordance with Section 18.1 or in connection with the Lessee's exercise of the purchase right under Section 16.2, then, upon the date on which this Master Lease is to terminate with respect to the applicable Property and upon the payment of all amounts due under Section 5.1 of the Construction Agency Agreement, as applicable, and upon tender by the Lessee of the amounts set forth in Article XV, Sections 16.2 or 18.1, as applicable:

(i) the Lessor shall execute and deliver to the Lessee (or to the Lessee's designee) at the Lessee's cost and expense an instrument of transfer relating to the Lessor's entire interest in such Property or Properties (which shall include a

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termination of the Ground Lease and an assignment of all of the Lessor's right, title and interest in and to any Net Proceeds with respect to such Property or Properties not previously received by the Lessor and an assignment of leases of the Properties), in each case in recordable form and otherwise in conformity with local custom and free and clear of the Lien of the Lessor Mortgage and any Lessor Liens;

(ii) such Property or Properties shall be conveyed to the Lessee "AS IS" and in its then present physical condition; and

(iii) the Lessor shall execute and deliver to Lessee and the Lessee's title insurance company an affidavit as to the Lessor's title and release Lessor Liens and the Lessor Mortgage and shall execute and deliver to Lessee a statement of termination of this Master Lease to the extent this Master Lease relates to such Property or Properties.

(b) If the Lessee properly exercises the Remarketing Option and the Properties are sold, then the Lessee shall, on the Expiration Date, and at its own cost, transfer possession of all of the Properties to the independent purchaser(s) thereof, in each case by surrendering the same into the possession of the Lessor or such purchaser(s), as the case may be, free and clear of all Liens, in good condition (as modified by Modifications permitted by this Master Lease), ordinary wear and tear excepted, and in compliance with Applicable Law.

## ARTICLE XXII

## ESTOPPEL CERTIFICATES

XXII.1 Estoppel Certificates. At any time and from time to time upon not less than thirty (30) Business Days' prior request by the Lessor or the Lessee (the "Requesting Party"), the other party (whichever party shall have received such request, the "Certifying Party") shall furnish to the Requesting Party a certificate signed by an individual having the office of vice president or higher in the Certifying Party certifying that this Master Lease is in full force and effect (or that this Master Lease is in full force and effect as modified and setting forth the modifications); the dates to which the Basic Rent and Supplemental Rent have been paid; to the best knowledge of the signer of such certificate, whether or not the Requesting Party is in default under any of its obligations hereunder (and, if so, the nature of such alleged default); and such other matters under this Master Lease as the Requesting Party may reasonably request. Any such certificate furnished pursuant to this Article XXII may be relied upon by the Requesting Party, and any existing or prospective mortgagee, purchaser or lender, and any accountant or auditor, of, from or to the Requesting Party (or any Affiliate thereof).

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## ARTICLE XXIII

### ACCEPTANCE OF SURRENDER

XXIII.1 Acceptance of Surrender. No surrender to the Lessor of this Master Lease or of all or any of the Properties or of any part of any thereof or of any interest therein shall be valid or effective unless agreed to and accepted in writing by the Lessor and, prior to the payment or performance of all obligations under the Loan Agreement and termination of the Commitments, the Lender, and no act by the Lessor or the Lender or any representative or agent of the Lessor or the Lender, other than a written acceptance, shall constitute an acceptance of any such surrender.

## ARTICLE XXIV

### NO MERGER OF TITLE

XXIV.1 No Merger of Title. There shall be no merger of this Master Lease or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) this Master Lease or the leasehold estate created hereby or any interest in this Master Lease or such leasehold estate, (b) the fee or ground leasehold estate in any Property, except as may expressly be stated in a written instrument duly executed and delivered by the appropriate Person or (c) a beneficial interest in the Lessor.

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## ARTICLE XXV

### INTENT OF THE PARTIES

XXV.1 Nature of Transaction.

(a) It is the intent of the parties that: (i) the Lease constitutes an operating lease from Lessor to the Lessee for purposes of the Lessee's financial reporting, (ii) the Lease and other transactions contemplated will result in the Lessee being recognized as the owner of the Properties for Federal and state income tax and bankruptcy purposes, (iii) each Lease Supplement grants to Lessor a Lien on the Lessee's interest in the Property (exclusive of Lessee's fee interest in the Land) covered thereby, and (iv) the obligations of the Lessee to pay Basic Rent and any part of the Lease Balance shall be treated as payments of interest and principal, respectively, for Federal and state income tax and bankruptcy purposes. The Lessor shall be deemed to have a valid and binding security interest in and Lien on the Lessee's interest in the Properties, free and clear of all Liens other than Permitted Property Liens, as security for the obligations of the Lessee under the Operative Documents (it being understood and

agreed that the Lessee does hereby grant a Lien, and convey, transfer, assign, mortgage and warrant to Lessor and its successors, transferees and assigns, for the benefit of the Lessor and its successors, transferees and assigns, the Properties and any proceeds or products thereof, to have and hold the same as collateral security for the payment and performance of the obligations of the Lessee under the Operative Documents), each of the parties hereto agrees that it will not, nor will it permit any Affiliate to at any time, take any action or fail to take any action with respect to the preparation or filing of any income tax return, including an amended income tax return, to the extent that such action or such failure to take action would be inconsistent with the intention of the parties expressed in this Section 25.1.

(b) Specifically, without limiting the generality of clause (a) of this Section 25.1, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any State or Commonwealth thereof affecting Lessee, Lessor, any Participant or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made by the Participants to the Lessee.

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## ARTICLE XXVI

### MISCELLANEOUS

XXVI.1 Survival; Severability; Etc. Anything contained in this Master Lease to the contrary notwithstanding, all claims against and liabilities of the Lessee or the Lessor arising from events commencing prior to the expiration or earlier termination of this Master Lease shall survive such expiration or earlier termination for a period of one year except as to indemnification which shall continue to survive. If any term or provision of this Master Lease or any application thereof shall be declared invalid or unenforceable, the remainder of this Master Lease and any other application of such term or provision shall not be affected thereby. If any right or option of the Lessee provided in this Master Lease, including any right or option described in Article XIV, XV, XVIII or XX, would, in the absence of the limitation imposed by this sentence, be invalid or unenforceable as being in violation of the rule against perpetuities or any other rule of law relating to the vesting of an interest in or the suspension of the power of alienation of property, then such right or option shall be exercisable only during the period which shall end twenty-one (21) years after the date of death of the last survivor of the descendants of Franklin D. Roosevelt, the former President of the United States, Henry Ford, the deceased automobile manufacturer, and John D. Rockefeller, the founder of the Standard Oil Company, known to be alive on the date of the execution, acknowledgment and delivery of this Master Lease.

XXVI.2 Amendments and Modifications. Subject to the requirements, restrictions and conditions set forth in the Participation Agreement, neither this Master Lease nor any provision hereof may be amended, waived, discharged or terminated except by an instrument in writing in recordable form signed by the Lessor and the Lessee.

XXVI.3 No Waiver. No failure by the Lessor, any Participant or the Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy upon a default hereunder, and no acceptance of full or partial payment of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. To the fullest extent permitted by law, no waiver of any default shall affect or alter this Master Lease, and this Master Lease shall continue in full force and effect with respect to any other then existing or subsequent default.

XXVI.4 Notices. All notices, demands, requests, consents, approvals and other communications hereunder shall be in writing and directed to the address described in, and deemed received in accordance with the provisions of, Section 15.3 of the Participation Agreement.

XXVI.5 Successors and Assigns. All the terms and provisions of this Master Lease shall inure to the benefit of the parties hereto and their

respective successors and permitted assigns.

XXVI.6 Headings and Table of Contents. The headings and table of contents in this Master Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

XXVI.7 Counterparts. This Master Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

XXVI.8 GOVERNING LAW. THIS MASTER LEASE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES, EXCEPT AS TO MATTERS RELATING TO THE CREATION OF THE LEASEHOLD ESTATES HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT THERETO, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA. WITHOUT LIMITING THE FOREGOING, IN THE EVENT THAT THIS MASTER LEASE IS DEEMED TO CONSTITUTE A FINANCING WHICH IS THE INTENTION OF THE PARTIES, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, SHALL GOVERN THE CREATION, TERMS AND PROVISIONS OF THE INDEBTEDNESS EVIDENCED HEREBY, BUT THE LIEN CREATED HEREBY AND THE CREATION AND THE ENFORCEMENT OF SAID LIEN SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATES IN WHICH SUCH ESTATES ARE LOCATED.

XXVI.9 Liability Limited. The parties hereto agree that except as specifically set forth in this Master Lease or in any other Operative Document, the Lessor shall have no personal liability whatsoever to the Lessee or the Lender or their respective successors and assigns for any claim based on or in respect of this Master Lease or any of the other Operative Documents or arising in any way from the transactions contemplated hereby or thereby and the recourse shall be solely had against the Lessor's interest in the Properties; provided, however, that Lessor shall be liable in its individual capacity (a) for its own willful misconduct or gross negligence, (b) breach of any of its representations, warranties or covenants under the Operative Documents, or (c) for any Tax based on or measured by any fees, commission or compensation received by it for acting as the Lessor as contemplated by the Operative Documents; and further provided nothing therein shall impair or limit the rights of Lessee against the Lender or Lessor relating to any Collateral held by either of them from time to time under the Operative Documents.

XXVI.10 Original Lease. The single executed original of this Master Lease marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt thereof of Societe Generale, New York Branch, as the Lender therefor on or following the signature page thereof shall be the Original Executed

Counterpart of this Master Lease (the "Original Executed Counterpart"). To the extent that this Master Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Master Lease may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

IN WITNESS WHEREOF, the parties have caused this Master Lease be duly executed and delivered as of the date first above written.

ELECTRONICS FOR IMAGING, INC.,  
as Lessee

By /s/ Eric Saltzman  
-----  
Name: Eric Saltzman

Title: CFO

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SOCIETE GENERALE FINANCIAL  
CORPORATION, as Lessor

By /s/ Powell Robinson III

-----  
Name: Powell Robinson III  
Title: First Vice President

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THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART.

Receipt of this original counterpart of the foregoing Lease is hereby  
acknowledged as of the date hereof.

SOCIETE GENERALE, acting through its New York Branch,  
as Lender

By /s/ Jay Sands

-----  
Name: Jay Sands  
Title: Managing Director

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EFI Subsidiaries  
As of December 31, 1999

Name	Jurisdiction of Organization	Doing Business As*
Electronics for Imaging Australia Pty Ltd	Australia	
EFI Brazil LTDA	Brazil	Electronics for Imaging do Brazil
EFI (Canada), Inc.	Canada	
Electronics for Imaging, International	Cayman Islands	
Electronics for Imaging France SARL	France	EPLI
Electronics for Imaging GmbH	Germany	EFI Deutschland
Electronics for Imaging Italia SRL	Italy	
EFI KK	Japan	Electronics for Imaging KK
Electronics for Imaging, B.V.	Netherlands	
Electronics for Imaging Singapore Pte Ltd	Singapore	
Electronics for Imaging AB	Sweden	Electronics for Imaging Sweden
Electronics for Imaging (Europe) Limited	UK	Electronics for Imaging UK
EFI Foreign Sales Corporation, Inc.	US Virgin Islands	
Electronics for Imaging (Israel) Ltd	Israel	

<FN>

\* "Doing Business As" names have been listed only where they differ from the name of the subsidiary.

</FN>

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 33-56422, 33-80523, 33-85762, 33-93602, 333-11685 and 33-88135) of Electronics for Imaging, Inc. of our report dated January 18, 2000 appearing in this Form 10-K. We also consent to the incorporation by reference of our report dated January 18, 2000 relating to the consolidated financial statement schedules, which appears in this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

San Jose, California  
March 16, 2000



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<LEGEND>

This schedule contains summary financial information extracted from the condensed balance sheet, condensed statement of operations and condensed statement of cash flows included in the Company's Form 10-K for the year ended December 31, 1999 and is qualified in its entirety by reference to such financial statements and the notes thereto.

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