



# **FORM 10-K**

## **ELECTRONICS FOR IMAGING INC – EFII**

**Filed: March 16, 2006 (period: December 31, 2005)**

Annual report which provides a comprehensive overview of the company for the past year

# Table of Contents

## PART I

<u>Item 1:</u>	<u>Business.</u>
<u>Item 1a:</u>	<u>Risk Factors</u>
<u>Item 1B:</u>	<u>Unresolved Staff Comments</u>
<u>Item 2:</u>	<u>Properties</u>
<u>Item 3:</u>	<u>Legal Proceedings.</u>
<u>Item 4:</u>	<u>Submission of Matters to a Vote of Security Holders.</u>

## PART II

<u>Item 5:</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of E</u>
<u>Item 6:</u>	<u>Selected Financial Data.</u>
<u>Item 7:</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>
<u>Item 7A:Quantitative</u>	<u>and Qualitative Disclosures About Market Risk</u>
<u>Item 8:</u>	<u>Financial Statements and Supplementary Data</u>
<u>Item 9:</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>

## PART III

<u>Item 10:</u>	<u>Directors and Executive Officers of the Registrant</u>
<u>Item 11:</u>	<u>Executive Compensation</u>
<u>Item 12:</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matt</u>
<u>Item 13:</u>	<u>Certain Relationships and Related Transactions</u>
<u>Item 14:</u>	<u>Principal Accountant Fees and Services</u>

## PART IV

<u>Item 15:</u>	<u>Exhibits, Financial Statement Schedules and Reports on Form 10-K.</u>
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### SIGNATURES

Exhibit Index

EX-10.14 (FORM OF OPTION GRANT AGREEMENT)

EX-10.15 (FORM OF RESTRICTED STOCK AWARD AGREEMENT)

EX-10.22 (OEM DISTRIBUTION AND LICENSE AGREEMENT DATED SEPTEMBER 19)

EX-12.1 (COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES)

[EX-21 \(LIST OF SUBSIDIARIES\)](#)

[EX-23.1 \(CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM\)](#)

[EX-31.1 \(SECTION 302 CEO CERTIFICATION\)](#)

[EX-31.2 \(SECTION 302 CFO CERTIFICATION\)](#)

[EX-32.1 \(SECTION 906 CEO AND CFO CERTIFICATION\)](#)

**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, 2005

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

Commission File Number: 0-18805

**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.

(Title of Class)

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

Common Stock, \$.01 Par Value

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

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

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  No

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

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold on June 30, 2005.

Common Stock, \$.01 par value: \$873,544,927 \*\*

The number of shares outstanding of each of the registrant's classes of common stock as of February 28, 2006.

Common Stock, \$.01 par value: 57,005,389

#### **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 June 7, 2006 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 June 30, 2005. Excludes approximately 14,731,254 shares of common stock held by Directors, Officers and holders known to the Registrant to hold 5% or more of the Registrant's outstanding Common Stock on December 31, 2005. 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.

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**PART I**

This Annual Report on Form 10-K includes certain registered trademarks and tradenames of Electronics for Imaging, Inc., its subsidiaries (collectively, "EFI" or "the Company") and others. Auto-Count, ColorCal, ColorWise, Command WorkStation, EDOX, EFI, Fiery, the Fiery logo, MicroPress, Printcafe, PrinterSite, Prograph, Proteus, Spot-On, Bestcolor, AutoCal, Digital StoreFront, DocStream, Fiery Link, FreeForm, Hagen OA, Intelligent Device Management, Logic, OneFlow, PrintFlow, PrintMe, PrintSmith Site, PrintSmith, PSI Flexo, PSI, SendMe, Splash, VisualCal, the EFI logo, Essential to Print, Best, the Best logo, Colorproof, PhotoXposure, Remoteproof, Screenproof, UltraVu, PressVu, and VUTEk are trademarks of the Company. 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 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended and is subject to risks and uncertainties and actual results or events may differ materially. When used herein, the words "anticipate," "believe," "estimate," "expect," "intend," "will," "may," "should," "plan," "potential," "seek," "continue" 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 1A 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 revise or update these forward-looking statements to reflect actual results, events or changes in factors or assumptions affecting such forward-looking statements.**

**Item 1: Business.**

**Filings**

We file annual reports, quarterly reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including EFI, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

We also make available free of charge through our Internet website (<http://www.efi.com>) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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## [Table of Contents](#)

### General

EFI was incorporated in Delaware in 1989 and in 1992 we made our initial public offering of stock. Our stock is traded on the NASDAQ National Market under the symbol EFII. Our corporate offices are located at 303 Velocity Way, Foster City, California 94404.

We are a world leader in digital controllers, superwide format printers and inks, and print management solutions. Our award-winning technologies offer integrated document management tools from creation to print, including high fidelity color Fiery print controllers that can output up to 2000 pages per minute; VUTEk superwide digital inkjet printers and UV and solvent inks capable of printing on flexible and rigid substrates; powerful print production workflow and management information software solutions for increased performance and cost efficiency; and an array of corporate printing solutions. Our integrated solutions and award-winning technologies are designed to automate print and business processes, streamline workflow, provide profitable value-added services and produce accurate digital output across the range of digital printing from office to high-end production to super-wide digital inkjet printing.

### Products and Services

#### *Controllers*

Headlined by EFI's flagship Fiery brand, our core controller technologies transform digital copiers and printers into networked printing devices. Once networked, EFI-powered printers and copiers can be shared across workgroups, departments, the enterprise and the Internet to quickly and economically produce high-quality color and black & white documents. Our print controllers provide solutions for a broad range of the printing market—from entry level desktop printers to production level digital copiers.

Our main controller solutions are listed in the table below.

<b>Platform</b>	<b>OEM</b>	<b>User Environment</b>
Fiery	Canon, Ikon, Océ, Ricoh, Konica Minolta, Toshiba, Xerox, Sharp, Fuji Xerox	Print for Pay, Corporate Repographic Departments, Graphic Arts, Advertising Agencies, Transactional Printers, Commercial Printers, Office Environments
Splash	Xerox	Graphic Arts, Advertising Agencies
Micropress	Canon, Danka, Ikon, Konica Minolta, Ricoh	Corporate Repographic Departments, Commercial Printers

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## [Table of Contents](#)

### *Inkjet Products*

In June 2005 we acquired VUTEK Inc., the leading manufacturer of superwide format digital inkjet printers. The printers are used by billboard graphics printers, commercial photo labs, large sign shops, graphic screen printers and digital graphics providers to print billboards, building wraps, banners, art exhibits, point of purchase signage and other large displays. The VUTEK printers are divided into two categories, printers using solvent inks and those using UV (ultra violet) curable inks. The principle printers and their features are summarized in the following table:

<b>Printer Type</b>	<b>Models</b>	<b>Capabilities</b>	<b>Applications</b>
Solvent	<ul style="list-style-type: none"><li>• UltraVU Series</li></ul>	<ul style="list-style-type: none"><li>• Printing widths of 1.5 to 5.0 meters</li><li>• Four, six and eight colors</li><li>• Flexible substrates</li><li>• Solvent ink</li></ul>	<ul style="list-style-type: none"><li>• Banners</li><li>• Billboards</li><li>• Exhibition signage</li><li>• Fleet graphics</li><li>• Building wraps</li><li>• Flags</li></ul>
UV	<ul style="list-style-type: none"><li>• PressVu Series</li></ul>	<ul style="list-style-type: none"><li>• Printing widths up to 1.8 to 3.2 meters</li><li>• Four, six and eight colors</li><li>• Flexible and rigid substrates</li><li>• UV curable inks</li></ul>	<ul style="list-style-type: none"><li>• Point of purchase signage</li><li>• Backlit displays</li><li>• Exhibition signage</li><li>• Photo-quality graphics</li></ul>

We also manufacture the inks used in the VUTEK printers. Each VUTEK ink is custom made for each VUTEK printer to provide optimum performance on that machine.

### *Professional Printing Applications*

In an effort to provide our customers with end-to-end print solutions, we have developed technology that enhances printing workflow and makes printing operations more powerful, productive and easier to manage from one centralized user interface. Most of the our software solutions have been developed with the express goal of automating print processes and streamlining workflow via open, integrated and interoperable EFI products, services and solutions.

Our production workflow solutions enhance productivity across the production printing job cycle, from pre-press to digital or offset print production. EFI's consistent, intuitive user interfaces are designed to reduce the potential for operator error, reduce training times, streamline complex job cycles, and decrease job completion time in order to improve maximum productivity and profitability.

Our proofing software allows professional printers to accurately and affordably proof color documents before sending them to an offset or digital printing press. By skipping traditional proofing methods, professional printers save time and reduce costs, without sacrificing the quality of their final printed product.

Our enterprise resource planning (ERP) and collaborative supply chain software print management solutions are designed to enable printers and print buyers to improve productivity and customer service while reducing costs. Procurement applications for print buyers and print producers facilitate web-based collaboration across the print supply chain. Customers recognize that print management information systems, or PMIS, are essential to improving their business practices and profitability and we are continuing to focus on making EFI's PMIS solutions the industry standard globally.

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## Table of Contents

Our software offerings currently include:

<b>Product Name</b>	<b>Description</b>	<b>User</b>
ColorProof	Digital color proofing solutions offering fast, flexible workflow, power, and expandability.	Digital, commercial and hybrid printers, prepress providers, publishers, creative agencies and photographers
EFI Hagen, EFI Logic, EFI PSI, EFI PrintSmith	Collect, organize, and present critical information to improve process control and profit potential.	Commercial, publishing, digital, in-plant, print for pay, large format and specialty printers
Digital Store Front, PrinterSite	Web interface to manage print transactions between customer and printer	Commercial, publishing, digital, in-plant, print for pay, large format and specialty printers

## **Growth and Expansion Strategies**

Our overall objective is to continue to introduce new generations of controller products as well as expand our offerings in professional printing software applications and large format inkjet products as well as other new product lines related to digital printing, workflow and print management. With respect to our current products, our primary goal is to offer best of breed, end-to-end solutions that are interoperable and conform to open standards to allow customers to choose the most efficient solutions for their business. Our strategy to accomplish these goals consists of four key elements.

### *Proliferate and Expand Product Lines*

We intend to continue to develop new controller products that are “scalable”, meaning products that continue to meet the changing needs of the user as their business grows. Our products offer a broad range of features and functionality when connected to, or integrated with, digital color and black-and-white copiers, as well as desktop color laser printers. Historically, we sold products that supported digital color copiers but have since expanded our line of controllers to drive a wide range of output devices including black-and-white printing systems and copiers.

We intend to develop platform enhancements that advance the performance and usability of our software applications that provide cohesive, end-to-end solutions for our customers. In 2005 we launched a new version of EFI Logic, which offers significant customization along with enhancements to reporting, accounting and purchasing that can be used on our application server provider (“ASP”) model for customers that do not want to maintain their own web-site. A new version of Prograph, our job management system, was introduced in 2005 with a feature that provides computer-aided press planning and with a simplified architecture that provides for easier and faster installations.

Our acquisition of VUTEK in mid-2005 added printers to our product line-up. The super-wide format inkjet printers and the inks have increased our penetration into the graphics printing market. Shortly after acquisition, VUTEK released the PressVu 320/400, a UV-curing, 3.2-meter flatbed rigid and roll-to-roll printer. We plan on continuing to introduce new VUTEK printers that advance the speeds and quality available to our customers so they may meet the growing needs of their customers. In addition, new platforms will increasingly target new output types allowing us to penetrate additional markets with our product lineup.

We also continue to explore acquisition possibilities as a way to expand our product lineup and customer base. Although there can be no assurance that acquisitions will be successful, we have found them to be a good vehicle to continue the growth of our product offerings beyond purely organic development.

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## **Table of Contents**

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

Our customer relationships are our most important assets. We have established relationships with leading printer and copier industry companies, including Canon, Fuji Xerox, Konica Minolta, Oki, Océ, Ricoh, Sharp, Toshiba and Xerox, who we collectively refer to as our OEM customers. Sales to each of the listed OEM customers accounted for at least 1% of our controller revenues in 2005. Additionally, we have established relationships with many leading distribution companies in the office, graphic arts and commercial print industries such as IKON, Presstek, Enovation, Pitman and others for our Fiery products and Nazdar and 3M for our VUTEK products, who distribute our products. We seek to establish new relationships in pursuit of the goal of offering our controller products as well as our software technology for optimizing the management and creation of documents in a variety of print environments. Our relationships with our OEM customers are based upon business relationships we have established over time. However, our agreements with such OEM customers generally do not require them to make any future purchases from us and our OEM customers are generally free to purchase products from our competitors or build their own and cease purchasing our products at any time, for any reason or no reason.

We also have established relationships with many of the leading print providers globally, such as R.R. Donnelly, Consolidated Graphics and Cenveo Anderson Lithograph. These direct sales relationships, along with dealer arrangements, are vital for our understanding of the end markets for our products and serve as a source of future product development ideas. In many cases our products are customized for the needs of large customers yet maintain the common intuitive interfaces that EFI is known for around the world. Our software and inkjet products are sold both direct and via distribution arrangements to all sizes of printers.

### *Establish Enterprise Coherence and Leverage Industry Standardization*

In our development of new products and platforms, we seek to establish coherence across our entire product line by designing products that provide a consistent “look and feel” to the end-user. We believe cross product coherence can create higher productivity levels as a result of shortened learning curves. Additionally, we believe the end-to-end coherence that end-users can achieve using EFI products for all of their digital printing and imaging needs leads to a lower total cost of ownership by providing one source for sales, support and training. We believe that our effort to achieve coherence engenders goodwill among our OEM customers and other customers and end-users of our products and assists in the development of new strategic relationships and markets for us. We also advocate open architecture utilizing industry-established standards to provide inter-operability across a range of digital printing devices and software applications, ultimately providing end-users more choice and flexibility in their selection of products. For example, in 2005, we offered a free download to our Fiery server and MIS customers that allows them to connect their EFI systems to Adobe Creative Suite 2 Premium Edition, providing creation-to-fulfillment Job Definition Format (JDF) integration.

### *Leverage Technology and Industry Expertise to Expand the Scope of Products, Channels and Markets*

We have assembled, organically and through acquisitions, an experienced team of technical and sales and marketing personnel with backgrounds in color reproduction, digital pre-press, image processing, management information systems, networking and software and hardware engineering as well as market knowledge of enterprise printing, graphic arts and commercial printing. By applying our expertise in these areas, we expect to continue to expand the scope and sophistication of our products and gain access to new markets and channels of distribution.

## **Significant Relationships**

We have established and continue to build and expand relationships with our OEMs and distributors of digital printing technology, in order to benefit from their products, distribution channels and marketing resources. Our customers include domestic and international manufacturers, distributors and sellers of color and black-and-white digital copiers, wide-format printers and desktop color printers. We work closely with our OEM customers with the aim of developing solutions that incorporate leading technology and that work optimally in

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## Table of Contents

conjunction with such companies' products. The top 7 revenue-generating OEMs or distributors, in alphabetical order, that we sold products to in 2005 were, Canon, Fuji Xerox, Ikon Office Solutions, Konica Minolta, Océ, Ricoh and Xerox. Together, sales to Canon, Xerox and Konica Minolta accounted for approximately 48% of our 2005 revenue, with sales to each of these three customers accounting for more than 10% of our revenue. Because sales of our printer and copier-related products constitute a significant portion of our revenues and there are a limited number of OEMs producing copiers and printers in sufficient volume to be attractive customers for us, we expect that we will continue to depend on a relatively small number of OEM customers for a significant portion of our revenues in future periods. Accordingly, if we lose or experience reduced sales to an important OEM customer, we will have difficulty replacing the revenue traditionally generated from such customer with sales to new or existing OEM customers and our revenues will likely decline significantly.

We customarily enter into development and distribution agreements with our 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 our OEM customers will continue to purchase products from us in the future, despite such agreements. Furthermore, our agreements with our OEM customers generally do not commit such customers to make future purchases from us and they could decline to purchase products from us in the future and could purchase products from our competitors or build the products themselves. We recognize the importance of, and work hard to maintain, our relationships with our customers. However, our relationships with our customers are affected by a number of factors including, among others: competition from other suppliers, competition from internal development efforts by the customers themselves and changes in general economic, competitive or market conditions such as changes in demand for our or the OEM's products, or fluctuations in currency exchange rates. There can be no assurance that we will continue to maintain or build the relationships we have developed to date. See Item 1A—*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.*"

We have a continuing relationship pursuant to a license agreement with Adobe and license PostScript® software from Adobe for use in many of our controller solutions. This relationship is important because each of our controller solutions requires page description language software such as that provided by Adobe in order to operate. Adobe's PostScript® software is widely used to manage the geometry, shape and typography of hard copy documents and Adobe is a leader in providing page description software. Although to date we have successfully obtained licenses to use Adobe's PostScript® software when required, Adobe is not required to and we cannot be certain that Adobe will, grant future licenses to Adobe PostScript® software on reasonable terms, in a timely manner, or at all. In addition, in order to obtain licenses from Adobe, Adobe requires that we obtain from it quality assurance approvals for our products that use Adobe software. If Adobe does not grant us such licenses or approvals, if the Adobe licenses are terminated, or if our relationship with Adobe is otherwise materially impaired, we would likely be unable to sell products that incorporate Adobe PostScript® software. If that occurred, we would have to reestablish our own competing software as a viable alternative for Adobe Postscript and our financial condition and results of operations would be significantly harmed for a period of time.

Our VUTEK printers are constructed with inkjet printheads which are manufactured by a limited number of suppliers. If we were to experience difficulty obtaining printheads, our production would be limited and our revenues would be harmed. We manufacture inks for use in our printers and rely upon a sole supplier for certain pigments used in the inks. Our ink sales, which represented approximately 6% of our total revenues in 2005, would decline significantly if we were unable to obtain the pigments needed. In addition, since the warranties on the ink delivery systems are voided if non-VUTEK produced inks are used, our printer sales and customer relationships could be harmed.

## **Distribution and Marketing**

Our primary distribution method for our controller solutions is to sell them to our OEMs. Our OEMs in turn sell these products to OEM-affiliated and independent distributors/dealers/resellers and end-users for use with the

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## **Table of Contents**

OEMs' copiers or printers as part of an integrated printing system. See Item 1A—*We rely on sales to a relatively small number of OEM customers and the loss of any of these customers could substantially decrease our revenues.*”

Our primary distribution method for our EDOX, DocStream and MicroPress servers, our EFI Proofing Solutions and our EFI Workflow software products is to sell them directly to our authorized distributors/dealers/resellers who in turn sell the solutions to end users either in a stand alone form or bundled with other solutions they offer. Primary customers with whom we have established distribution agreements include Presstek, Enovation, Pitman and others. There can be no assurance that we will continue to successfully distribute our products through these channels.

Our Print Management Information Solutions are primarily sold directly to the end user by EFI's own sales force. To distribute our VUTEk printers and ink, we utilize a direct sales force located in North America and Europe and distributors for the rest of our global distribution. Any interruption of the distribution methods could negatively impact us in the future.

We promote all of our products through public relations, direct mail, advertising, promotional material, trade shows and ongoing customer communication programs. Approximately 70% of our sales leads for the inkjet printers are generated from tradeshow and any interruption in our trade show participation could materially impact our revenue and profitability.

## **Research and Development**

Research and development costs for 2005, 2004 and 2003 were \$109,525, \$111,134 and \$96,697, respectively. As of December 31, 2005, 781 of our 1,723 full-time employees were involved in research and development. We believe that development of new products and enhancement of existing products are essential to our continued success and management intends to continue to devote substantial resources to research and new product development. We expect to make significant expenditures to support our research and development programs for the foreseeable future.

We are 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 multifunctional devices. We are also developing new software applications designed to maximize workflow efficiencies and to meet the needs of the graphic arts and commercial print professional, including proofing solutions and print management information systems solutions. We also expect to continue to develop new platforms of inkjet print technologies in order to meet the needs of existing and future markets. See “—Growth and Expansion Strategies—Proliferate and Expand Product Lines.” Substantial additional work and expense will be required to complete and bring to market each of the products currently being developed by us. See Item 1A—*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.*”

## **Manufacturing**

We utilize sub-contractors to manufacture our controller products. These sub-contractors work closely with us to promote low costs and high quality in the manufacture of our products. Sub-contractors purchase components needed for our products from third parties. We are completely dependent on the ability of our sub-contractors to produce products sold by us and although we supervise our sub-contractors, there can be no assurance that such sub-contractors will perform efficiently or effectively. In previous years, a high concentration of our products was manufactured at a single sub-contractor location, Sanmina-SCI in Colorado. As of December 31, 2005, we have moved our manufacturing to Celestica Inc. in Toronto, Canada. Should Celestica experience any inability or unwillingness to manufacture or deliver product from this location our business, financial condition and operations could be harmed. Since we do not maintain long-term agreements with our sub-contractors, any of our sub-contractors could enter into agreements with our competitors that might restrict or prohibit such sub-contractors from manufacturing our products or could otherwise lead to an inability of such sub-contractor from filling our orders in a timely manner.

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## Table of Contents

Our VUTEk printers and ink are manufactured at our Meredith, New Hampshire facility. Meredith is not located in a major metropolitan area, and we have encountered difficulties in hiring and retaining adequate skilled labor and management. We also face the risk of our New Hampshire labor force unionizing. Most of the components used in the manufacturing of the printers and the inks are available from multiple suppliers, except for the inkjet printheads and the pigments for our inks. If we were unable to obtain the printheads currently used, we would be required to redesign our printers to use different printheads. If we were to change pigments, we would be required to reformulate and test the inks. Our solvent-based inks are formulated with hazardous materials. The storage, use and disposal of those materials must meet various environmental regulations.

A significant number of the components necessary for the manufacture of our controller products are obtained from a sole supplier or a limited group of suppliers. These include processors from Intel and other related semiconductor components. We depend largely on the following sole and limited source suppliers for our components and manufacturing services:

Supplier	Components
Intel	Central processing units, or CPUs; chip sets
Toshiba	ASICs
LSI Logic	ASICs
Texas Instruments	Digital signal processors, or DSPs
Celestica Inc.	Contract manufacturing
Transmeta	CPU

We do not maintain long-term agreements with any of our suppliers of components and conduct our business with such suppliers solely on a purchase order basis. If any of our sole or limited source suppliers were unwilling or unable to supply us with the components for which we rely on them, we may be unable to continue manufacturing our products utilizing such components.

The absence of agreements with our suppliers also subjects us to fluctuations in pricing, a factor we believe is partially offset by the fact that our suppliers benefit from selling as many components to us as possible. Many of our components are similar to those used in personal computers, and the demand and price fluctuations of personal computer components could affect our component costs. Because the purchase of key components involves long lead times, in the event of unanticipated volatility in demand for our products, we may be unable to manufacture certain products in a quantity sufficient to meet end user demand, or we may hold excess quantities of inventory. We maintain an inventory of components for which we are dependent upon sole or limited source suppliers and of components with prices that fluctuate significantly. We cannot assure you that at any given time we will have sufficient inventory to enable us to meet demand which would harm our financial results. As a result of our acquisition of VUTEk in 2005, our inventory has increased, however, it still represents less than 3% of our total assets and less than 6% of our total revenue at December 31, 2005.

## Human Resources

As of December 31, 2005, we employed 1,723 full-time individuals. Of the 1,723 total employees, approximately 399 were in sales and marketing, 211 were in management and administration, 333 were in manufacturing and 781 were in research and development. Of the total number of employees, we had approximately 1,356 employees located in U.S. and Canadian offices and 367 employees located in international offices including employees based in the United Kingdom, The Netherlands, Germany, Belgium, Japan, France, Italy, Spain, Australia, Korea, Singapore, Brazil, Mexico, Sweden, India, China and Hong Kong. Our employees are not represented by any collective bargaining organization and we have never experienced a work stoppage. However, there can be no assurance that collective bargaining, work stoppage or other employment related issues will not arise, particularly at our New Hampshire manufacturing facilities.

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## **Table of Contents**

### **Competition**

Competition in our markets is intense and involves rapidly changing technologies and frequent new product introductions. To maintain and improve our competitive position, we 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 our customers. The principal competitive factors affecting the markets for our controller solutions 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. We believe we have generally competed effectively in the past against product offerings of our competitors on the basis of such factors. However, there can be no assurance that we will continue to be able to compete effectively in the future based on these or any other competitive factors.

Our controller products are split into two product categories: (i) stand-alone print servers which are connected to digital copiers and other peripheral devices and (ii) embedded and design-licensed solutions which are used in digital copiers, desktop laser printers and multifunctional devices. Our primary competitor for the stand-alone color servers is Kodak although Kodak currently sells to a limited number of OEMs, while EFI serves many industry leaders. Our OEM customers themselves, as well as third party vendors Peerless Systems and Zoran Corporation, are the principal competitors for the embedded and design-licensed color solutions. Our digital black-and-white solutions face competition from Peerless and our OEM customers. Our market position vis-a-vis internally-developed controllers is small, however, we are the largest third party controller vendor. We believe that our advantages include our continuously advancing technology, time-to-market, brand recognition, end-user loyalty, sizable installed base, number of products supported, price driven by lower developmental costs and market knowledge. A significant disadvantage is our lack of control of the distribution channels. We do, however, provide a variety of features as well as a unique "look and feel" to our OEMs' products to differentiate their products from those of their competitors.

The VUTEk line of super-wide inkjet printers competes with printers produced by Inca, NUR, Durst, Scitex Vision and Gandi throughout most of the world. There are Chinese and Korean printer manufacturers in the marketplace, but their products are typically sold in their domestic markets and are not perceived as alternatives in most other markets. Although we recommend that our inks be used in the VUTEk printers, users can purchase solvent-based inks from other ink manufacturers. The third-party inks are typically priced at a lower price than our proprietary inks, however, they may not provide the same quality and the use of third-party inks voids the ink delivery system warranty. We believe that our broad product line and leading technology provide a competitive advantage.

Our Professional Printing Applications category, which includes our Workflow, Proofing, Print Management Information Software and Web Submission Tools, faces competition from software application vendors that specifically target the printing industry, which are typically small, privately-owned companies and from larger vendors, such as Heidelberg and others, who currently offer or are seeking to develop printer-focused enterprise resource planning products. We believe that the principal competitive factors affecting our market include adoption by significant number of print buyers and printers, product quality and performance, customer service, core technology, product features, price, inter-operability and the value of services.

There can be no assurance that we will be able to continue to advance our technology and products or to compete effectively against other companies' product offerings and any failure to do so could have a material adverse effect upon our business, operating results and financial condition.

### **Intellectual Property Rights**

We rely on a combination of patent, copyright, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish, maintain and protect our intellectual property rights, all of which afford only limited protection. As of December 31, 2005, the Company had 165 issued U.S. patents, up from 132 at December 31, 2004, 85 pending U.S. patent applications and various foreign counterpart patents and

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## [Table of Contents](#)

applications. 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 our technology. In 2005, 2 patent applications were filed, down from 18 in 2004. In addition, 1 patent expired with the remaining issued U.S. patents expiring between May 9, 2006 and June 30, 2023. Our failure to obtain or maintain patent protection may make it easier for our competitors to offer equivalent or superior technology. In addition, third parties may independently develop similar technology without misappropriation of our trade secrets or breach of other proprietary rights. Any failure by us to take all necessary steps to protect our trade secrets or other intellectual property rights and failure to enforce these rights may have a material adverse effect on our ability to compete in our markets.

We have registered certain trademarks, which include, among others, our EFI, EFI and Design, Electronics For Imaging (stylized), Fiery, Fiery and Design, Fiery Driven, Fiery Driven and Design, Fiery Spark and Design, Colorcal, ColorWise, Command Workstation, Bestcolor, EDOX, MicroPress, Mousitometer, Printcafe, PrinterSite, PrintMe, Splash, Spot-On and RIP-While-Print trademarks and have applied for registration of certain additional trademarks, in the United States and/or in foreign jurisdictions. We will continue to evaluate the registration of additional trademarks as appropriate. Any failure by us to properly register or maintain our trademarks or to otherwise take all necessary steps to protect our trademarks may diminish the value associated with our trademarks. Our 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 we operate or sell our products, do not protect intellectual property and 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 our proprietary rights. Such litigation, whether or not concluded successfully for us, could involve significant expense and the diversion of management’s attention and other resources. See Item 1A—*We may be unable to adequately protect our proprietary information and may incur expenses to defend our proprietary information.*”

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

See Note 12 of the Notes to Consolidated Financial Statements. See also Item 1A—*We face risks from our international operations and from currency fluctuations.*”

### **Item 1a: Risk Factors**

All amounts in this item are presented in thousands, except for per share amounts.

#### **Our controller products are sold to a relatively small number of OEM partners and the loss of any of these customers could substantially decrease our hardware revenues.**

A significant portion of our revenues are and have been generated by sales of our printer and copier related products to a relatively small number of OEMs. For example, Canon, Xerox and Konica Minolta each contributed over 10% of our revenues for the year ended December 31, 2005 and together accounted for approximately 48% of those revenues during the same period. During the fiscal year ended December 31, 2004, these same three customers each contributed over 10% of our revenues and together accounted for approximately 61% of our revenues for the year. Because sales of our printer and copier-related products constitute a significant portion of our revenues and there is a limited number of OEMs producing copiers and printers in sufficient volume to be attractive customers for us, we expect that we will continue to depend on a relatively small number of OEM customers for a significant portion of our controller revenues in future periods. Accordingly, if we lose or experience reduced sales to an important OEM customer, we will have difficulty replacing the revenue previously generated from such customer with sales to new or existing OEM customers and our revenues will likely decline significantly.

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## [Table of Contents](#)

### **The market for our super-wide-format printers is very competitive.**

The printing equipment industry is extremely competitive. Our VUTEk products compete against several companies that market digital printing systems based on electrostatic, drop-on-demand and continuous drop-on-demand inkjet, airbrush and other technologies and printers utilizing solvent and UV curable ink. Two of our largest competitors, Scitex Vision and Inca, were recently acquired by Hewlett Packard ("HP") and Dainippon Screen ("Screen"), respectively. Both HP and Screen have greater resources to develop new products and technologies and market those products. They could also exert downward pressure on product pricing to gain market share.

We have also witnessed the recent growth of local Chinese and Korean markets where local competitors are developing, manufacturing and selling inexpensive printers, mainly to the local Chinese and Korean markets. These Chinese and Korean manufacturers have also begun penetrating the international market and have partnered with other super-wide format printer manufacturers. Our ability to compete depends on factors both within and outside of our control, including the price, performance and acceptance of our current printers and any products we develop in the future. We also face competition from existing conventional wide format and super-wide format printing methods, including screen printing and offset printing. Our competitors could develop new products, with existing or new technology, that could be more competitive in our market than our printers. We cannot assure you that we can compete effectively with any such products.

### **We face strong competition in the market for printing supplies such as ink.**

We compete with independent manufacturers in the ink market. We cannot guarantee that we will be able to remain the exclusive or even principal ink manufacturer for our printers. The loss of ink sales to our installed base of printers could adversely impact our revenues and gross margins. The solvent inks are relatively easy to clone, and additional manufacturers could increase pressure on us to reduce prices or divert customers away from us.

### **We do not typically have long term purchase contracts with our OEM customers and our OEM customers have in the past and could at any time in the future, reduce or cease purchasing products from us, harming our operating results and business.**

With the exception of certain minimum purchase obligations, we typically do not have long-term volume purchase contracts with our OEM customers, including Canon, Xerox and Konica Minolta and they are not obligated to purchase products from us. Accordingly, our customers could at any time reduce their purchases from us or cease purchasing our products altogether. In the past, some of our OEM customers have elected to develop products on their own, rather than purchase our products and we expect that customers will continue to make such elections in the future. In addition, since our OEM customers incorporate our products into products they manufacture and sell, any decline in demand for copiers or laser printers and any other negative developments affecting our major customers or the computer industry in general, including reduced demand for the products sold by our OEM customers, would likely harm our results of operations. For example, several of our customers have in the past experienced serious financial difficulties which led to a decline in sales of our products to these customers. If any significant customers should face such difficulties in the future, our operating results could be harmed through, among other things, decreased sales volumes and write-offs of accounts receivables and inventory related to products we have manufactured for these customers' products.

In addition, a significant portion of our operating expenses are fixed in advance based on projected sales levels and margins, sales forecasts from our OEM customers and product development programs. A substantial portion of our backlog is scheduled for delivery within 90 days or less and our customers may cancel orders and change volume levels or delivery times for product they have ordered from us without penalty. Accordingly, if sales to our OEM customers are below expectations in any given quarter, the adverse impact of the shortfall in revenues on operating results may be increased by our inability to adjust spending in the short term to compensate for this shortfall.

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## [Table of Contents](#)

**We rely on our OEM customers to develop and sell products incorporating our controller technologies and if they fail to successfully develop and sell these products, or curtail or cease the use of our technologies in their products, our business will be harmed.**

We rely upon our OEM customers to develop new products, applications and product enhancements utilizing our controller technologies in a timely and cost-effective manner. Our continued success in the server industry depends upon the ability of these OEM customers to utilize our technologies while meeting changing end-user customer needs and responding to emerging industry standards and other technological changes. However, we cannot assure you that our OEM customers will effectively meet these challenges. These OEM customers, who are not within our control, are generally not obligated to purchase products from us and we cannot assure you that they will continue to carry our products. For example, our OEM customers have incorporated into their products the technologies of other companies or internally developed technologies in addition to, or instead of, our technologies and will likely continue to do so in the future. If our OEM customers do not effectively and successfully market products containing our technologies, our revenue will likely be materially and adversely affected.

Our OEM customers work closely with us to develop products that are specific to each OEM customer's copiers and printers. Many of the products and technologies we are developing require that we coordinate development, quality testing, marketing and other tasks with our OEM customers. We cannot control our OEM customers' development efforts or the timing of these efforts and coordinating with our OEM customers may cause delays in our own product development efforts that are outside of our control. If our OEM customers delay the release of their products, our revenue and results of operations may be adversely affected. In addition, our revenue and results of operations may be adversely affected if we cannot meet our OEM customers' product needs for their specific 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.

### **Ongoing economic uncertainty has had and may continue to have a negative effect on our business.**

The revenue growth and profitability of our business depends significantly on the overall demand for information technology products such as ours that enable printing of digital data, which in turn depends on a variety of macro- and micro-economic conditions. Delays or reductions in information technology spending, which has occurred in the past, could cause a decline in demand for our products and services and consequently harm our business, operating results, financial condition, prospects and stock price.

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

Stock prices of high technology companies such as ours tend to be volatile as a result of various factors, including variations in operating results and, consequently, fluctuations in our operating results could adversely affect our stock price. Factors that have caused our operating results and share price to fluctuate in the past and that may cause future fluctuations include:

- varying demand for our products, due to seasonality, OEM customer product development and marketing efforts, OEM customer financial and operational condition and general economic conditions;
- shifts in customer demand to lower cost products;
- success and timing of new product introductions by us and our OEM customers and the performance of our products generally;
- success and timing of new VUTEk product introductions;
- volatility in foreign exchange rates, changes in interest rates and availability of bank or financing credit to consumers of digital copiers and printers;
- price reductions by us and our competitors, which may be exacerbated by competitive pressures caused by economic conditions generally;

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## Table of Contents

- substitution of third-party inks for our own ink products by users of our super-wide format inkjet printers;
- delay, cancellation or rescheduling of orders or projects;
- availability of key components and licenses, including possible delays in deliveries from suppliers, the performance of third-party manufacturers and the status of our relationships with our key suppliers;
- potential excess or shortage of employees and location of research and development centers;
- changes in our product mix such as shifts from higher revenue or gross margin products to lower revenue or gross margin products dependant on higher sales volumes, such as our VUTEk products;
- costs associated with complying with any applicable governmental regulations, including substantial costs related to compliance with the Sarbanes-Oxley Act of 2002 ("SOX");
- acquisitions and integration of new businesses;
- changes in our business model related to the migration of embedded products to a design-licensed model;
- costs related to our entry into new markets, such as commercial printing and office equipment service automation;
- general economic conditions; and
- other risks described herein.

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

The digital printing marketplace is highly competitive and is characterized by rapid technological changes. We compete against a number of other suppliers of imaging products and technologies, including our OEM customers themselves. Although we attempt to develop and support innovative products that end customers demand, products or technologies developed by competing suppliers, including our own OEM customers, could render our products or technologies obsolete or noncompetitive.

While many of our OEM customers incorporate our technologies into their end products on an exclusive basis, we do not have any formal agreements that prevent these OEM customers from offering alternative products that do not incorporate our technologies. If, as has occurred in the past, an OEM customer offers products incorporating technology from alternative suppliers instead of, or in addition to products incorporating our technologies, our market share could decrease, which would likely reduce our revenue and adversely affect our financial results.

In addition, many OEMs in the printer and copier industry, including most of our OEM customers, internally develop and sell products that compete directly with our current products. These OEMs have significant investments in their existing solutions and have substantial resources that may enable them to develop or improve, more quickly than us, technologies similar to ours that are compatible with their own products. Our OEM customers have in the past marketed and likely will continue in the future to market, their own internal technologies and solutions in addition to ours, even when their technologies and solutions are less advanced, have lower performance or cost more than our products. Given the significant financial, marketing and other resources of our larger OEM customers and other significant OEMs in the imaging industry who are not our customers, we may not be able to successfully compete against these OEMs selling similar products that they develop internally. If we cannot compete successfully against the OEMs' internally developed products, we will lose sales and market share in those areas where the OEMs choose to compete and our business will be harmed.

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## Table of Contents

### **If we enter new markets or distribution channels this could result in higher operating expenses that may not be offset by increased revenue.**

We continue to explore opportunities to develop or acquire product lines different from our current controllers, such as proofing and print management software, document scanning solutions, super-wide format inkjet printers, prepress software solutions and web submission tools, among others. We expect to continue to invest funds to develop new distribution and marketing channels for these and additional new products and services, which will increase our operating expenses. 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 or if we will generate sufficient revenues from these activities to offset the additional operating expenses we incur. In addition, even if we are able to introduce new products or services, if customers do not accept these new products or services or if we are not able to price such products or services competitively, our operating results will likely suffer.

### **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.**

Most of our current products include software that we must license from Adobe. Specifically, we are required to obtain separate licenses from Adobe for the right to use Adobe PostScript<sup>®</sup> software in each type of copier or printer used with a Fiery Controller. Although to date we have successfully obtained licenses to use Adobe's PostScript<sup>®</sup> software when required, Adobe is not required to and we cannot be certain that Adobe will, grant future licenses to Adobe PostScript<sup>®</sup> software on reasonable terms, in a timely manner, or at all. In addition, in order to obtain licenses from Adobe, Adobe requires that we obtain from it quality assurance approvals for our products that use Adobe software. Although to date we have successfully obtained such quality assurances from Adobe, we cannot be certain Adobe will grant us such approvals in the future. If Adobe does not grant us such licenses or approvals, if the Adobe licenses are terminated, or if our relationship with Adobe is otherwise materially impaired, we would likely be unable to sell products that incorporate Adobe PostScript<sup>®</sup> software and our financial condition and results of operations would be significantly harmed.

### **We depend upon a limited group of suppliers for key components in our products and the loss of any of these suppliers could adversely affect our business.**

Certain components necessary for the manufacture of our products are obtained from a sole supplier or a limited group of suppliers. These include processors from Intel and other related semiconductor components and inkjet printheads for our super-wide format printers. We do not maintain long-term agreements with any of our component suppliers and conduct our business with such suppliers solely on a purchase order basis. If we are unable to continue to procure these sole-sourced components from our current suppliers, we will have to qualify other sources, if possible, or design our products so that they no longer require these components. We cannot assure you that other sources of these components exist or will be willing to supply us on reasonable terms or at all, or that we will be able to design around these components. Therefore any unavailability of supply of these components could harm our business. Because the purchase of certain key components involves long lead times, in the event of unanticipated volatility in demand for our products, we have been in the past and may in the future be unable to manufacture certain products in a quantity sufficient to meet demand. Further, as has occurred in the past, in the event that anticipated demand does not materialize, we may hold excess quantities of inventory that could become obsolete. In order to meet projected demand, we maintain an inventory of components for which we are dependent upon sole or limited source suppliers and components with prices that fluctuate significantly. As a result, we are subject to a risk of inventory obsolescence, which could adversely affect our operating results and financial condition. Additionally, the market prices and availability of certain components, particularly memory and Intel-designed components, which collectively represent a substantial portion of the total manufactured cost of our products, have fluctuated significantly in the past. Such fluctuations in the future could have a material adverse effect on our operating results and financial condition including a reduction in gross margins.

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## **Table of Contents**

### **We are dependent on a limited number of subcontractors, with whom we do not have long-term contracts, to manufacture and deliver products to our customers and the loss of any of these subcontractors could adversely affect our business.**

We subcontract with other companies to manufacture our products and we do not have long-term agreements with these subcontractors. We rely on the ability of our subcontractors to produce products to be sold to our customers and while we closely monitor our subcontractors' performance we cannot assure you that such subcontractors will continue to manufacture our products in a timely and effective manner. In the past a weakened economy led to the dissolution, bankruptcy or consolidation of some of the subcontractors who are able to manufacture our products, decreasing the available number of subcontractors. If the available number of subcontractors were to again decrease, it is possible that we would not be able to secure appropriate subcontractors to fulfill our demand in a timely manner or at all, particularly if demand for our products increases. The existence of fewer subcontractors may also reduce our negotiating leverage potentially resulting in higher product costs. Difficulties experienced by our subcontractors, including financial problems and the inability to make or ship our products or fix quality assurance problems, could harm our business, operating results and financial condition. If we decide to change subcontractors, we could experience delays in finding, qualifying and commencing business with new subcontractors which would result in delay in delivery of our products and potentially the cancellation of orders for our products. A high concentration of our Fiery controller products is manufactured at a single subcontractor location, Celestica in Toronto, Ontario, Canada. Should Celestica experience any inability to, or refuse to manufacture or deliver product from this location our business, financial condition and operations could be harmed. Since we do not maintain long-term agreements with our subcontractors, any of our subcontractors could enter into agreements with our competitors that might restrict or prohibit such subcontractors from manufacturing our products or could otherwise lead to an inability of such subcontractors from filling our orders in a timely manner. In such event, we may not be able to find suitable replacement subcontractors and our business, financial condition and operations would likely be harmed.

### **We may face increased risk of inventory obsolescence related to our super-wide format inkjet printers and ink.**

We procure raw materials and build our super-wide printers and ink products based on our sales forecasts. If we do not accurately forecast demand for our products we may end up with excess inventory, or we may lose sales because we do not have the correct products available for sale. If we have excess printers or other products we may have to lower prices to stimulate demand. We may also run the risk that our inventory of raw materials may become obsolete. Our ink products have a defined shelf life. If we do not sell the ink before the end of its shelf life it will no longer be sellable and will have to be expensed.

### **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 with specialized skills. We are headquartered in the Silicon Valley and additionally have research and development offices in India. Competition in both locations has historically been intense amongst companies hiring engineering and technical professionals. In times of professional labor imbalances, it has in the past and is likely in the future to be 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 near our corporate offices in the Silicon Valley and our operations in India 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.

We offer a broad-based equity compensation plan based on granting options from stockholder-approved plans in order to be competitive in the labor market. If stockholders do not approve additional shares for these plans or new plans for future grants when necessary to enable us to offer compensation competitive with those offered by other companies seeking the same employees, it may be difficult for us to hire and retain skilled employees. The FASB has announced changes to US GAAP that will require us to record a charge to earnings for employee stock option grants and issuances of stock under employee stock purchase plans, or ESPPs which will

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## [Table of Contents](#)

negatively impact our GAAP earnings. For example, recording a charge for employee stock options and ESPP under SFAS No. 123, *Accounting for Stock-Based Compensation* would have reduced net income by \$12,746, \$16,913 and \$17,829 for the years ended December 31, 2005, 2004 and 2003, respectively. Limiting our stock option grants and ESPP could make it difficult to successfully hire and retain employees which could affect our ability to develop products or to meet demand for our products in a timely fashion and our results of operations may be harmed.

### **We acquired VUTEK, Inc., a privately-held provider of super-wide format digital printers for approximately \$289,150 in June 2005. Acquisitions involve risks and if we are unable to mitigate those risks our business will be harmed.**

Our acquisition of VUTEK was our largest acquisition to date. Our purchase was made in cash and we will experience a loss of interest income as our cash balances have been reduced. In addition, we have decreased our cash balances which could impair our financial condition and our ability to expend cash on other activities. We cannot assure you that we will be able to raise additional funds if and when needed on acceptable terms or at all.

If we are unable to retain the key employees of VUTEK, the operations of the acquired company could be materially adversely impacted. Prior to the acquisition of VUTEK, we did not have experience in manufacturing and marketing super-wide format printers and ink products and as such we may not be able to effectively manage the VUTEK operations. If VUTEK's principal suppliers, many of whom have no previous relationship with us, were to refuse to continue providing materials, we would be forced to find alternate supply sources, which could possibly lead to increased costs of operations.

We do not have pre-existing relationships with the customers of VUTEK, and they may decide to discontinue purchasing from us. This would result in a loss of revenue and prevent us from obtaining the expected benefits of the acquisition.

### **Our acquisition of VUTEK in June 2005 increased the chance that we will experience additional bad debt expense.**

Historically, our products have been sold to OEM customers who present little credit risk. Our VUTEK products are sold to a broader base of customers, many of whom are smaller and potentially less credit-worthy. In addition, some of these customers may be located overseas where it may be hard to contact them if we have collection issues. If we are unable to collect accounts receivable in a timely manner, we may experience an increase in bad debt expense.

### **Because of our recent acquisitions we now must sell our products directly to distributors and to the end-user. If we are unable to effectively manage a direct sales force, sales and revenues could decline.**

We have traditionally sold our products to our OEM partners, who in turn sold the product to the end-user. Our marketing focused on manufacturers and distributors of the manufacturers' equipment, not on the end-user of the product. We must now sell our professional printing applications and our super-wide-format inkjet printers and ink to the end-user. If we are unable to develop a sales force and marketing program that can reach the end-users, we are likely to see a decline in revenues from those products.

### **We may make acquisitions that are dilutive to existing stockholders, result in unanticipated accounting charges or otherwise adversely affect our results of operations and result in difficulties in assimilating and integrating the operations, personnel, technologies, products and information systems of acquired companies or businesses.**

We seek to develop new technologies and products from both internal and external sources. As part of this effort, we have in the past made, and will likely continue to make, acquisitions of other companies or other companies' assets. Acquisitions involve numerous risks, such as:

- if we issue equity securities in connection with an acquisition, the issuance may be dilutive to our existing stockholders, alternatively, acquisitions made entirely or partially for cash (such as our acquisition of VUTEK) will reduce our cash reserves;

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## Table of Contents

- difficulties in integration of operations, employees, technologies, or products and the related diversion of management time and effort to accomplish successful integration;
- risks of entering markets in which we have little or no prior experience, or entering markets where competitors have stronger market positions;
- possible write-downs of impaired assets;
- potential loss of key employees of the acquired company;
- possible expense overruns;
- an adverse reaction by customers, suppliers or partners of the acquired company or EFI;
- the risk of changes in ratings by stock analysts;
- potential litigation surrounding transactions or the prior actions of the acquired company, such as the Printcafe litigation;
- the inability to protect or secure technology rights; and
- increases in operating costs.

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

### **We face risks from currency fluctuations.**

Given the significance of our non-US sales to our total product revenue, we face a continuing risk from the fluctuation of the US dollar versus the Japanese yen, the euro and other major European currencies and numerous Southeast Asian currencies. We typically invoice our customers in US dollars and this may result in our products becoming more expensive in the local currency of our customers, thereby reducing our ability to sell our products. 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 US dollar. In addition, we have a substantial number of international employees which creates material operating costs denominated in foreign currencies. In Europe, where we have a significant presence, our sales and marketing expenses and general and administrative expenses have risen in part due to the weakened US dollar. We have attempted to limit or hedge these exposures through operational strategies where we have considered it appropriate in the past. Our efforts to reduce the risk from our international operations and from fluctuations in foreign currencies or interest rates may not be successful, which could harm our financial condition and operating results. In 2005, the impact from currency exchange differences was not material.

Approximately 46% and 45% of our revenue from the sale of products for the years ended December 31, 2005 and 2004, respectively, came from sales outside North America, primarily to Europe and Japan. We expect that sales outside North America will continue to represent a significant portion of our total revenue.

### **We face risks from our international operations.**

We are subject to certain risks because of our international operations. Changes to and compliance with a variety of foreign laws and regulations that may increase our cost of doing business and our inability or failure to obtain required approvals could harm our international and domestic sales. Protectionist trade legislation in either the United States or other countries, such as a change in the current tariff structures, export compliance laws or other trade policies, could adversely affect our ability to sell or to manufacture in international markets. Some of our sales to international customers are made under export licenses that must be obtained from the United States Department of Commerce (DOC) and certain transactions require prior approval of the DOC. Changes in governmental regulation and our inability or failure to obtain required approvals, permits or registrations could harm our international and domestic sales and adversely affect our revenues, business and operations. Any violations could result in fines and penalties, including prohibiting us from exporting our products to one or more countries, and could materially and adversely affect our business.



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## **Table of Contents**

Moreover, local laws and customs in many countries differ significantly from those in the United States. We incur additional legal compliance costs associated with our international operations and could become subject to legal penalties in foreign countries if we do not comply with local laws and regulations, which may be substantially different from those in the United States. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by United States regulations applicable to us such as the Foreign Corrupt Practices Act. Although we implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, including those based in or from countries where practices which violate such United States laws may be customary, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business.

Other risks include natural disasters and political or economic conditions in a specific country or region. In addition, many countries in which we derive revenues do not currently have comprehensive and highly developed legal systems, particularly with respect to the protection of intellectual property rights, which, among other things, can result in the prevalence of infringing products and counterfeit goods in certain countries, which could harm our business and reputation.

### **We may be unable to adequately protect our proprietary information and may incur expenses to defend our proprietary information.**

We rely on a combination of copyright, patent, trademark and trade secret protection, nondisclosure agreements and licensing and cross–licensing arrangements to establish, maintain and protect our intellectual property rights, all of which afford only limited protection. We have patents and pending patent applications in the United States and in various foreign countries. There can be no assurance that patents will issue from our pending applications or from any future applications, or that, if issued, any claims allowed will be sufficiently broad to protect our technology. Any failure to adequately protect our proprietary information could harm our financial condition and operating results. We cannot be certain that any patents that have been or may in the future 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 certain that any rights granted to us under any patents, licenses or other proprietary rights will provide adequate protection of our proprietary information. In addition, as different areas of our business change or mature, from time to time we evaluate our patent portfolio and make decisions either to pursue or not to pursue specific patents and patent applications related to such areas. Abandoning or choosing not to pursue certain of our patents, patentable applications and failing to file applications for potentially patentable inventions, may harm our business by, among other things, enabling our competitors to more effectively compete with us, reducing the potential claims we can bring against third parties for patent infringement and limiting our potential defenses to intellectual property claims brought by third parties.

Litigation has been and may continue to be necessary to defend and enforce our proprietary rights. Such litigation, whether or not concluded successfully for us, could involve significant expense and the diversion of our attention and other resources, which could harm our financial condition and operating results.

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

Third parties have claimed in the past and may claim in the future that our products infringe, or may infringe, their proprietary rights. Such claims have in the past resulted in lengthy and expensive litigation and could do so in the future. 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, which could harm our financial condition and operating results. Although we may seek licenses from third parties covering intellectual property that we are allegedly infringing, we cannot assure you that any such licenses could be obtained on acceptable terms, if at all.

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## [Table of Contents](#)

### **We may be subject to environmental related liabilities due to our use of hazardous materials and solvents.**

We mix ink used in some of our printers with solvents and other hazardous materials. Those materials are subject to various governmental regulations relating to their transfer, handling, packaging, use and disposal. We store the ink at warehouses worldwide, including Europe and the United States, and shipping companies ship it at our direction. We face potential responsibility for problems such as spills that may arise when we ship the ink to customers. While we customarily obtain insurance coverage typical for this kind of risk, if we fail to comply with these laws or an accident involving our ink waste or solvents occurs, then our business and financial results could be harmed.

### **Future sales of our hardware products in European Union member nations (EU) could be limited after July 1, 2006 due to the enactment of the EU Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS).**

From July 1, 2006 forward, new electrical and electronic equipment sold into EU nations must not contain lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) or polybrominated diphenyl ethers (PBDEs). These must be replaced by other substances. Manufacturers must comply with significant, and potentially costly, compliance requirements in order to meet the ROHS deadline. Some of our products may not be converted before the deadline and we will not be allowed to sell those products in the EU until the products are made fully compliant.

### **Our products may contain defects which are not discovered until after shipping.**

Our products consist of hardware and software developed by ourselves and others. Our products may contain undetected errors and we have in the past discovered software and hardware errors in certain of our products after their introduction, resulting in warranty expense and other expenses incurred in connection with rectifying such errors. Errors could be found in new versions of our products after commencement of commercial shipment and any such errors could result in a loss or delay in market acceptance of such products and thus harm our reputation and revenues. In addition, errors in our products (including errors in licensed third party software) detected prior to new product releases could result in delays in the introduction of new products and our incurring additional expense, which could harm our operating results.

### **Actual or perceived security vulnerabilities in our products could adversely affect our revenues.**

Maintaining the security of our software and hardware products is an issue of critical importance to our customers and for us. There are individuals and groups who develop and deploy viruses, worms and other malicious software programs that could attack our products. Although we take preventative measures to protect our products, and we have a response team that is notified of high-risk malicious events, these procedures may not be sufficient to mitigate damage to our products. Actual or perceived security vulnerabilities in our products could lead some customers to seek to return products, to reduce or delay future purchases or to purchase competitive products. Customers may also increase their expenditures on protecting their computer systems from attack, which could delay or reduce purchases of our products. Any of these actions or responses by customers could adversely affect our revenues.

### **System failures or system unavailability could harm our business.**

We rely on our network infrastructure, internal technology systems and our internal and external websites for our development, marketing, operational, support and sales activities. Our hardware and software systems related to such activities are subject to damage from malicious code released into the public Internet through recently discovered vulnerabilities in popular software programs. These systems are also subject to acts of vandalism and to potential disruption by actions or inactions of third parties. Any event that causes failures or interruption in our hardware or software systems could harm our business, financial condition and operating results.

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## [Table of Contents](#)

### **The location and concentration of our facilities subjects us to the risk of earthquakes, floods or other natural disasters and public health risks.**

Our corporate headquarters, including most of our research and development facilities, are located in the San Francisco Bay Area, 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 based in areas including the San Francisco Bay Area, Taiwan and Japan and are therefore subject to risk from natural disasters. A significant natural disaster, such as an earthquake, flood or typhoon, could harm our business, financial condition and operating results.

Our employees, suppliers and customers are located worldwide. We face the risk that our employees, suppliers, or customers, either through travel or contact with other individuals, could become exposed to contagious diseases such as severe acute respiratory syndrome ("SARS") or avian bird flu. In addition, governments in those regions have from time-to-time imposed quarantines and taken other actions in response to contagious diseases that could affect our operations. If a significant number of employees, suppliers, or customers were unable to fulfill their obligations, due to contagious diseases, actions taken in response to contagious diseases, or other reasons, our business, financial condition and operating results could be harmed.

### **We may be subject to the risk of loss due to fire because the materials we use in the manufacturing process of our inks are flammable.**

We use flammable materials in the manufacturing processes of our inks and may therefore be subject to the risk of loss arising from fires. The risk of fire associated with these materials cannot be completely eliminated. Moreover, we have one main facility that manufactures these inks, which increases our exposure to such risk in case this facility is destroyed or materially damaged as a result of fire or otherwise. We maintain insurance policies to reduce losses caused by fire, including business interruption insurance. If this facility is damaged or otherwise ceases operations as a result of a fire, it would reduce manufacturing capacity and, consequently, may reduce revenues and adversely affect our business.

### **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 in securities with maturities of less than three years; however, 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 volatile historically and may continue to be volatile.**

The market price for our common stock has been and may continue to be volatile. For example, during the twelve-month period ended December 31, 2005, the price of our common stock as reported on the Nasdaq National Market ranged from a low of \$16.07 to a high of \$28.55. We expect our stock price to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These factors include:

- actual or anticipated variations in our quarterly or annual operating results;
- our failure to meet analyst expectations
- announcements of technological innovations or new products or services by us or our competitors;
- announcements relating to strategic relationships, acquisitions or investments;
- announcements by our customers regarding their businesses or the products in which our products are included;
- changes in financial estimates or other statements by securities analysts;

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## Table of Contents

- changes in general economic conditions;
- terrorist attacks and the effects of military engagements or natural disasters;
- changes in the rating of our debentures or other securities;
- changes in the economic performance and/or market valuations of other software and high-technology companies; and
- commencement of litigation or adverse results in pending litigation.

Because of this volatility, we may fail to meet the expectations of our stockholders or of securities analysts from time-to-time and the trading prices of our securities could decline as a result. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the trading prices of equity securities of many high-technology companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. Any negative change in the public's perception of high-technology companies could depress our stock price regardless of our operating results.

### **Our stock repurchase program could affect our stock price and add volatility.**

Any repurchases pursuant to our stock repurchase program could affect our stock price and add volatility. There can be no assurance that the repurchases will be made at the best possible price. The existence of a stock repurchase program could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, we are permitted to and could discontinue our stock repurchase program at any time and any such discontinuation could cause the market price of our stock to decline.

### **Under regulations required by the Sarbanes-Oxley Act of 2002, an adverse opinion on internal controls over financial reporting could be issued by our auditors, and this could have a negative impact on our stock price.**

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we establish and maintain an adequate internal control structure and procedures for financial reporting and assess on an on-going basis the design and operating effectiveness of our internal control structure and procedures for financial reporting. Our auditors, an independent registered public accounting firm, are required to attest audit both the design and operating effectiveness of our internal controls over financial reporting and management's assessment of the design and the effectiveness of its internal controls for financial reporting. Although no known material weaknesses are believed to exist at this time, it is possible that material weaknesses could be identified. If we are unable to remediate the weaknesses, our management would be required to conclude that our internal controls over financial reporting were not effective and our auditors would be required to issue an adverse opinion on our internal controls over financial reporting. It is uncertain what impact an adverse opinion would have upon our stock price. In addition to their inherent limitations, internal controls over financial reporting and the audit of such controls by our auditors may not prevent or detect misstatements, errors, omissions, or fraud.

### **A reduction in our net income as reported on our financial statements could increase the likelihood of identifying a material weakness in our internal controls.**

The threshold for determining whether or not we have a material weakness in our internal controls and procedures as defined by the Sarbanes-Oxley Act is, in part, based on our generally accepted accounting principles, or GAAP, net income. Lowered GAAP net income, with an associated lowered materiality threshold, may increase our risk of having to disclose control weaknesses. For example, continued acquisitions, and the associated amortization of intangibles, will increase our amortization expenses and in the future may lower our GAAP earnings which would result in a lower materiality threshold for internal control testing. A lower materiality threshold requires us to test more areas of the business. As the number of areas tested increases, the statistical chance of discovering a material weakness increases.

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## [Table of Contents](#)

### **Our debt service obligations may adversely affect our cash flow.**

In June 2003, we issued \$240,000 in 1.50% convertible senior debentures due in 2023. During the period the debentures are outstanding, we will have debt service obligations on the debentures of approximately \$3,600 per year in interest payments, payable semi-annually. In addition, beginning June 1, 2008, we could be required to pay contingent interest of 0.35% if during any nine-month period from June 1 to November 30 and December 1 to May 31, the average market price of the debentures for the five trading days ending on the third trading day immediately preceding the first day of the relevant nine-month period equals 120% or more of the principal amount of the debentures.

Our debt service obligations related to the debentures include the following redemption and repurchase terms that could also affect our cash position:

- On or after June 1, 2008, we may redeem the debentures for cash at any time as a whole, or from time to time in part, at a price equal to 100% of the principal amount of the debenture to be redeemed plus any accrued and unpaid interest, including contingent interest, if any;
- On June 1, 2008 a holder may require us to repurchase all or a portion of that holder's debentures at a repurchase price equal to 100% of the principal amount of those debentures plus accrued and unpaid interest, including contingent interest, if any, to, but not including, the date of repurchase in cash; and
- A holder may require us to repurchase all or a portion of that holder's debentures if a fundamental change, as defined in the indenture, occurs prior to June 1, 2008 at 100% of their principal amount, plus any accrued and unpaid interest, including contingent interest, if any to, but not including, the repurchase date. We may choose to pay the repurchase price in cash.

If we issue other debt securities in the future, our debt service obligations will increase. We intend to fulfill our debt service obligations from cash generated by our operations, if any and from our existing cash and investments. If we are unable to generate sufficient cash to meet these obligations and must instead use our existing cash or investments, we may have to reduce, curtail or terminate other activities of our business. We may add lines of credit and obtain other long-term debt and mortgage financing to finance capital expenditures in the future.

Our indebtedness could have significant negative consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions, as we are required to make interest payments and maintain compliance with financial covenants contained in the debentures regardless of such external conditions;
- limit our ability to obtain additional financing due to covenants contained in the debentures and the existing leverage evidenced by the debentures;
- require the dedication of a substantial portion of any cash flow from operations to the payment of principal of and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our growth strategy, working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry by restricting the funds available for use in addressing such changes; and
- place us at a competitive disadvantage relative to our competitors with less debt.

### **Item 1B: Unresolved Staff Comments**

**None.**

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## [Table of Contents](#)

### Item 2: Properties

The following table sets forth the location, size and use of each of our principal facilities:

<b>Location</b>	<b><u>Square footage</u></b>		<b>Principal uses</b>
Foster City California	458,000	Leased (1)	Corporate offices, design and engineering, product testing, customer service
Meredith, New Hampshire	163,000	Owned	Manufacturing (VUTEk printers and ink), design and engineering, sales, customer service
Norcross, Georgia	111,000	Leased (2)	Design and engineering
Bangalore, India	69,167	Leased	Design and engineering, sales, administrative and support services
Minneapolis, Minnesota	43,682	Owned	Design and engineering, customer service,
Scottsdale, Arizona	29,232	Leased	Administrative services, customer service
Ratingen, Germany	27,438	Leased	Software engineering, sales, customer service
Pittsburgh, Pennsylvania	25,997	Leased	Software engineering, sales
Lebanon, New Hampshire	22,137	Leased	Software engineering
Schiphol-Rijk, The Netherlands	16,695	Leased	European corporate offices, sales, support services
Parsippany, New Jersey	11,960	Leased	Design and engineering
Tokyo, Japan	6,405	Leased	Sales, design and engineering

(1) Approximately 47,139 square feet are sub-leased.

(2) Approximately 59,000 square feet are sub-leased.

Our Foster City, California offices are located on approximately 35 acres of land which we own. We also lease a number of additional domestic and international sales offices. For additional information on our lease obligations see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

We believe that our facilities, in general, are adequate for our present needs. We do not expect that, if the need arises, we would experience difficulties in obtaining additional space at favorable rates.

### Item 3: Legal Proceedings.

#### *Legal Proceedings*

As more fully discussed below, from time to time we may be involved in a variety of claims, lawsuits, investigations and proceedings relating to contractual disputes, securities law, intellectual property law, and employment law. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with inside and outside counsel, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Because of the uncertainties related to both the amount and range of loss on the pending litigation matters, we are unable to predict the liability that could finally result from a range of possible unfavorable outcomes. We have reserved the estimated amount that we reasonably expect to pay for the cases discussed. However, our estimate could be wrong, and we could pay more or less than our current accrual. Litigation can be costly, diverting management's attention and could, upon resolution, have a

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## [Table of Contents](#)

material adverse effect on our business, results of operations, financial condition and cash flow of the Company. In addition, we are normally involved in other litigation matters relating to various claims that arise in the normal course of our business.

***Leggett & Platt, Inc. and L&P Property Management Company v. VUTEk, Inc.:*** On May 17, 2005, Leggett & Platt, Inc., or L&P, and its patent holding subsidiary brought a patent infringement action against VUTEk, a company acquired by us in June 2005, in the United States District Court in the Eastern District of Missouri. We believe that the L&P infringement claims are demonstrably false, and we will vigorously seek summary adjudication of non-infringement against L&P's claims. On June 29, 2005, we answered L&P's complaint and counter-claimed, asking the court to find that L&P had no objective or subjective basis for bringing the action and that the asserted patent is invalid and not infringed. A *Markman* hearing has been scheduled in April 2006, with the case set for trial in March 2007.

***Citiline Holdings, Inc. v. Printcafe Software, Inc., Marc Olin, Joseph Whang, Amos Michelson, et al.:*** On June 25, 2003, a securities class action complaint was filed against Printcafe Software, Inc., a our wholly owned subsidiary acquired in October 2003 and certain of Printcafe's officers in the United States District Court for the Western District of Pennsylvania. The complaint alleges that the defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 due to allegedly false and misleading statements in connection with Printcafe's initial public offering and subsequent press releases. In June 2004, an amended complaint was filed in the action adding additional Printcafe directors as defendants. The parties have reached an agreement in principle to fully and finally resolve this litigation, subject to the Court's approval of the proposed class action settlement. The parties executed a written Stipulation and Agreement of Compromise and Settlement in September 2005 and jointly moved for the Court's preliminary approval of the settlement. On December 20, 2005, the Court preliminarily approved the proposed settlement, certified the settlement class and directed the issuance of notice. In accordance with class action procedures, the court also scheduled a final hearing in April 2006 to consider final approval of the settlement.

### ***US Bureau of Industry and Security (BIS) Export Investigation***

EFI recently learned that there is an open investigation by the US Bureau of Industry and Security (BIS) under the US Departments of Commerce relating to VUTEk's compliance with the export regulations in connection with several export sales to Syria in 2004. The investigation was initiated in January 2005, prior to EFI's acquisition of VUTEk in June 2005. At present, we believe that these matters will be resolved solely with administrative penalties and without a significant adverse effect to on our on-going business. However, there is no assurance that these matters will not have an unforeseen outcome that could impair the conduct of our business with our sales outside the United States and Canada.

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

None.

**PART II**

**Item 5: Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock has traded on the Nasdaq National Market under the symbol EFII since October 2, 1992. The table below lists the high and low sales price during each quarter the stock was traded in 2005 and 2004.

	2005				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	\$ 18.14	\$ 21.43	\$ 25.37	\$ 28.55	\$ 28.81	\$ 28.57	\$ 28.26	\$ 18.92
Low	16.07	16.12	19.50	21.48	23.70	23.06	15.00	15.91

As of February 6, 2006, there were 220 stockholders of record. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to provide the actual number of stockholders represented by these record holders. However, we estimate the number of stockholders represented by brokers and other institutions to be approximately 100,000.

We have never paid cash dividends on our capital stock. We currently anticipate that we will retain all available funds for our business and will not pay any cash dividends in the foreseeable future.

**Equity Compensation Plan Information**

Information regarding our equity compensation plans may be found in Item 12 of this annual report on Form 10-K and is incorporated herein by this reference.

**Purchases of Equity Securities**

**Issuer Purchases of Equity Securities  
(in thousands, except per share amounts)**

Period	(a) Total Number of Shares purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1–31, 2005	—	—	—	\$ 98,937
November 1–30, 2005	—	—	—	\$ 98,937
December 1–31, 2005	—	—	—	\$ 98,937
Total	—	—	—	

- (1) On August 26, 2004 we announced that our Board of Directors had approved \$100,000 to be used for the repurchase of our outstanding common stock. We began repurchasing shares under this program in August 2004 and as of December 31, 2005 we had repurchased 53,061 shares. Our buy back program is limited by SEC regulations and by trading windows set by Company policy.

Although we have had a buy-back program in place since August 2004, we did not repurchase any shares in 2005. In February 2006, we again started to repurchase our shares.

**Table of Contents****Item 6: Selected Financial Data.**

All amounts in this item are in thousands, except per share amounts and ratios.

The following table summarizes selected consolidated financial data as of and for the five years ended December 31, 2005. This information should be read in conjunction with the audited consolidated financial statements and related notes thereto.

(in thousands, except per share amounts and ratios)	As of and for the years ended December 31,				
	2005	2004	2003	2002	2001
<b>Operations</b>					
Revenue	\$ 468,501	\$ 394,604	\$ 379,587	\$350,185	\$517,608
Cost of revenue	179,490	138,382	148,054	167,685	282,113
Gross profit	289,011	256,222	231,533	182,500	235,495
Operating expenses:					
Research and development	109,525	111,134	96,697	89,973	98,116
Sales and marketing	81,854	74,711	61,597	50,624	56,767
General and administrative	34,007	27,264	21,690	21,778	25,456
Real estate related charges	—	14,394	—	—	—
Amortization of goodwill and identifiable intangibles and other acquisition-related charges (1), (2)	71,734	14,690	19,670	4,391	12,255
Restructuring charges	2,685	—	—	—	—
Share-based compensation expense	1,929	—	—	—	—
Total operating expenses	301,734	242,193	199,654	166,766	192,594
(Loss) income from operations	(12,723)	14,029	31,879	15,734	42,901
Interest and other income, net:					
Interest and other income	14,489	12,779	11,489	11,540	17,661
Interest expense	(5,010)	(5,632)	(2,886)	(54)	(190)
Litigation settlement income (charges), net	—	58	2,408	(4,409)	—
Gain on sale of product line	—	2,994	—	—	—
Loss on equity investment	—	—	(1,562)	—	—
Total interest and other income, net	9,479	10,199	9,449	7,077	17,471
(Loss) income before income taxes	(3,244)	24,228	41,328	22,811	60,372
(Provision for) benefit from income taxes	(823)	13,791	(14,820)	(6,843)	(21,432)
Net (loss) income	\$ (4,067)	\$ 38,019	\$ 26,508	\$ 15,968	\$ 38,940
<b>Earnings per share</b>					
Net (loss) income per basic common share (3)	\$ (0.07)	\$ 0.71	\$ 0.49	\$ 0.29	\$ 0.73
Net (loss) income per diluted common share (3), (5)	\$ (0.07)	\$ 0.64	\$ 0.47	\$ 0.29	\$ 0.71
Shares used in computing net (loss) income per basic common share (3)	54,425	53,898	53,789	54,256	53,468
Shares used in computing net (loss) income per diluted common share (3), (5)	54,425	63,996	60,138	54,852	54,605
<b>Financial Position</b>					
Cash, cash equivalents and short-term investments	\$ 469,616	\$ 659,559	\$ 624,112	\$498,370	\$451,207
Working capital	460,384	618,056	665,193	470,054	438,020
Total assets	1,082,528	1,017,877	1,013,661	727,106	702,987
Long-term obligations, less current portion (4)	240,000	240,000	240,236	278	331
Stockholders' equity	\$ 706,699	\$ 667,560	\$ 654,813	\$634,067	\$606,567
<b>Ratios and Benchmarks (unaudited)</b>					
Current ratio	4.4	6.6	6.6	6.1	5.6
Inventory turns	8.8	22.2	23.1	24.3	15.5
Full-time employees	1,723	1,424	1,382	927	917
Days Sales Outstanding (DSO)	42.1	45.6	44.5	41.9	46.0

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## Table of Contents

- (1) We expensed in-process research and development costs of \$45,300, \$1,000 and \$13,220 in the years ended December 31, 2005, 2004 and 2003, respectively. See Note 3 of Notes to Consolidated Financial Statements.
- (2) Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). SFAS 142 requires among other things, the discontinuance of goodwill amortization and provisions for the reclassification of certain existing recognized intangibles to goodwill. Upon the adoption of SFAS 142, we ceased amortizing goodwill and reclassified net intangibles and deferred tax liabilities relating to acquired workforce totaling \$900 to goodwill. In 2001 goodwill amortization expense was \$7,611 and acquired workforce amortization was \$550.
- (3) See Note 1 of Notes to Consolidated Financial Statements.
- (4) In June 2003 we issued \$240,000 of 1.50% Senior Convertible Debt. See Note 7 of Notes to Consolidated Financial Statements.
- (5) In accordance with EITF 04-08, we have included 9,084 shares of common stock contingently issuable under our 1.50% Senior Convertible Debentures in our fully diluted shares for 2003 and 2004. The previously reported earnings per fully diluted share for the year ended 2003 was \$0.48 and the fully diluted shares for 2003 were 54,839.

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

*All amounts in this section are presented in thousands, except for per share amounts.*

#### **Overview**

Key financial results for 2005 were as follows:

- Our consolidated revenues increased by approximately 19% from 2004 to \$468,501. This was the result of the addition of the VUTEk product line. Those increases were partially offset by slight decreases in revenue from our professional printing applications and controllers.
- The VUTEk acquisition added approximately \$15,682 to our operating income before charges for in-process research and development and the amortization of the VUTEk acquired intangibles.

The addition of the VUTEk product line in 2005 and our software acquisitions in 2003 have helped us achieve the goal of decreased reliance on OEM sales. In 2002 our non-OEM sales accounted for approximately 7% of our total sales. In the fourth quarter of 2005, we saw our non-OEM sales increase to 45%.

#### **Critical Accounting Policies**

The preparation of the consolidated financial statements, which are the basis of the following discussion and analysis, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to bad debts, inventories, intangible assets, income taxes, warranty obligations, purchase commitments, revenue recognition and contingencies. The estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances at the time of the estimate, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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## Table of Contents

The following are believed to be our critical accounting policies and estimates:

- revenue recognition;
- estimating allowance for doubtful accounts, inventory allowances and other allowances;
- accounting for income taxes;
- valuation of long-lived and intangible assets and goodwill;
- business combinations and
- determining functional currencies for the purposes of consolidating our international operations.

**Revenue recognition.** We derive our revenue primarily from product revenue, which includes hardware (controllers, design-licensed solutions, and inkjet printers and ink), software and royalties. We also receive services and support revenue from software license maintenance agreements, customer support and training and consulting. As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. Material differences could result in the amount and timing of our revenue for any period if our management made different judgments or utilized different estimates.

We recognize revenue in accordance with the provisions of SEC Staff Accounting Bulletin *Revenue Recognition* (“SAB104”) and, if applicable, Emerging Issues Task Force 00-21 *Revenue Arrangements with Multiple Deliverables* (EITF 00-21) for the sale of controllers, printers, and ink. As such, revenue is generally recognized when persuasive evidence of an arrangement exists, the product has been delivered or services have been rendered, the fee is fixed or determinable and collection of the resulting receivable is reasonably assured.

We use either a purchase order or signed contract as evidence of an arrangement. Sales through some of our OEMs are evidenced by a master agreement governing the relationship together with purchase orders on a transaction-by-transaction basis. Our arrangements do not generally include acceptance clauses. Delivery for hardware generally occurs when product is delivered to the customer’s common carrier. In some instances, we also sell products where the terms included in sales arrangements result in different timing for revenue recognition, assuming all other recognition criteria are met: a) if title and risk of loss is transferred at the customer’s destination (CIP Destination), revenue is recognized when the product(s) arrives at the customer site; and b) if title is retained after product delivery until payment is received, revenue is recognized at the time when passage of title occurs upon payment receipt. We assess whether the fee is fixed or determinable based on the terms of the contract or purchase order. We assess collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. We do not request collateral from our customers. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash.

We license our software primarily under perpetual licenses. Revenue from software consists of software licensing, post-contract customer support and professional consulting. We apply the provisions of Statement of Position 97-2, *Software Revenue Recognition* (“SOP 97-2”), as amended by Statement of Position 98-9, *Modification of SOP 97-2, Software Recognition, With Respect to Certain Transactions*, and if applicable, SAB 104 and EITF 00-21 to all transactions involving the sale of software products and hardware transactions where the software is not incidental.

When several elements, including software licenses, post-contract customer support and professional services, are sold to a customer through a single contract, the revenue from such multiple-element arrangements are allocated to each element using the residual method in accordance with SOP 98-9. Revenue is allocated to the support elements and professional service elements of an agreement using vendor specific objective evidence of fair value (“VSOE”) and to the software license portion of the agreements using the residual method. We have established VSOE of the fair value of our professional services based on the rates charged to our customers in

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## Table of Contents

stand alone orders. We have also established VSOE of fair value for post-contract customer support based on substantive renewal rates. Accordingly, software license fees are recognized under the residual method for arrangements in which the software is licensed with maintenance and/or professional services, and where the maintenance and professional services are not essential to the functionality of the delivered software. Revenue allocated to software licenses is recognized when the following four basic criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is probable. Revenue allocated to post-contract support is recognized ratably over the term of the support contract (typically one to two years), assuming the four basic criteria are met. We also have subscription arrangements where the customer pays a fixed fee and receives services over a period of time. We recognize revenue from the subscriptions ratably over the service period. Any upfront setup fees associated with our subscription arrangements are recognized ratably, generally over one year.

**Allowance for doubtful accounts, inventory allowances and other allowances and accruals.** To determine the need for an allowance for doubtful accounts, management must make estimates of the collectibility of our accounts receivables. To do so, management analyzes accounts receivable and historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Our accounts receivable balance was \$67,926, net of allowance for doubtful accounts and sales returns of \$4,306 as of December 31, 2005.

Similarly, management must make estimates of potential future inventory obsolescence and purchase commitments to measure the need for inventory allowances. Management analyzes current economic trends, changes in customer demand and the acceptance of our products when evaluating the adequacy of such allowances. Significant management judgments and estimates must be made and used in connection with establishing the allowances in any accounting period. Material differences may result in the amount and timing of our income for any period if management made different judgments or utilized different estimates. Our inventory balance was \$25,874, net of allowance of \$6,457 as of December 31, 2005.

We accrue for estimated legal expenses, including potential regulatory fines when the likelihood of the incurrence of the related costs is probable and management has the ability to estimate such costs. Until both of these conditions are met, the related legal expenses are recorded as incurred. The material assumptions we use to estimate the amount of legal expenses include:

- The monthly legal expense incurred by our external attorneys on the particular case being evaluated,
- communication between our external attorneys and us on the expected duration of the lawsuit and the estimated expenses during that time,
- our strategy regarding the lawsuit,
- the deductible amounts under the insurance policies, and
- past experiences with similar lawsuits.

The outcome of any particular lawsuit cannot be predicted, and if the outcome is different than expected, our income could be materially impacted, either positively or negatively.

We have from time to time set up allowances or accruals for uncertainties related to revenues and for potential unfavorable outcomes from disputes with customers or vendors. Management bases its estimates for the allowances or accruals on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances.

**Accounting for income taxes.** In preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. We estimate our actual current tax expense and the temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our

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## [Table of Contents](#)

consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. If we believe that recovery of these deferred assets is not likely, we must establish a valuation allowance. To the extent we either establish or increase a valuation allowance in a period, we must include an expense within the tax provision in the statement of income.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We have maintained a valuation allowance of \$1,952 as of December 31, 2005 for foreign tax credits resulting from the 2003 acquisition of Best. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance that could materially impact our financial position and results of operations.

Net deferred tax assets as of December 31, 2005 were \$26,051.

**Valuation of long-lived and intangible assets and goodwill.** In 2002 we adopted SFAS 142, "Goodwill and Other Intangible Assets." In lieu of amortization, we are required to perform an annual impairment review of our goodwill. We completed our annual review in the third quarter of 2005, based upon July 1, 2005 balances, with no impairment of goodwill indicated as a result of the review. We assess the impairment of identifiable intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or that the life of the asset may need to be revised. Factors we consider important which could trigger an impairment review include the following:

- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

When we determine that the carrying value of goodwill, intangibles or long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Net intangible assets, goodwill and long-lived assets amounted to \$343,389 as of December 31, 2005. No adjustments to the lives of the other intangible assets have been made since the adoption of SFAS 142.

**Business combinations.** We allocate the purchase price of acquired companies to the tangible and intangible assets acquired, liabilities assumed, as well as in-process research and development based on their estimated fair values. We engage independent third-party appraisal firms to assist in determining the fair values of intangible assets acquired. Such a valuation requires management to make significant estimates and assumptions, especially with respect to intangible assets.

Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies. Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows; acquired developed technologies and patents; expected costs to develop the in-process research and development into commercially viable products and estimating cash flows from the projects when completed; the acquired company's brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company's product portfolio; and discount rates. These estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumption, estimates or other actual results.

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## Table of Contents

Other estimates associated with the accounting for acquisitions include severance costs and the costs of vacating duplicate facilities. These costs are based upon estimates made by management and are subject to refinement. To estimate these costs, we utilize assumptions of the number of employees that will involuntarily terminate employment and of future costs to operate and eventually vacate duplicate facilities. Estimated costs may change as additional information becomes available regarding the assets acquired and liabilities assumed and as management continues its assessment of the pre-merger operations.

Our financial projections may ultimately prove to be inaccurate and unanticipated events and circumstances may occur. Therefore, no assurance can be given that the underlying assumptions used to forecast revenues and costs to develop such projects will transpire as projected.

***Determining functional currencies for the purpose of consolidating our international operations.*** We have a number of foreign subsidiaries which together account for approximately 26% of our net revenues, approximately 10% of our total assets and approximately 9% of our total liabilities as of December 31, 2005.

Based on our assessment of the factors discussed below, we consider the United States dollar to be the functional currency for each of our international subsidiaries except for our Japanese subsidiary, EFI KK, for which we consider the Japanese yen to be the subsidiary's functional currency and our German subsidiary, EFI Germany GmbH, for which we consider the euro to be the subsidiary's functional currency.

In preparing our consolidated financial statements, we are required to translate the financial statements of the foreign subsidiaries from the currency in which they keep their accounting records, generally the local currency, into United States dollars. This process results in exchange gains and losses which, under the relevant accounting guidance, are either included within the statement of income or as a separate component of stockholders' equity under the caption "Accumulated other comprehensive income."

Under the relevant accounting guidance the treatment of these translation gains or losses is dependent upon our management's determination of the functional currency of each subsidiary. The functional currency is determined based on management judgment and involves consideration of all relevant economic facts and circumstances affecting the subsidiary. Generally, the currency in which the subsidiary transacts a majority of its transactions, including billings, financing, payroll and other expenditures would be considered the functional currency but any dependency upon the parent company and the nature of the subsidiary's operations must also be considered. If any subsidiary's functional currency is deemed to be the local currency, then any gain or loss associated with the translation of that subsidiary's financial statements is included in stockholders' equity. However, if the functional currency is deemed to be the United States dollar then any gain or loss associated with the translation of the subsidiary's financial statements would be included within our consolidated statement of income. If we dispose of any of our subsidiaries, any cumulative translation gains or losses would be realized in our consolidated statement of income. If we determine that there has been a change in the functional currency of a subsidiary to the United States dollar, any translation gains or losses arising after the date of change would be included within our consolidated statement of income.

**Table of Contents**  
**Results of Operations**

The following tables set forth items in our consolidated statements of income as a percentage of total revenue for 2005, 2004 and 2003 and the year-to-year percentage change from 2005 over 2004 and from 2004 over 2003, respectively. These operating results are not necessarily indicative of results for any future period.

	Years ended December 31,			% change	
	2005	2004	2003	2005 over 2004	2004 over 2003
	%	%	%	%	%
Revenue	100	100	100	19	4
Cost of revenue	38	35	39	30	(7)
Gross profit	62	65	61	13	11
Operating expenses:					
Research and development	23	28	25	(1)	15
Sales and marketing	18	19	16	10	21
General and administrative	7	7	6	25	26
Stock compensation expense	—	—	—	—	—
Restructuring charges	1	—	—	—	—
Real estate related charges	—	3	—	(100)	nm
In-process research and development charge	10	—	3	nm	(92)
Amortization of identified intangibles	6	4	2	93	112
Total operating expenses	65	61	52	25	21
(Loss) income from operations	(3)	4	9	(191)	(56)
Interest and other income:					
Interest income and other income	3	3	3	13	11
Interest expense	(1)	(1)	(1)	(11)	95
Gain on sale of product line	—	1	—	nm	nm
Litigation settlement income (charges), net	—	—	1	—	(98)
Loss on equity investment	—	—	(1)	—	100
Total interest and other income, net	2	3	2	(7)	8
(Loss) income before income taxes	(1)	7	11	(113)	(41)
(Provision for) benefit from income taxes	—	3	(4)	(106)	(193)
Net (loss) income	(1)	10	7	(111)	43

nm = not meaningful

*Revenue*

Our revenue in 2005 was principally derived from four major categories. The first category, “Controllers”, is primarily made up of stand-alone servers, which connect digital copiers with computer networks, and embedded desktop controllers, bundled solutions and design-licensed solutions primarily for the office market and commercial printing. This category includes our Fiery, Splash, Edox, and MicroPress color and black and white controller products. The second category, “Inkjet Products”, consists of sales of the super-wide format inkjet printers and inks, and parts and services revenue from the newly acquired VUTEk business. The third category, “Professional Printing Applications”, or PPA, consists of software technology focused on printing workflow, print management information systems, proofing and web submission and job tracking tools. The fourth category of miscellaneous revenue consists of spares, scanning solutions, and field dispatching solutions. We previously considered the stand-alone servers and the embedded products each as separate categories.

## Table of Contents

The following is a break-down of revenue by category in dollars.

Revenue	Years ended December 31,						% change	
	2005		2004		2003		2005 Over 2004	2004 Over 2003
	\$	%	\$	%	\$	%	%	%
Controllers	\$ 274,015	59	\$ 292,833	74	\$ 318,884	84	(6)	(8)
Inkjet Products	86,913	18	—	—	—	—	—	—
Professional Printing Applications	71,375	15	68,484	17	21,782	6	4	214
Miscellaneous	36,198	8	33,287	9	38,921	10	9	(14)
Total Revenue	<u>\$ 468,501</u>	<u>100</u>	<u>\$ 394,604</u>	<u>100</u>	<u>\$ 379,587</u>	<u>100</u>	19	4

Revenue was \$468,501 in 2005, compared to \$394,604 in 2004 and \$379,587 in 2003, which resulted in a 19% increase in 2005 versus 2004 and an 4% increase in 2004 compared to 2003. The major factor contributing to the overall higher revenue in 2005 over 2004 was a \$86,913 increase attributable to the VUTEk acquisition, offsetting a decrease in controller sales of \$18,818.

In our controller category, the decrease in 2005 over 2004 of \$18,818 was due to a 12.4% reduction in volumes, partially offset by a 6.8% increase in the average selling price. In the second half of 2005 a number of new server and embedded controllers products were launched by our OEM customers and total controller revenue has increased by 24% over the second half of 2004, while unit volume has increased by 11% for the same period.

Our high-end servers showed a 9% increase in the average selling price, while the average selling price of our low-end and black-and-white servers were stable. For embedded controllers, the average selling price has increased by 11% in 2005 as the product mix moved from chipsets, which typically sell for a lower unit price but carry a higher margin, to the higher priced, board-based products. We anticipate that in 2006 the mix will move back to more chipsets and fewer board-based products.

Revenue in the inkjet products category represents seven months of VUTEk operations. On a pro forma basis, combining the pre-acquisition revenue of \$57,991 with post-acquisition revenue would result in annual revenues of \$144,904. Approximately 30% of the inkjet product revenues since our acquisition were generated from sales of inks.

The professional printing applications experienced a modest increase of 4% in 2005 over 2004. Within this category are the products we acquired from Printcafe and Best GmbH as well as certain software products that were developed by EFI to enhance our server products, such as our Graphic Arts Package and products to optimize the workflow in printshops such as Oneflow and Balance. The software applications in this category generate higher margins, favorably impacting our margins. We continue to see strong market acceptance of these products and we believe we will experience further incremental growth.

The miscellaneous category of revenue consists of individually small items in our product portfolio, as well as spares. It includes products such as DocSend (our scanning solution) and ADS (our dispatch software). Total revenue generated from these products has increased by 28% in 2005 over 2004, while the remaining products in the miscellaneous category decreased by 1% over the same period.

We believe that price reductions for all of our products may affect revenues in the future. We have made and may in the future make price reductions for our products in order to drive demand and remain competitive. Depending upon the price-elasticity of demand for our products, the pricing and quality of competitive products and other economic and competitive conditions, such price reductions may have an adverse impact on our revenues and profits. If we are not able to compensate for lower gross margins that may result from price reductions with an increased volume of sales, our results of operations could be adversely affected.

## Table of Contents

Shipments by geographic area for the years ended December 31, 2005, 2004 and 2003 were as follows:

(in thousands)	Years ended December 31,						% change	
	2005		2004		2003		2005 over 2004	2004 over 2003
	\$	%	\$	%	\$	%	%	%
North America	\$ 250,605	54	\$ 217,069	55	\$ 192,326	51	15	13
Europe	137,310	29	105,168	27	113,914	30	31	(8)
Japan	47,125	10	56,799	14	57,231	15	(17)	(1)
Rest of World	33,461	7	15,568	4	16,116	4	115	(3)
Total	<u>\$ 468,501</u>	<u>100</u>	<u>\$ 394,604</u>	<u>100</u>	<u>\$ 379,587</u>	<u>100</u>	19	4

Revenue from the inkjet product category from the VUTEK acquisition in May 2005, along with the introduction of new controller products in the second half of 2005, fueled the increase in revenue in North America, Europe and Rest of World from 2005 to 2004. The decrease in Japan in 2005 over 2004 reflects the reduction in chipset solutions sold into Japan in the second half of 2005 for manufacturing for redistribution around the world.

As shipments to some of our OEM customers are made to centralized purchasing and manufacturing locations which in turn sell through to other locations, we believe that non-U.S. sales of our products into each region may differ from what is reported, though accurate data is difficult to obtain. We expect that non-U.S. sales will continue to represent a significant portion of our total revenue.

Percentage of total revenue attributed to sales of product through our OEM channels has decreased due to the acquisition of VUTEK in 2005 and Printcafe in 2004. In 2005, more than 65% of revenue is generated from the sales of products through our OEM channels with such customers as Canon, Fuji Xerox, Konica Minolta, Océ, Oki, Ricoh, Sharp, Toshiba, Xerox and others. The customers that individually accounted for more than 10% of our revenues were Canon, Konica Minolta, and Xerox. Together these customers accounted for 48% of our revenues in 2005, 61% in 2004 and 72% in 2003. The decrease to 48% from 61% is the result of our increased software sales, which are sold to more customers than our traditional server business, and sales to customers of VUTEK. Although we have decreased our reliance on our OEM partners, in the event that any of the OEM relationships are scaled back or discontinued, we could still experience an adverse impact on our financial condition and results of operations.

We continue to work on the development of products utilizing our proprietary architecture and other products and intend to continue to introduce new generations of controller products and other new product lines with current and new OEMs in 2006 and beyond as well as new inkjet and software products to be sold to our direct customers. No assurance can be given that the introduction or market acceptance of new, current or future products will be successful.

### Gross Margins

Our gross margins were 62%, 65% and 61% for 2005, 2004 and 2003, respectively. The 300 basis point decrease in gross margin from 2004 to 2005 was due primarily to the acquisition of VUTEK in 2005 which carries lower gross margins than our other products. The 400 basis point increase in gross margin from 2003 to 2004 resulted primarily from (1) an increase in software sales compared to the prior year principally due to our 2003 acquisitions and (2) the migration of embedded board controller sales to design-license sales for certain of our products. Product mix is a significant driver in our gross margins and we cannot predict the impact of it will have on future gross margin results.

Our print controllers are manufactured by third-party manufacturers who purchase most of the necessary components. If our third-party manufacturers cannot obtain the necessary components at favorable prices we

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## [Table of Contents](#)

could experience an increase in our product costs. We do purchase certain parts directly, including processors, memory, certain ASICs and software licensed from various sources, including PostScript<sup>®</sup> interpreter software, which we license from Adobe Systems, Inc.

Our inkjet printers have a lower gross margin than our traditional controller business. Since we have acquired VUTEk, the gross margins for the inkjet printers have averaged 38%. The inks have an average 70% gross margin. We expect that as the installed base of printers grow that revenues from the inks will increase, which will have a positive effect on our gross margins.

If our product mix changes significantly, our gross margins will fluctuate. In addition, gross margins can be impacted by a variety of other factors. These factors include the market prices that can be achieved on our current and future products, the availability and pricing of key components (including DRAM, Processors, printheads and PostScript<sup>®</sup> interpreter software), third party manufacturing costs, product, channel and geographic mix, the success of our product transitions and new products, competition and general economic conditions in the United States and abroad. Consequently, gross margins may fluctuate from period to period. In addition to the factors affecting revenue described above, if we are pressured to reduce prices, gross margins for our products could be lower.

### *Operating Expenses*

Operating expenses increased by 25% in 2005 over 2004 and increased by 21% in 2004 over 2003. Operating expenses as a percentage of revenue amounted to 64%, 61% and 52% for 2005, 2004 and 2003, respectively. An increase in amortization expense related to VUTEk of \$13,694 and in-process research and development expense from the VUTEk acquisition of \$45,300 account for most of the \$59,541 increase in 2005 compared to 2004. Increases in the other operating expense categories due to the VUTEk acquisition were offset by a reduction in workforce initiated in the first quarter of 2005. Of the \$42,539 increase in 2004 compared to 2003, the largest increase came from the acquisitions made in 2003 and 2004 with the next largest amount coming from the \$14,394 of real estate-related charges. Less significant additional increases in 2004 were from increased payroll expenses, additional trade show expenses, accounting and consulting fees related to compliance with the Sarbanes-Oxley Act of 2002, additional legal costs and \$7,240 in increased amortization expense for identified intangibles offset with a decrease of \$12,220 from in-process research and development costs.

The components of operating expenses are detailed below.

### ***Research and Development***

Expenses for research and development consist primarily of personnel-related and facility expenses and, to a lesser extent, consulting, depreciation and costs of prototype materials. Research and development expenses were \$109,525 or 23% of revenue in 2005 compared to \$111,134 or 28% of revenue in 2004. The increased costs associated with the addition of the VUTEk employees were partially offset by reduced personnel expenses from the early 2005 reduction in workforce and reduced prototype-related expenses also contributed to the decrease in research and development expenses in 2005 from 2004.

Our 2003 acquisitions on an annualized basis account for the majority of the \$14,437 increase in research and development expenses in 2004 when compared to 2003, while our 2004 acquisitions accounted for a small additional amount. As the acquired companies were not maintained as stand-alone businesses, the amounts in 2004 attributed to acquisitions cannot be accurately determined.

We believe that the development of new products and the enhancement of existing products are essential to our continued success and intend to continue to devote substantial resources to research and product development efforts. We expect that our research and development expenses may increase in absolute dollars and also as a percentage of revenue. As part of our cost containment practices, we review all projects on a periodic basis for estimated return on investment. Those projects that do not meet certain criteria are changed or halted.

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## **Table of Contents**

### ***Sales and Marketing***

Sales and marketing expenses include personnel-related 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 2005 were \$81,854 or 18% of revenue compared to \$74,711 or 19% of revenue in 2004 and \$61,597 or 16% of revenue in 2003. The acquisition of VUTEk increased our costs by \$14,058 in 2005, which was offset by \$4,411 of employee related reductions from the reduction in workforce in the first quarter of 2005 and \$1,929 in reduced tradeshow expenses. *Drupa*, a leading print industry exposition in Europe which occurs every four years in Europe, pushed tradeshow expenses higher in 2004.

We estimate that over half of the increase in 2004 from 2003 was attributable to our 2003 acquisitions when calculated on an annualized basis. The remaining increase in 2004 over 2003 primarily came from *drupa*, our first sponsorship of Connect, the annual conference for users of our Print MIS software and our participation in other trade shows. Included in the increases are the effects of a weaker US dollar, which led to higher US dollar costs for our international sales offices. While costs in the local currency have generally remained constant, during 2004 the translated US dollar costs have increased.

We expect that our sales and marketing expenses may increase in absolute dollars and possibly also as a percentage of revenue as we continue to actively promote our products, launch new products and services, and continue to build our sales and marketing organization, particularly in Europe and Asia Pacific, and as we grow our software solutions and other new product lines which require greater sales and marketing support from us. We also expect that if the US dollar remains volatile against the euro or other currencies, sales and marketing expenses reported in US dollars could fluctuate. Approximately 34% of our sales and marketing expenses are from our foreign offices.

### ***General and Administrative***

General and administrative expenses consist primarily of personnel-related expenses and, to a lesser extent, depreciation and facility costs, professional fees and other costs associated with public companies. General and administrative expenses were \$34,007 or 7% of revenue in 2005, compared to \$27,264 or 7% of revenue in 2004 and \$21,690 or 6% of revenue in 2003. The \$6,743 increase in general and administrative expenses between 2004 and 2005 principally consists of from the impact of our 2005 acquisition of VUTEk of \$4,994, rent increases of \$1,124 and increased litigation-related legal fees.

The increase in general and administrative expenses between 2003 and 2004 principally consists of from the impact of our 2003 acquisitions on an annualized basis, increased costs associated with complying with new regulations related to SOX, and increased legal costs related to various litigation matters. We expect that our general and administrative expenses will increase in absolute dollars and as a percentage of revenue due to additional costs that will be incurred for compliance with SOX, and in order to support our efforts to grow our business in future periods. We also expect that if the US dollar remains volatile against the euro or other currencies, general and administrative expenses reported in US dollars could fluctuate. Approximately 10% of our general and administrative expenses are from our foreign offices.

### ***Amortization of Identifiable Intangibles***

Amortization of identifiable intangibles was \$26,434 or approximately 6% of revenue in 2005. Amortization of identifiable intangibles, was \$13,690 or 4% of revenue in 2004. The acquisition of two companies in the fourth quarter of 2003 and one company in the first quarter of 2004 account for the increase in amortization expense.

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## [Table of Contents](#)

### *In-process Research and Development*

We expensed \$45,300 for in-process research and development in 2005 upon acquisition of VUTEk. In 2004, our acquisition of ADS produced a charge of \$1,000 for in-process research and development. The in-process research and development costs related to Printcafe, T/R Systems and Best, all acquired in 2003, were \$8,600, \$3,400 and \$1,220, respectively.

### *Real Estate Related Charges*

We expensed \$14,394 related to our real estate in 2004. A valuation of the building located at 301 Velocity Way was completed in 2004 as part of our amended financing arrangement signed in September 2004 for that building. Under the original lease of \$43,080, we guaranteed the lessor an 82% residual value in the building upon the termination of the original lease. The valuation provided a value of approximately \$31,730 for the building, and we paid the lessor \$11,350 and recorded a one-time loss associated with the original lease in September 2004. In addition, during the quarter ended September 30, 2004, we wrote off \$852 of capitalized lease costs associated with the original lease. We also wrote off \$2,192 of capitalized costs associated with other development activity determined to have no remaining validity related to land purchased in 1997 within our Foster City campus.

### *Stock-based Compensation*

During 2005 we awarded 357 shares of restricted stock to employees and our board of directors. As we have not adopted FAS 123R, we applied APB 25 to recognize \$1,929 of expense related to our 2003 and 2005 restricted stock awards. In 2003 and 2004 the compensation expense associated with restricted stock was not reported as a separate line item on our income statement. We will be required to adopt FAS 123R during the first quarter of 2006, and at that time will begin recognizing expense related to options granted to employees and members of our board of directors, in addition to the expense related to restricted stock awards. We are still in the process of implementing FAS 123R and although we expect the charge to be material to our financial statements, we are unable to forecast the actual charges at this time.

### *Restructuring Charges*

In December 2004 we announced that we would reduce our worldwide headcount by approximately 5% in an effort to reduce operating expenses in future periods. During the first quarter of 2005 we incurred severance costs of approximately \$2,685.

### *Interest and Other Income*

#### *Interest and other income*

Interest income was \$15,515 in 2005 and increased by approximately 28% from \$12,160 in 2004, reflecting rising interest rates. The increase in 2004 of \$1,649 in interest income from 2003 also reflects rising market interest rates throughout 2003 as well as a higher invested balance. We had realized losses on our marketable securities of \$800 in 2005, mainly due to the liquidation of various securities before maturity to fund the acquisition of VUTEk. In 2004, the realized gains on short-term investments were \$140. We recognized \$905 in gains from our short-term investments in 2003.

#### *Interest expense*

Interest expense and debt issuance costs related to the convertible debentures were \$4,998, \$4,998 and \$2,873 for the years ended December 31, 2005, 2004 and 2003, respectively. The remaining interest expense was generated from the payment of taxes.

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## **Table of Contents**

### ***Litigation settlement income (charges), net***

In 2004 and 2003 we received litigation settlement income of \$58 and \$2,408, respectively, net of related legal expenses, from the settlement of litigation protecting our intellectual property.

### ***Loss on equity investment***

In June 2003 we exercised an option granted by Printcafe to purchase shares of Printcafe stock, representing approximately a 17% ownership in Printcafe, which we accounted for as an "available-for-sale" equity security. In October 2003, we acquired the remaining 83% interest in Printcafe. We were required under generally accepted accounting principles (GAAP) to report the investment in Printcafe on an equity basis from the time of the option exercise through the date that we acquired 100% of the outstanding shares of Printcafe. A \$1,562 non-cash charge was recorded as a result of the change to equity method of accounting.

### ***Gain on Sale of Product Line***

In 2004, we recognized approximately \$2,994 from the sale of our Unimobile product line, consisting of a customer base, research and development and sales employees, and intangible assets.

### ***(Provision for) Benefit from Income Taxes***

In 2005, we recorded a tax provision of \$823 on a pre-tax operating loss of \$3,244, compared to a \$13,791 tax benefit recorded in 2004 on pre-tax operating income of \$24,228. In 2003, our effective tax rate was 35.9%. In each of these years, we benefited from tax-exempt interest income, research and development credits, and lower taxes on foreign income. In 2005 and 2004, our taxes decreased due to benefits derived from the extra-territorial income exclusion. Our taxes for 2005 were also reduced by \$6,239 in the second and third quarters due to a reassessment of tax contingency reserves related to the filing of US and foreign income tax returns and \$1,057 in the fourth quarter as a result of the expiration of the statute of limitations for state research and development credits. Our taxes increased in all years due to in-process research and development write-offs related to the VUTEk acquisition in 2005, the ADS acquisition in 2004, and the Printcafe and T/R Systems acquisitions in 2003.

In the second quarter of 2005, pursuant to the American Jobs Creation Act of 2004, we made the decision to repatriate \$60,000 of earnings, which had previously been permanently invested outside the United States, and we recorded a tax charge associated with repatriating these earnings of \$3,208 in the second quarter. Of this \$3,208 tax charge, \$2,254 related to earnings accumulated prior to 2005 and was recorded in the second quarter of 2005. The remaining tax charge of \$954 relates to 2005 foreign earnings and was reflected in the 2005 effective tax rate beginning in the second quarter. In the fourth quarter, we repatriated \$70,000 (the \$60,000 decided upon in the second quarter plus an additional \$10,000) of earnings to the US, which resulted in an additional tax charge of \$307 in the fourth quarter.

During the third quarter of 2004, we reached a settlement with the Internal Revenue Service for the federal income tax returns filed for the years 1999 through 2001. As a result of the settlement, the third quarter's tax benefit in 2004 was increased by the reassessment of taxes resulting in a favorable adjustment of \$18,934. This favorable adjustment was related to the profitability of foreign operations in 1999 through 2003 and foreign sales corporation and research and development credit benefits.

## [Table of Contents](#)

### Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 154 (“FAS 154”), *Accounting Changes and Error Corrections*. This new standard replaces Accounting Principles Board (“APB”) Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. FAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the basis of the new accounting principle, unless it is impracticable to do so. FAS 154 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a “restatement”. FAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of this pronouncement to have a significant impact on our financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) (“FAS 123R”), *Share-Based Payment*, revising SFAS 123, *Accounting for Stock-Based Compensation* (“FAS 123”) and superseding APB Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB 25”). This statement requires a public entity to measure the cost of services provided by employees and directors received in exchange for an award of equity instruments, including stock options, at a grant-date fair value. The fair value cost is then recognized over the period that services are provided.

In April 2005, the staff of the Securities and Exchange Commission, or the SEC, issued Staff Accounting Bulletin No. 107 (“SAB 107”) to provide additional guidance regarding the application of FAS 123R. SAB 107 permits registrants to choose an appropriate valuation technique or model to estimate the fair value of stock options, assuming consistent application, and provides guidance for the development of assumptions used in the valuation process. Additionally, SAB 107 discusses disclosures to be made under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in registrants’ periodic reports.

Based upon SEC rules issued in April 2005, FAS 123R is effective for the first quarter of fiscal years that begin after June 15, 2005. See Note 1 of these financial statements for a disclosure of the effect on net income and earnings per share for the years ended December 31, 2005, 2004 and 2003 as if we had applied the fair value recognition provisions of FAS 123 to stock-based employee compensation. While we will utilize the Black-Scholes-Merton method to calculate the stock-based employee compensation under FAS 123R, we do not have an estimate of the full impact adoption will have on our financial statements, because we are unable to predict the number of stock options that will be granted in 2006 and we have not determined the actual variables that will be used in the calculations. We do anticipate that there will be a significant impact upon our financial statements.

### Liquidity and Capital Resources

All amounts in the following discussion are in thousands.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 182,039	\$ 156,322	\$ 113,163
Short term investments	287,577	503,237	510,949
Total cash, cash equivalents and short term investments	<u>\$ 469,616</u>	<u>\$ 659,559</u>	<u>\$ 624,112</u>
Net cash provided by operating activities	\$ 62,883	\$ 59,677	\$ 46,112
Net cash (used in) provided by investing activities	\$ (71,726)	\$ 12,194	\$ (301,664)
Net cash provided by (used in) financing activities	\$ 34,720	\$ (28,766)	\$ 214,719

### Overview

We ended 2005 with cash, cash equivalents and short-term investments totaling \$469,616, as compared to \$659,559 at the end of 2004. The decrease of \$189,943 was from the use of approximately \$289,150 for the

## [Table of Contents](#)

purchase of VUTEk, offset with cash generated by our operations of approximately \$62,883 and cash received from employees for purchases of common stock under our ESPP and the exercise of common stock options of approximately \$34,720. A more detailed discussion of changes in our liquidity follows.

### Operating Activities

Net cash provided by operating activities in 2005, 2004 and 2003 of \$62,883, \$59,677 and \$46,112, respectively, was primarily the result of net income adjusted for non-cash items such as depreciation and amortization, acquired in-process research and development, deferred income taxes, stock compensation and changes in various assets and liabilities such as accounts payable, accounts receivable and other current assets.

Our historical and primary source of operating cash flow is the collection of accounts receivable from our customers and the timing of payments to our vendors and service providers. One measure of the effectiveness of our collection efforts is average days sales outstanding ("DSO") for accounts receivable. DSOs were 42 days, 46 days, and 45 days at December 31, 2005, 2004 and 2003. We calculate accounts receivable DSO by dividing the net accounts receivable balance at the end of the quarter by the amount of revenue recognized for the quarter multiplied by the total days in the quarter. We expect DSOs to vary from period to period because of changes in quarterly revenue and the effectiveness of our collection efforts. Our accounts receivable DSO trended upward in 2003 and 2004, reflecting the longer invoice terms offered with our software products, which represented a higher portion of our sales in those years. The decrease in 2005 is a reflection of adjustments made to our accounts receivable related to the VUTEk acquisition. We expect that our DSOs will trend upwards again in future quarters as a greater portion of our revenues will come from direct sales of printers and software which traditionally carry longer terms.

Our operating cash flows are impacted by the timing of payments to our vendors for accounts payable and by our accrual of liabilities. In 2005, the change in accounts payable and accrued liabilities reduced our cash flows by approximately \$6,230. Payments for taxes reduced our operating cash flows by \$13,466.

Our working capital, defined as current assets minus current liabilities, was \$460,384 and \$618,056 at December 31, 2005 and 2004, respectively. The cause of the decrease in working capital of approximately \$157,672 is principally related to lower cash balances resulting from our acquisition of VUTEk.

We expect to meet our obligations as they become due through available cash and internally generated funds. We expect to generate positive working capital through our operations. However, we cannot predict whether current trends and conditions will continue or what the effect on our business might be from the competitive environment in which we operate. We believe the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months.

### Investing Activities

A summary of our investing activities at December 31, 2005, 2004 and 2003 follows. The detail of these line items can be seen in our consolidated statement of cash flows.

#### Activity

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Purchases of short-term investments	\$ (525,809)	\$ (225,576)	\$ (1,143,532)
Proceeds from sales / maturities of short-term investments	741,709	264,951	974,653
Net purchases of restricted cash, cash equivalents and short-term investments	—	(472)	—
Transfers of investments between restricted and available	—	34,119	(69,669)
Net purchases of restricted investments	—	(45,500)	—
Purchase of property and equipment	(6,299)	(6,563)	(5,052)
Proceeds from sales of property and equipment	672	4,266	176
Businesses acquired, net of cash received	(281,755)	(11,550)	(58,240)
Purchase of technology	(460)	—	—
Changes in other assets	216	(1,481)	—
Net cash (used for) provided by investing activities	<u>\$ (71,726)</u>	<u>\$ 12,194</u>	<u>\$ (301,664)</u>

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## Table of Contents

### Acquisitions

In 2005, we purchased VUTEk for \$281,755, net of cash received of \$7,395. VUTEk expands our product offerings from servers and software to include super-wide digital inkjet printers. We are now able to offer printshops a diversified product portfolio. In 2004, we paid cash for our acquisition of ADS Technology in the amount of \$11,550, net of cash received of \$261. We purchased ADS Technology to enhance our software offerings to the copier dealer channels. We acquired Best GmbH for \$9,585 in cash in January 2003 and Printcafe Software for a combination of shares of our common stock and \$29,386 in cash in October 2003 to add products to our offerings for the professional print industry. We also purchased T/R Systems for \$20,021 in cash in November 2003 for their server technology and web-based storefront software.

We may buy or make investments in complementary companies, products and technologies. Our available cash and equity may be used to acquire or invest in companies or products, possibly resulting in significant acquisition-related charges to earnings and dilution to our stockholders.

### Property and Equipment

Our equipment purchases totaled \$6,299 in 2005. We purchased \$6,563 of equipment during 2004, including costs related to the consolidation of our three Arizona offices. Purchases of property and equipment were \$5,052 in 2003. Our property and equipment additions have been funded from operations.

We anticipate that we will continue to purchase property and equipment necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including our hiring of employees, the rate of change in computer hardware/software used in our business and our business outlook.

### Investments

We received net proceeds from our marketable securities in 2005 of \$215,900, reflecting the liquidation of marketable securities for the purchase of VUTEk. In 2004 we received net proceeds of \$39,375 resulting from the liquidation of marketable securities to fund the collateral accounts for our synthetic leases. In 2003 we made purchases net of sales and maturities of our marketable securities of \$168,879. We have classified our investment portfolio as "available for sale," and our investments are made with a policy of capital preservation and liquidity as the primary objectives. We generally hold investments in corporate bonds and U. S. government agency securities to maturity; however, we may sell an investment at any time if the quality rating of the investment declines, the yield on the investment is no longer attractive or we are in need of cash. Because we invest only in investment securities that are highly liquid with a ready market, we believe that the purchase, maturity or sale of our investments has no material impact on our overall liquidity.

### Restricted Cash, Cash Equivalents and Short term Investments

During 2004 the restrictions on certain cash, cash equivalents and short term investments were lifted when the synthetic lease requiring the pledged accounts expired. Approximately \$35,724 in cash equivalents and short-term investments were transferred to investment accounts that carried no restrictions.

### Collateral Accounts

In connection with the synthetic leases for our Foster City offices, we are required to maintain cash in LIBOR-based interest-bearing accounts. At December 31, 2003 there was one account which carried a balance of \$43,080 for the 301 Velocity Way building. In September 2004 we withdrew \$11,350 to reimburse the lessor for the loss in value of that building. In July 2004 we negotiated a new lease for the building located at 303 Velocity Way, and per provisions in that lease, placed \$56,850 in cash in a second LIBOR-based interest-bearing account. We now have \$88,580 in collateral accounts. For further information on these transactions please see the discussion at "Off Balance Sheet Financing."

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[Table of Contents](#)  
**Financing Activities**

Historically, our recurring cash flows provided by financing activities have been from the receipt of cash from the issuance of common stock under stock option and employee stock purchase plans. We received cash proceeds from these plans in the amount of \$34,720, \$26,879 and \$40,635 in 2005, 2004 and 2003, respectively. The lower proceeds in 2004 is reflective of our lower stock price during that period. If our stock price rises, more employees' options are "in the money" in their options, and the employees are more likely to exercise their options, which results in cash to us. If our stock price decreases, more of our employees' options are "out of the money" or "under water", and therefore, the employees will be unlikely to exercise options, which results in no cash received by us. While we expect to continue to receive these proceeds in future periods, the timing and amount of such proceeds are difficult to predict and is contingent on a number of factors including the price of our common stock, the number of employees participating in the plans and general market conditions. Under FAS 123R we will be required to expense the fair market value of stock options granted and we may decide to decrease the number of stock options granted in future periods.

The primary use of funds for financing activities in 2004 and 2003 was the use of \$55,645 and \$59,118, respectively, of cash to repurchase outstanding shares of our common stock. See Item 5—*Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* for further discussion of our programs to repurchase our common stock.

In 2003, we received net proceeds from the issuance of our 1.50% senior convertible debentures in the amount of \$233,244, net of issuance costs.

The synthetic lease agreements for our corporate headquarters provide for residual value guarantees. Under FIN 45, the fair value of a residual value guarantee in lease agreements entered into after December 31, 2002, must be recognized as a liability on our consolidated balance sheet. We have determined that the guarantees have no material value as of December 31, 2005 and therefore have not recorded any liability.

*Other Commitments*

Our inventory consists primarily of memory subsystems, processors and ASICs for our controller products, which are sold to third-party contract manufacturers responsible for manufacturing our products and inkjet printheads, frames and other components related to our manufacturer of inkjet printers. Should we decide to purchase components and do our own manufacturing of controllers, or should it become necessary for us to purchase and sell components other than the processors, ASICs or memory subsystems for our contract manufacturers, inventory balances and potentially fixed assets would increase significantly, thereby reducing our available cash resources. Further, the inventory we carry could become obsolete, thereby negatively impacting our financial condition and results of operations. We are also reliant on several sole-source suppliers for certain key components and could experience a further significant negative impact on our financial condition and results of operations if such supply were reduced or not available. Should our volumes increase materially on our inkjet printers, our purchases of inkjet printheads, frames and other components will also increase correspondingly.

We may be required to compensate our sub-contract manufacturers for components purchased for orders subsequently cancelled by us. We periodically review the potential liability and the adequacy of the related allowance. Our financial condition and results of operations could be negatively impacted if we were required to compensate the sub-contract manufacturers in amounts in excess of the accrued liability.

*Legal Proceedings*

In addition to the matters discussed under Item 3, Legal Proceedings, we are involved from time to time in litigation relating to claims arising in the normal course of our business.

## Table of Contents

### Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2005 and the effect such obligations are expected to have on our liquidity and cash flows in future periods. This table excludes amounts already recorded on our balance sheet as current liabilities at December 31, 2005.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations (1)	\$ 51,123	\$ 9,454	\$ 16,086	\$ 11,992	\$ 13,591
Capital purchase obligations (2)	—	—	—	—	—
Interest payments on 1.50% senior convertible debentures (3)	62,700	3,600	7,200	7,200	44,700
Long-term debt obligations	240,000	—	—	—	240,000
Total (4)	\$ 353,823	\$ 13,054	\$ 23,286	\$ 19,192	\$ 298,291

- (1) Lease obligations related to the principal corporate facilities are estimated and are based on current market interest rates (LIBOR). See Off-Balance Sheet Financing below.
- (2) See Off-Balance Sheet Financing below.
- (3) See Note 7 of the Notes to the Consolidated Financial Statements for additional information regarding our 1.50% Senior Convertible Debentures.
- (4) Total does not include contractual obligations recorded on the balance sheet as current liabilities, or certain purchase obligations as discussed below.

Purchase orders or contracts for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on EFI and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected requirements for three months. We also enter into contracts for outsourced services; however the obligations under these contracts were not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing of payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

### Off-Balance Sheet Financing

All amounts in this section are presented in thousands, except for per share amounts.

#### *Synthetic Lease Arrangements*

We are a party to two synthetic leases (the "301 Lease" and the "303 Lease", together "Leases") covering our Foster City facilities located at 301 and 303 Velocity Way, Foster City, California. These leases provide a cost effective means of providing adequate office space for our corporate offices. Both Leases expire in July 2014. We may, at our option, purchase the facilities during or at the end of the term of the leases for the amount expended by the lessor to purchase the facilities (\$56,850 for the 303 Lease and \$31,730 for the 301 Lease). We have guaranteed to the lessor a residual value associated with the buildings equal to 82% of their funding of the respective Leases. Under the financial covenants, we must maintain a minimum net worth and a minimum

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## [Table of Contents](#)

tangible net worth as of the end of each quarter. There is an additional covenant regarding mergers. We were in compliance with all of the covenants as of December 31, 2005. We are liable to the lessor for the financed amount of the buildings if we default on our covenants.

We have assessed our exposure in relation to the first loss guarantees under the Leases and believe that there is no deficiency to the guaranteed value at December 31, 2005. If there is a decline in value, we will record a loss associated with the residual value guarantee. The funds pledged under the Leases (\$56,850 for the 303 Lease and \$31,730 for the 301 Lease at December 31, 2005 for a total of \$88,580) are in LIBOR-based interest bearing accounts and are restricted as to withdrawal at all times. In conjunction with the Leases, we have entered into separate ground leases with the lessor for approximately 30 years.

We are treated as the owner of these buildings for federal income tax purposes.

Effective July 1, 2003, we applied the accounting and disclosure rules set forth in Interpretation No. 46 *Consolidation of Variable Interest Entities, as revised* ("FIN 46R") for variable interest entities ("VIEs"). We have evaluated our synthetic lease agreements to determine if the arrangements qualify as variable interest entities under FIN 46R. We have determined that the synthetic lease agreements do qualify as VIEs; however, because we are not the primary beneficiary under FIN 46R we are not required to consolidate the VIEs in our financial statements.

## Factors That Could Adversely Affect Performance and Financial Results

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

All amounts in this section are presented in thousands, except for per share amounts.

#### *Market Risk*

We are exposed to various market risks, including 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. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We may enter into financial instrument contracts to manage and reduce the impact of changes in foreign currency exchange rates. The counterparties to such contracts are major financial institutions.

#### *Interest Rate Risk*

We maintain an investment portfolio of various holdings, types and maturities. These securities are generally classified as available-for-sale and consequently, are recorded on the balance sheet at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss). At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of our investment portfolio. Conversely, declines in interest rates could have a material impact on interest earnings for our portfolio. We do not currently hedge these interest rate exposures.

The following table presents the hypothetical change in fair values in the financial instruments held by us at December 31, 2005 that are sensitive to changes in interest rates. The modeling technique used measures the change in fair values arising from selected potential changes in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 100 basis points (BPS) over a twelve-month time horizon.

This table estimates the fair value of the portfolio at a twelve-month time horizon:

	<u>Valuation of securities given an interest rate decrease of 100 basis points</u>	<u>No change in interest rates</u>	<u>Valuation of securities given an interest rate increase of 100 basis points</u>
Total Fair Market Value	\$ 330,408	\$ 329,734	\$ 329,067

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## [Table of Contents](#)

The fair value of our long-term debt, including current maturities, was estimated to be \$265,200 as of December 31, 2005 and the carrying value was \$240,000. The fair market value of our convertible senior debentures was estimated based upon quoted market prices.

### *Derivatives*

We do not use any derivatives for trading or speculative purposes.

### *Financial Risk Management*

The following discussion about our risk management activities includes “forward-looking statements” that involve risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements.

As a global concern, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results. Our primary exposures are related to non-U.S. dollar-denominated sales in Japan and Europe and operating expenses in Germany, India, Japan and the Netherlands. At the present time, we do not hedge against these currency exposures, but as these exposures grow we may consider hedging against currency movements.

We maintain investment portfolio holdings of various issuers, types and maturities, typically U.S. Treasury securities and municipal bonds. These securities are classified as available-for-sale and consequently are recorded on the balance sheet at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss). These securities are not leveraged and are held for purposes other than trading.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have completed integrated audits of Electronics for Imaging Inc.'s 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

*Consolidated financial statements and financial statement schedule*

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Electronics for Imaging Inc. and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 our opinion.

*Internal control over financial reporting*

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable

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[Table of Contents](#)

assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded VUTEk Inc. (VUTEk) from its assessment of internal control over financial reporting as of December 31, 2005 because it was acquired by the Company in a purchase business combination during fiscal year 2005. We have also excluded VUTEk from our audit of internal control over financial reporting. VUTEk is a wholly-owned subsidiary whose total assets and total revenues represent 24.6% and 18.6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

/s/ PricewaterhouseCoopers LLP  
San Jose, California  
March 16, 2006

Electronics for Imaging, Inc.

Consolidated Balance Sheets

(in thousands, except per share amounts)	December 31,	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 182,039	\$ 156,322
Short-term investments	287,577	503,237
Accounts receivable, net	67,926	41,128
Inventories	25,874	5,529
Other current assets	<u>32,267</u>	<u>22,157</u>
Total current assets	595,683	728,373
Property and equipment, net	49,600	44,324
Restricted investments	88,580	88,580
Goodwill	189,667	73,768
Intangible assets, net	153,722	40,842
Other assets	<u>5,276</u>	<u>41,990</u>
Total assets	<u>\$ 1,082,528</u>	<u>\$ 1,017,877</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 30,937	\$ 24,286
Accrued and other liabilities	88,035	62,219
Income taxes payable	<u>16,327</u>	<u>23,812</u>
Total current liabilities	135,299	110,317
Deferred tax liability	530	—
Long-term obligations	<u>240,000</u>	<u>240,000</u>
Total liabilities	375,829	350,317
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value; 150,000 shares authorized; 56,249 and 53,828 shares outstanding, respectively	662	638
Additional paid-in capital	408,532	360,489
Deferred compensation	(5,153)	(1,149)
Treasury stock, at cost, 9,964 shares	(214,722)	(214,722)
Retained earnings	519,449	523,516
Accumulated other comprehensive income	<u>(2,069)</u>	<u>(1,212)</u>
Total stockholders' equity	<u>706,699</u>	<u>667,560</u>
Total liabilities and stockholders' equity	<u>\$ 1,082,528</u>	<u>\$ 1,017,877</u>

See accompanying notes to consolidated financial statements.

Electronics for Imaging, Inc.

Consolidated Statements of Income

(in thousands, except per share amounts)	For the Years Ended December 31,		
	2005	2004	2003
Revenue	\$468,501	\$394,604	\$379,587
Cost of revenue (1)	179,490	138,382	148,054
Gross profit	289,011	256,222	231,533
Operating expenses:			
Research and development (1)	109,525	111,134	96,697
Sales and marketing (1)	81,854	74,711	61,597
General and administrative (1)	34,007	27,264	21,690
Stock-based compensation expense	1,929	—	—
Restructuring charges	2,685	—	—
Real estate related charges	—	14,394	—
Amortization of identified intangibles	26,434	13,690	6,450
In-process research & development charge	45,300	1,000	13,220
Total operating expenses	301,734	242,193	199,654
(Loss) income from operations	(12,723)	14,029	31,879
Interest and other income, net:			
Interest and other income	14,489	12,779	11,489
Interest expense	(5,010)	(5,632)	(2,886)
Gain on sale of product line	—	2,994	—
Litigation settlement income, net	—	58	2,408
Loss on equity investment	—	—	(1,562)
Total interest and other income, net	9,479	10,199	9,449
(Loss) income before income taxes	(3,244)	24,228	41,328
(Provision for) benefit from income taxes	(823)	13,791	(14,820)
Net (loss) income	\$ (4,067)	\$ 38,019	\$ 26,508
Net (loss) income per basic common share	\$ (0.07)	\$ 0.71	\$ 0.49
Shares used in basic per-share calculation	54,425	53,898	53,789
Net (loss) income per diluted common share	\$ (0.07)	\$ 0.64	\$ 0.47
Shares used in diluted per-share calculation	54,425	63,996	60,138
(1) Non-cash stock-based compensation expense as follows:			
Cost of revenue (included in cost of revenue)	\$ 54	\$ —	\$ —
Research and development (included in stock-based compensation expense)	467	—	—
Sales and marketing (included in stock-based compensation expense)	88	—	—
General and administrative (included in stock-based compensation expense)	1,374	—	—
	1,929	—	—
	\$ 1,983	\$ —	\$ —

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock		Additional Paid-in Capital	Deferred Compensation	Treasury Stock		Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			Shares	Amount			
<b>Balances as of December 31, 2002</b>	<b>59,046</b>	<b>\$ 590</b>	<b>\$ 272,456</b>	<b>—</b>	<b>(4,478)</b>	<b>\$ (99,959)</b>	<b>\$ 1,991</b>	<b>\$ 458,989</b>	<b>\$ 634,067</b>
Net income								26,508	
Other comprehensive income (loss), net of tax:									
Currency translation adjustment							1,417		
Market valuation on short-term investments							(2,396)	—	
Comprehensive income							(979)	26,508	25,529
Repurchase of common stock					(3,170)	(59,118)			(59,118)
Stock issued for acquisitions	202	2	5,575						5,577
Exercise of common stock options	2,425	24	36,581						36,605
Restricted stock grants	66	1	1,643	(1,597)					47
Stock issued pursuant to ESPP	305	3	3,980						3,983
Tax benefit related to stock plans	—	—	8,123	—	—	—	—	—	8,123
<b>Balances as of December 31, 2003</b>	<b>62,044</b>	<b>620</b>	<b>328,358</b>	<b>(1,597)</b>	<b>(7,648)</b>	<b>(159,077)</b>	<b>1,012</b>	<b>485,497</b>	<b>654,813</b>
Net income								38,019	
Other comprehensive income (loss), net of tax:									
Currency translation adjustment							392		
Market valuation on short-term investments							(2,616)	—	
Comprehensive income							(2,224)	38,019	35,795
Repurchase of common stock					(2,316)	(55,645)			(55,645)
Exercise of common stock options	1,385	14	21,951						21,965
Restricted stock grants cancelled	(5)	—	(126)						(126)
Amortization of deferred compensation				448					448
Stock issued pursuant to ESPP	368	4	5,036						5,040
Tax benefit related to stock plans	—	—	5,270	—	—	—	—	—	5,270
<b>Balances as of December 31, 2004</b>	<b>63,792</b>	<b>638</b>	<b>360,489</b>	<b>(1,149)</b>	<b>(9,964)</b>	<b>(214,722)</b>	<b>(1,212)</b>	<b>523,516</b>	<b>667,560</b>
Net loss								(4,067)	
Other comprehensive income (loss), net of tax:									
Currency translation adjustment							(1,000)		
Market valuation on short-term investments							143	—	
Comprehensive loss							(857)	(4,067)	(4,924)
Exercise of common stock options	1,698	17	29,434						29,451
Restricted stock grants	357	4	6,194	(6,198)					—
Amortization of deferred compensation				2,194					2,194
Stock issued pursuant to ESPP	366	3	5,266						5,269
Tax benefit related to stock plans	—	—	7,149	—	—	—	—	—	7,149
<b>Balances as of December 31, 2005</b>	<b>66,213</b>	<b>\$ 662</b>	<b>\$ 408,532</b>	<b>\$ (5,153)</b>	<b>(9,964)</b>	<b>\$ (214,722)</b>	<b>\$ (2,069)</b>	<b>\$ 519,449</b>	<b>\$ 706,699</b>

See accompanying notes to consolidated financial statements.

## Electronics for Imaging, Inc.

## Consolidated Statements of Cash Flows

(in thousands)	Years Ended December 31,		
	2005	2004	2003
<b>Cash flows from operating activities:</b>			
Net (loss) income	\$ (4,067)	\$ 38,019	\$ 26,508
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	35,610	23,524	17,162
Purchased in-process research & development	45,300	1,000	13,220
Deferred taxes	1,770	(13,442)	2,226
Provision for allowance for bad debts and sales-related allowances	6,890	1,288	96
Tax benefit from exercise of non-qualified stock options	7,149	5,270	8,123
Amortization of deferred compensation	2,194	448	—
Impairment of long-lived assets	—	—	306
Loss on equity investment	—	—	1,562
Provision for inventory obsolescence	1,954	308	2,040
Other	—	50	9
Changes in operating assets and liabilities, net of effect of acquired companies:			
Accounts receivable	(11,853)	12,197	(3,049)
Inventories	(3,610)	2,167	(5,132)
Receivables from sub-contract manufacturers	(72)	(439)	621
Other current assets	1,314	524	217
Accounts payable and accrued liabilities	(6,230)	(1,421)	(19,184)
Income taxes payable	(13,466)	(9,816)	1,387
Net cash provided by operating activities	62,883	59,677	46,112
<b>Cash flows from investing activities:</b>			
Purchases of short-term investments	(525,809)	(225,576)	(1,143,532)
Proceeds from sales and maturities of short-term investments	741,709	264,951	974,653
Net purchases of restricted cash, cash equivalents and short-term investments	—	(472)	—
Transfers of investments between restricted and available-for-sale	—	34,119	(69,669)
Net purchases of restricted investments	—	(45,500)	—
Purchase of property and equipment	(6,299)	(6,563)	(5,052)
Proceeds from sales of property and equipment	672	4,266	176
Businesses acquired, net of cash received	(281,755)	(11,550)	(58,240)
Purchase of technology	(460)	—	—
Purchases of other assets	216	(1,481)	—
Net cash provided by (used for) investing activities	(71,726)	12,194	(301,664)
<b>Cash flows from financing activities:</b>			
Repayment of long-term obligations	—	—	(42)
Proceeds from issuance of long-term debt, net	—	—	233,244
Proceeds from issuance of common stock	34,720	26,879	40,635
Purchases of treasury stock	—	(55,645)	(59,118)
Net cash provided by (used for) financing activities	34,720	(28,766)	214,719
Effect of foreign exchange changes on cash and cash equivalents	(160)	54	91
Increase (decrease) in cash and cash equivalents	25,717	43,159	(40,742)
Cash and cash equivalents at beginning of year	\$ 156,322	\$ 113,163	\$ 153,905
<b>Cash and cash equivalents at end of year</b>	<b>\$ 182,039</b>	<b>\$ 156,322</b>	<b>\$ 113,163</b>

See accompanying notes to consolidated financial statements.

**Notes to Consolidated Financial Statements**  
**(In thousands, except for per share amounts)**

**Note 1: The Company and Its Significant Accounting Policies**

**The Company and Its Business**

We are a world leader in digital controllers, superwide format printers and inks, and print management solutions. Our award-winning technologies offer integrated document management tools from creation to print, including high fidelity color Fiery print controllers that can output up to 2000 pages per minute; VUTEk superwide digital inkjet printers and UV and solvent inks capable of printing on flexible and rigid substrates; powerful print production workflow and management information software solutions for increased performance and cost efficiency; and an array of corporate printing solutions. Our integrated solutions and award-winning technologies are designed to automate print and business processes, streamline workflow, provide profitable value-added services and produce accurate digital output across the range of digital printing from office to high-end production to super-wide digital inkjet printing. We operate primarily in one industry and sell our products primarily to original equipment manufacturers, major distribution partners and directly to print shops in North America, Europe, Asia Pacific and Japan.

**Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements include the accounts of EFI and our subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

All amounts, except for per share amounts, are presented in thousands.

*Reclassifications*

Certain prior year balances have been reclassified for conformity with the current year presentation.

*Use of Estimates*

The preparation of the consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to bad debts, inventories, intangible assets, income taxes, warranty obligations, purchase commitments, revenue recognition and contingencies on an on-going basis. The estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances at the time of the estimate, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

*Cash, Cash Equivalents and Short-term Investments*

We invest our excess cash in deposits with major banks; money market securities; and municipal, U.S. government and corporate debt securities. By policy, EFI invests primarily in high-grade marketable securities. We are 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.

EFI considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Typically, the cost of these investments has approximated fair value. Marketable investments with

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

a maturity greater than 3 months are classified as available-for-sale short-term investments. Available-for-sale securities are stated at fair market value with unrealized gains and losses reported as a separate component of stockholders' equity, adjusted for deferred income taxes. Realized gains and losses on sales of investments are recognized upon sale of the investments using the specific identification method.

*Allowance for Doubtful Accounts and Sales-related Allowances*

We analyze accounts receivable and historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of our allowance for doubtful accounts. In addition, we specifically reserve for any accounts receivable for which there are identified collection issues. Balances are charged off when we deem it probable the receivable will not be recovered. We also make provision for sales rebates and revenue adjustments based upon analysis of current sales programs and revenues.

*Concentration of Risk*

EFI is exposed to credit risk in the event of default by any of our customers to the extent of amounts recorded in the consolidated balance sheet. We perform ongoing evaluations of the collectibility of the accounts receivable balances for our customers and maintain allowances for estimated credit losses; actual losses have not historically been significant, but has risen over the past several years as our customer base has grown through acquisitions.

Our controller products, which constitute approximately 59% of our revenues, are sold to a limited number of OEMs. We expect that we will continue to depend on a relatively small number of OEM customers for a significant portion of our revenues, although the significance of that revenue is expected to decline in future periods, as we broaden our customer base through acquisitions.

We are reliant on certain sole source suppliers for key components of our products. We conduct our business with our component suppliers solely on a purchase order basis. Any disruption in the supply of the key components would result in us being unable to manufacture our products.

Most of our current controller products include software that we must license from Adobe Systems Incorporated ("Adobe"). In order to obtain licenses from Adobe, Adobe requires that we obtain from it quality assurance approvals for our products that use Adobe software. Although to date we have successfully obtained such quality assurances from Adobe, we cannot be certain Adobe will grant us such approvals in the future. If Adobe does not grant us such licenses or approvals, if the Adobe licenses are terminated, or if our relationship with Adobe is otherwise materially impaired, we would likely be unable to produce products that incorporate Adobe PostScript® software.

EFI subcontracts with other companies to manufacture our controller products. We rely on the ability of our sub-contractors to produce the products sold to our customers. A high concentration of EFI's products is manufactured at one sub-contractor location. If the sub-contractor was to lose production capabilities at this facility, we would experience delays in delivering product to our customers. We do not maintain long-term agreements with our sub-contractors which could lead to an inability of such sub-contractor to fill our orders.

*Inventories*

Inventories are stated at standard cost, which approximates the lower of actual cost using a first-in, first-out method, or market. We periodically review our inventories for potential slow-moving or obsolete items and write

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

down specific items to net realizable value as appropriate. Work-in-process inventories consist of EFI's product at various levels of assembly and include materials, labor and manufacturing overhead. Finished goods inventory represents completed products awaiting shipment.

*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. The estimated life for desktop and laptop computers is 18 to 24 months, furniture has an estimated life of 5 to 7 years, software is amortized over 3 to 8 years and buildings have an estimated life of 40 years. All other assets are typically considered to have a 3- to 5-year life. 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, such as parking lots and sidewalks, are amortized using the straight-line method over the estimated useful lives of the improvements.

When assets are disposed, we remove the asset and accumulated depreciation from our records and recognize the related gain or loss in results of operations. The cost and related accumulated depreciation applicable to property and equipment sold or no longer in service are eliminated from the accounts and any gain or loss is included in operations.

Depreciation expense was \$7,778, \$8,192 and \$9,908 for the years ended December 31, 2005, 2004 and 2003, respectively.

Repairs and maintenance expenditures which are not considered improvements and do not extend the useful life of property and equipment, are expensed as incurred.

*Internal Use Software*

We follow the guidance in Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Software development costs, including costs incurred to purchase third party software, are capitalized beginning when we have determined that certain factors are present, including among others, that technology exists to achieve the performance requirements. Capitalization of software costs ceases when the software is substantially complete and is ready for its intended use and is amortized over its estimated useful life of three years using the straight-line method.

*Long-lived Assets, including Goodwill*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. We measure the assets for impairment based upon the estimated future undiscounted cash flows from the asset.

Under SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142") we have ceased amortizing goodwill. The provisions of SFAS 142 also require periodic testing of goodwill for impairment. The annual impairment test performed on the July 1, 2005 balances did not require us to recognize any impairment charge against goodwill.

*Amortization of Purchased Intangible Assets*

Intangible assets acquired to date are being amortized on a straight-line basis over periods ranging from 3 to 30 years. No changes have been made to the useful lives of amortizable identifiable intangible assets in 2005.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

Aggregate amortization expense was \$26,434, \$13,690 and \$6,450 for the years ended December 31, 2005, 2004 and 2003, respectively.

*Fair Value of Financial Instruments*

The carrying amounts of our financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their respective fair market values due to the short maturities of these financial instruments. The fair market value of our convertible senior debentures issued in June 2003 was \$265,200 and \$229,500 at December 31, 2005 and 2004, respectively, based upon the quoted market price. The fair value of our available-for-sale securities is disclosed in Note 6 of the Notes to the Consolidated Financial Statements.

*Warranty*

Our products are generally accompanied by a 12-month warranty, which covers both parts and labor. In accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* ("SFAS 5"), an accrual is made when it is estimable and probable based upon historical experience. A provision for estimated future warranty work is recorded in cost of goods sold upon recognition of revenue and the resulting accrual is reviewed regularly and periodically adjusted to reflect changes in warranty work estimates.

*Research and Development*

We expense costs associated with the research and development of new software products as incurred until technological feasibility is established. Research and development costs include salaries and benefits of researchers, supplies and other expenses incurred with research and development efforts. To date we have not capitalized research and development costs associated with software development as products and enhancements have generally reached technological feasibility and have been released for sale at substantially the same time.

*Revenue Recognition*

We apply the provisions of Statement of Position 97-2, *Software Revenue Recognition* ("SOP 97-2"), as amended by Statement of Position 98-9, *Modification of SOP 97-2, Software Recognition, With Respect to Certain Transactions*, to all transactions involving the sale of software products and hardware transactions where the software is not incidental.

We recognize revenue from the sale of controllers, printers, and ink when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable and collection of the resulting receivable is reasonably assured. Delivery generally occurs when product is delivered to the customer's common carrier. We assess whether the fee is fixed or determinable based on the terms of the contract or purchase order. We assess collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. We do not request collateral from our customers. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash.

For all sales, we use either a binding purchase order or signed contract as evidence of an arrangement. Sales through some of our OEMs are evidenced by a master agreement governing the relationship together with binding purchase orders on a transaction-by-transaction basis. Our arrangements do not generally include acceptance clauses.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

We license our software under perpetual licenses. Revenue from software consists of software licensing, post-contract customer support and professional consulting. Revenue is allocated to the support elements of an agreement using vendor specific objective evidence of fair value ("VSOE") and to the software license portion of the agreements using the residual method. VSOE is determined based on the price charged when the element is sold separately or for post-contract customer support based on substantiated renewal rates. Revenue allocated to software licenses is recognized when the following four basic criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is probable. Revenue allocated to post-contract support is recognized ratably over the term of the support contract (typically one to two years), assuming the four basic criteria are met. We also have subscription arrangements where the customer pays a fixed fee and receives services over a period of time. We recognize revenue from the subscriptions ratably over the service period. Any upfront setup fees associated with our subscription arrangements are recognized ratably, generally over one year.

*Advertising*

Advertising costs are expensed as incurred. Total advertising and promotional expenses were \$4,526 for 2005, \$2,554 for 2004 and \$3,308 for 2003.

*Shipping and Handling Costs*

Shipping and handling costs are included in cost of revenue. Total shipping and handling costs were \$1,710 for 2005, \$1,375 for 2004 and \$1,169 for 2003.

*Income Taxes*

We account for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109). 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.

*Business Combinations*

We apply the provisions of SFAS 141, *Business Combinations*, when accounting for our acquisitions. EFI allocates the purchase price of acquired companies to the tangible and intangible assets acquired, liabilities assumed, as well as in-process research and development based on their estimated fair values. We engage independent third-party appraisal firms to assist in determining the fair values of intangible assets acquired on all material acquisitions. All acquisitions are included in our financial statements from the date of acquisition.

*Employee Stock-Based Compensation*

In 1997, we adopted Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). As permitted under this standard, we have elected to use the intrinsic value method as set forth in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") in accounting for our stock options and other stock-based employee awards. Accordingly, no compensation cost related to stock options has been recorded in the income statement for stock-based compensation granted to employees.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) ("FAS 123R"), *Share-Based Payment*, revising SFAS 123, *Accounting for Stock-Based Compensation* ("FAS 123") and superseding APB Opinion

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

No. 25, *Accounting for Stock Issued to Employees* (“APB 25”). This statement requires a public entity to measure the cost of services provided by employees and directors received in exchange for an award of equity instruments, including stock options, at a grant-date fair value. The fair value cost is then recognized over the period that services are provided.

In April 2005, the staff of the Securities and Exchange Commission, or the SEC, issued Staff Accounting Bulletin No. 107 (SAB 107) to provide additional guidance regarding the application of FAS 123R. Based upon SEC rules issued in April 2005, FAS 123R is effective for the first quarter of fiscal years that begin after June 15, 2005. While we will utilize the Black-Scholes-Merton method to calculate the stock-based employee compensation under FAS 123R, we do not have an estimate of the full impact adoption will have on our consolidated financial statements, because we are unable to predict the number of stock options that will be granted in 2006 and we have not determined the actual variables that will be used in the calculations. We do anticipate that there will be a significant impact upon our consolidated financial statements.

Had compensation cost for options and restricted stock granted in 2005, 2004 and 2003 under our stock-compensation plans been determined based on the fair value at the grant dates as prescribed by SFAS 123, our net (loss) income and pro forma net (loss) income per share would have been as follows:

		Years ended December 31,		
		2005	2004	2003
Net (loss) income, as reported	As reported	\$ (4,067)	\$ 38,019	\$ 26,508
Add: Stock-based employee compensation expenses included in reported net income, net of related tax effect		1,691	322	30
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects		(14,437)	(17,235)	(17,859)
Net (loss) income, pro forma	Pro forma	<u>\$ (16,813)</u>	<u>\$ 21,106</u>	<u>\$ 8,679</u>
After-tax equivalent of expense related to 1.50% senior convertible debentures		—	2,999	—
(Loss) Income for dilution calculation	Pro forma	<u>\$ (16,813)</u>	<u>\$ 24,105</u>	<u>\$ 8,679</u>
Net (loss) income per basic common share	As reported	<u>\$ (0.07)</u>	<u>\$ 0.71</u>	<u>\$ 0.49</u>
	Pro forma	<u>\$ (0.31)</u>	<u>\$ 0.39</u>	<u>\$ 0.16</u>
Net (loss) income per diluted common share	As reported	<u>\$ (0.07)</u>	<u>\$ 0.64</u>	<u>\$ 0.47</u>
	Pro forma	<u>\$ (0.31)</u>	<u>\$ 0.38</u>	<u>\$ 0.16</u>

See Note 13, “Employee Benefit Plans” for additional disclosures related to SFAS 123.

*Foreign Currency Translation*

The U.S. dollar is the functional currency for all of our foreign operations, except for our Germany subsidiary, which is considered to be euro functional and our Japanese subsidiary which is considered to be Japanese yen functional. Where the U.S. dollar is the functional currency, translation adjustments are recorded in income. Where a currency other than the U.S. dollar 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.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

*Computation of Net (Loss) Income per Common Share*

Net (loss) 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 of outstanding common stock options having a dilutive effect using the treasury stock method, from unvested shares of restricted stock using the treasury stock method and from the potential conversion of our senior convertible 1.50% debentures. In addition, in computing the dilutive effect of the convertible securities, the numerator is adjusted to add back the after-tax amount of interest and amortized debt-issuance costs recognized in the period associated with our convertible debt. Any potential shares that are anti-dilutive as defined in SFAS 128 are excluded from the effect of dilutive securities.

The following table presents a reconciliation of basic and diluted earnings per share for the three years ended December 31, 2005:

	<u>Years ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Basic net (loss) income per share:			
Net (loss) income available to common shareholders	\$(4,067)	\$38,019	\$26,508
Weighted average common shares outstanding	54,425	53,898	53,789
Basic net (loss) income per share	\$ (0.07)	\$ 0.71	\$ 0.49
Dilutive net (loss) income per share			
Net (loss) income	\$(4,067)	\$38,019	\$26,508
After-tax equivalent of expense related to 1.50% senior convertible debentures	—	2,999	1,724
(Loss) Income for purposes of computing diluted net income per share	\$(4,067)	\$41,018	\$28,232
Weighted average common share outstanding	54,425	53,898	53,789
Dilutive stock options (1), (2)	—	1,014	1,050
Weighted average assumed conversion of 1.50% senior convertible debentures (1)	—	9,084	5,299
Weighted average common shares outstanding for purposes of computing diluted net income per share	54,425	63,996	60,138
Dilutive net (loss) income per share	\$ (0.07)	\$ 0.64	\$ 0.47

- (1) All stock options, unvested restricted shares outstanding and potential debt conversion shares are considered anti-dilutive for the year ended December 31, 2005 due to the net loss. The potential dilutive shares from stock options and unvested restricted shares outstanding were 915. The potential dilutive shares from assumed debt conversion would have been 9,084 and the related after-tax equivalent of expense would have been \$2,999.
- (2) Anti-dilutive weighted shares of common stock of 3,323 and 4,313 as of December 31, 2004 and 2003, respectively, have been excluded from the effect of dilutive securities because the options' exercise prices were greater than the average market price of the common shares for the years then ended.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

*Accounting for Derivative Instruments and Risk Management*

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires companies to reflect the fair value of all derivative instruments, including those embedded in other contracts, as assets or liabilities in an entity's balance sheet. We have two embedded derivatives related to the 1.50% Senior Convertible Debentures as of December 31, 2005, the fair value of which were insignificant. We had no other derivatives as of December 31, 2005.

*Variable Interest Entities*

FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, as amended* ("FIN 46R") requires that we consolidate any variable interest entities, or VIE, in which we are the primary beneficiary. The primary beneficiary is generally defined as having the majority of the risks and rewards arising from the VIE. We have evaluated and will continue to assess its synthetic lease arrangements and other entities that we have a relationship with that may be deemed a VIE.

*Recent Accounting Pronouncements*

*SFAS 154*

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 154 ("FAS 154"), *Accounting Changes and Error Corrections*. This new standard replaces Accounting Principles Board ("APB") Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. FAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the basis of the new accounting principle, unless it is impracticable to do so. FAS 154 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement". FAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of this pronouncement to have a significant impact on our financial statements.

*SFAS 123 (Revised 2004)*

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) ("FAS 123R"), *Share-Based Payment*, revising SFAS 123, *Accounting for Stock-Based Compensation* ("FAS 123") and superseding APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). This statement requires a public entity to measure the cost of services provided by employees and directors received in exchange for an award of equity instruments, including stock options, at a grant-date fair value. The fair value cost is then recognized over the period that services are provided.

In April 2005, the staff of the Securities and Exchange Commission, or the SEC, issued Staff Accounting Bulletin No. 107 (SAB 107) to provide additional guidance regarding the application of FAS 123R. SAB 107 permits registrants to choose an appropriate valuation technique or model to estimate the fair value of stock options, assuming consistent application, and provides guidance for the development of assumptions used in the valuation process. Additionally, SAB 107 discusses disclosures to be made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in registrants' periodic reports.

Based upon SEC rules issued in April 2005, FAS 123R is effective for the first quarter of fiscal years that begin after June 15, 2005. See Note 3 of these financial statements for a disclosure of the effect on net income

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

and earnings per share for the three and nine month periods ended September 30, 2005 and 2004 as if we had applied the fair value recognition provisions of FAS 123 to stock-based employee compensation. While we will utilize the Black-Scholes-Merton method to calculate the stock-based employee compensation under FAS 123R, we do not have an estimate of the impact adoption will have on our consolidated financial statements, although we believe the impact will be significant.

**Note 2: Supplemental Cash Flow Information**

	Years Ended December 31,		
	2005	2004	2003
Supplemental disclosures of cash flow information:			
Cash paid for interest expense	\$ (3,612)	\$ (3,698)	\$ (1,777)
Cash (paid for) refunded from income taxes	\$ (4,876)	\$ (4,048)	\$ 166
Acquisition related activities:			
Cash paid for acquisitions	\$(289,150)	\$(11,811)	\$(58,832)
Cash acquired in acquisitions	7,395	261	592
Net cash paid for acquisitions	<u>\$(281,755)</u>	<u>\$(11,550)</u>	<u>\$(58,240)</u>
Common stock issued in connection with acquisitions	<u>—</u>	<u>—</u>	<u>\$ (5,011)</u>

**Note 3: Acquisitions**

**2005 Acquisition**

*VUTEk, Inc.*

In June 2005 we acquired VUTEk, Inc. (“VUTEk”), for approximately \$289,150, less cash received of \$7,395 for a net purchase price of \$281,755. We acquired VUTEk to further our presence in the commercial print market, as well as to increase our recurring revenue streams. The sales of solvent and ultraviolet cured, or UV, inks are expected to provide the recurring revenue stream for VUTEk. The acquisition was accounted for as a purchase business combination and accordingly, the purchase price has been allocated to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their estimated fair values on the date of acquisition. The following table summarizes the allocation of the purchase price to assets acquired and liabilities assumed:

Cash	\$ 7,395
Other tangible assets	44,142
In-process research and development	45,300
Acquired technology	64,500
Customer relationships	36,400
Trademarks and trade names	38,500
Goodwill	<u>116,839</u>
	353,076
Liabilities assumed	(33,398)
Deferred tax liability, net	<u>(30,528)</u>
	<u>\$289,150</u>

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

The preliminary purchase price allocation as reported in the interim periods ending June 30 and September 30, 2005 has been updated to reflect the final valuation reports and the final analysis of the acquired assets and assumed liabilities. The fair market values of accounts receivable and inventory were reduced \$4,997 and \$2,284, respectively, as compared to the September 30, 2005 reported amounts. Additional accruals of \$2,359 and \$10,093 were made for warranty and legal expenses, respectively. Finalization of the estimated future revenue streams allocated to various technologies resulted in increases in the in-process research and development charge of \$7,100 and the basis for trademarks and trade names of \$11,500 and customer relationships of \$1,100 and a decrease to the basis of the acquired technology \$1,000. The deferred tax liability increased \$9,276 after accounting for the additional adjustments.

The amounts allocated to intangible assets are being amortized using the straight-line method over their respective estimated useful lives of four years for acquired technology, six years for customer relationships and 30 years for trademarks and trade names. Goodwill of \$116,839 represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired of which \$26,097 will be deductible for tax purposes. Factors that contributed to a purchase price that results in goodwill include, but are not limited to, the retention of research and development personnel with the skills to develop future VUTEk technology, support personnel to provide the maintenance services related to VUTEk products and a trained sales force capable of selling current and future VUTEk products, the opportunity to cross-sell VUTEk and EFI products to existing customers and the positive reputation that VUTEk has in the market.

VUTEk's operating results have been included in our operating results since June 2005.

**2004 Acquisitions***Automated Dispatch Systems Inc.*

In February 2004 we acquired Automated Dispatch Systems, Inc. ("ADS"), for approximately \$11,811 in cash. We acquired ADS to further develop relationships with copier and office equipment distributors. The acquisition was accounted for as a purchase business combination and accordingly, the purchase price has been allocated to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their estimated fair values on the date of acquisition. The following table summarizes the allocation of the purchase price to assets acquired and liabilities assumed:

Cash	\$ 261
Other tangible assets	336
In-process research and development	1,000
Acquired technology	3,800
Other intangible assets	1,200
Goodwill	<u>8,613</u>
	15,210
Liabilities assumed	(1,791)
Deferred tax liability, net	<u>(1,608)</u>
	<u>\$11,811</u>

The amounts allocated to intangible assets are being amortized using the straight-line method over their respective estimated useful lives of five years except for developed technology which has a three-year life, and customer relationships which have a four-year life.

ADS's operating results have been included in our operating results since February 2004.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

*Valuation Methodology*

Intangible assets acquired consist of developed technology, patents, trademarks and trade names and customer relationships. The amount allocated to the purchased in-process research and development (“IPR&D”) was determined using established valuation techniques and was expensed upon acquisition because technological feasibility had not been established and no future alternative uses existed. The value of this IPR&D was determined by estimating the costs to develop the purchased IPR&D into a commercially viable product, estimating the resulting net cash flows from the sale of the products resulting from the completion of the IPR&D and discounting the net cash flows back to their present value. Project completion schedules were based on management’s estimate of tasks completed and the tasks to be completed to bring the project to technical and commercial feasibility. IPR&D was included in operating expenses as part of other acquisition-related charges. During the fourth quarter of 2005, our original estimate of IPR&D of \$38,200 from the VUTEk acquisition as reported in the previous interim periods was adjusted to reflect \$45,300 per the final valuation report. No other adjustments have been made to our original estimates of IPR&D.

	<u>VUTEk</u>	<u>ADS</u>
Discount rate for IPR&D	35%	27%
Percentage of completion for in-process projects acquired	10 – 40%	37 – 54%

*Unaudited Pro forma Information*

The pro forma information set forth below represents revenues, net income and earnings per share as if our 2005 and 2004 acquisitions were effective as of the beginning of the periods presented and includes certain pro forma adjustments, including the adjustment of amortization expense to reflect purchase price allocations, reduced interest income to reflect net cash used for the purchase and the related income tax effects of these adjustments. This pro forma information also excludes non-recurring charges including IPR&D that are directly attributable to the acquisition. All acquisitions are included in our financial statements from the date of acquisition.

The pro forma information is not intended to represent or be indicative of the consolidated results of operations of EFI that would have been reported had the acquisitions been completed as of the beginning of the periods presented and should not be taken as representative of the future consolidated results of operations or financial condition of EFI.

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Revenue	<u>\$ 526,492</u>	<u>\$ 528,442</u>
Net income	<u>\$ 42,110</u>	<u>\$ 41,214</u>
Net income per basic common share	<u>\$ 0.77</u>	<u>\$ 0.76</u>
Net income per diluted common share	<u>\$ 0.70</u>	<u>\$ 0.69</u>

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

## Note 4: Balance Sheet Components

	December 31,	
	2005	2004
<b>Accounts receivable, net:</b>		
Accounts receivable	\$ 72,232	\$ 44,214
Less allowances	(4,306)	(3,086)
	<u>\$ 67,926</u>	<u>\$ 41,128</u>
<b>Inventories, net of allowances:</b>		
Raw materials	\$ 12,508	\$ 3,475
Work in process	2,344	—
Finished goods	11,022	2,054
	<u>\$ 25,874</u>	<u>\$ 5,529</u>
<b>Other current assets:</b>		
Deferred income taxes, current portion	\$ 26,581	\$ 16,666
Receivable from subcontract manufacturers	1,449	1,377
Other	4,237	4,114
	<u>\$ 32,267</u>	<u>\$ 22,157</u>
<b>Property and equipment, net:</b>		
Land, building and improvements	\$ 42,515	\$ 37,018
Equipment and purchased software	44,155	42,767
Furniture and leasehold improvements	14,570	14,231
	101,240	94,016
Less accumulated depreciation and amortization	(51,640)	(49,692)
	<u>\$ 49,600</u>	<u>\$ 44,324</u>
<b>Other assets:</b>		
Deferred income taxes, non-current portion	\$ —	\$ 35,184
Debt issuance costs, net of amortization	3,344	4,726
Other	1,932	2,080
	<u>\$ 5,276</u>	<u>\$ 41,990</u>
<b>Accrued and other liabilities:</b>		
Accrued compensation and benefits	\$ 25,570	\$ 18,089
Deferred revenue	23,620	16,113
Warranty provision	5,644	1,838
Accrued royalty payments	5,245	6,347
Other accrued liabilities	27,956	19,832
	<u>\$ 88,035</u>	<u>\$ 62,219</u>

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

Note 5: Goodwill and Other Intangible Assets

	Weighted Average Life at 12/31/05	December 31, 2005			December 31, 2004		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill		\$ 189,667	—	\$ 189,667	\$ 73,768	—	\$ 73,768
Acquired technology	4.5 yrs	\$ 102,647	\$ (34,583)	\$ 68,064	\$ 37,971	\$ (17,465)	\$ 20,506
Patents, trademarks and trade names	24.5 yrs	49,176	(8,385)	40,791	10,708	(6,647)	4,061
Other intangible assets	5.9 yrs	57,007	(12,140)	44,867	20,965	(4,690)	16,275
Amortizable intangible assets	9.6 yrs	\$ 208,830	\$ (55,108)	\$ 153,722	\$ 69,644	\$ (28,802)	\$ 40,842

Acquired technology, patents, trademarks and trade names and other intangible assets are amortized over their estimated useful lives of 3 to 30 years using the straight-line method. Aggregate amortization expense was \$26,434, \$13,690 and \$6,450 for the years ended December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005 future estimated amortization expense related to amortizable intangible assets is estimated to be:

2006	\$36,132
2007	33,257
2008	27,678
2009	14,433
2010 and thereafter	42,221

As of December 31, 2005, we had goodwill of \$189,667. No impairments have been recorded against the goodwill account since the adoption of SFAS 142 on January 1, 2002. A reconciliation of the activity in goodwill for 2004 and 2005 is presented below.

<b>Beginning balance, January 1, 2004</b>	\$ 67,166
Additions	8,613(1)
Impairments	—
Other	(2,011)(2)
<b>Ending balance, December 31, 2004</b>	73,768
Additions	116,839(3)
Impairments	—
Other	(940)(4)
<b>Ending balance, December 31, 2005</b>	<u>\$189,667</u>

- (1) The additions to goodwill consist of \$8,613 for ADS Technology.
- (2) Included in "Other" are translation adjustments on the Best GmbH balance of \$434, an adjustment to taxes payable related to the 2000 Splash acquisition of (\$2,322), and adjustments to our 2003 acquisitions of (\$123).
- (3) The additions to goodwill consist of \$116,839 for VUTEK, Inc.
- (4) Included in "Other" are translation adjustments on the Best GmbH balance of (\$647) and an adjustment to taxes payable related to prior acquisitions of (\$293).

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

**Note 6: Short-term Investments**

Debt and marketable equity securities are classified as available-for-sale and are carried at fair value, which is determined based on quoted market prices, with net unrealized gains and losses included in "Accumulated other comprehensive income," net of tax. We review investments in debt and equity securities for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that investment's carrying amount is not recoverable within a reasonable period of time. To determine whether an impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. We have determined that the gross unrealized losses on short-term investments at December 31, 2005 are temporary in nature because each investment meets our investment policy credit quality requirements and we have the ability and the intent to hold these investments until they recover their unrealized losses, which may be until maturity.

The following tables summarize our available-for-sale securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2005</b>				
Municipal Securities	\$ 8,842	\$ —	\$ (59)	\$ 8,783
U.S. Government Securities	65,999	1	(1,189)	64,811
Corporate Debt Securities	217,132	13	(3,162)	213,983
Total short-term investments	<u>\$ 291,973</u>	<u>\$ 14</u>	<u>\$ (4,410)</u>	<u>\$ 287,577</u>
<b>December 31, 2004</b>				
Municipal Securities	\$ 28,509	\$ 13	\$ (151)	\$ 28,371
U.S. Government Securities	168,789	—	(1,121)	167,668
Corporate Debt Securities	310,574	27	(3,403)	307,198
Total short-term investments	<u>\$ 507,872</u>	<u>\$ 40</u>	<u>\$ (4,675)</u>	<u>\$ 503,237</u>

The following table summarizes the contractual maturities of the available-for-sale investment securities as of December 31, 2005:

	Amortized Cost	Fair Value
Less than one year	\$ 149,504	\$ 147,962
Due in 1-2 years	113,588	111,077
Due in 2-3 years	28,881	28,538
Total short-term investments	<u>\$ 291,973</u>	<u>\$ 287,577</u>

The following table shows the gross unrealized losses and fair values of our investments in individual securities that have been in a continuous unrealized loss position, aggregated by investment category, at December 31, 2005 and 2004:

	Deemed to be Temporary For			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2005</b>				
Municipal Securities	\$ 2,434	\$ (15)	\$ 14,138	\$ (147)
U.S. Governmental Securities	6,332	(254)	54,879	(935)
Corporate Securities	10,071	(138)	183,648	(2,921)
Total	<u>\$18,837</u>	<u>\$ (407)</u>	<u>\$252,665</u>	<u>\$ (4,003)</u>

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

	Deemed to be Temporary For			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2004				
Municipal Securities	\$ 12,778	\$ (119)	\$ 10,767	\$ (66)
U.S. Governmental Securities	94,119	(776)	87,623	(545)
Corporate Securities	221,191	(2,352)	71,307	(817)
Total	<u>\$ 328,088</u>	<u>\$ (3,247)</u>	<u>\$ 169,697</u>	<u>\$ (1,428)</u>

The following table shows the proceeds, gross realized gains and gross realized losses on available-for-sale securities:

	Proceeds	Gross Realized Gains	Gross Realized Losses
For the year ended December 31,:			
2005	\$ 741,709	\$ 33	\$ 794
2004	264,951	596	525
2003	974,653	1,143	288

**Note 7: Long-Term Debt**

On June 4, 2003 we sold \$240,000 of our 1.50% convertible senior debentures due in 2023 (the “Debentures”) in a private placement. The resale of the Debentures and the underlying shares of common stock have been registered with the Securities and Exchange Commission under the Securities Act of 1933 pursuant to a registration statement that was declared effective in January 2004. The Debentures are unsecured senior obligations, paying interest semi-annually in arrears at an annual rate of 1.50%. Additional interest at a rate of 0.35% per annum will be paid if the average market price of the debentures for the five trading days ending on the third trading day immediately preceding the first day of the relevant six-month period equal 120% or more of the principal amount of the debentures, beginning in the sixth year after issuance. The Debentures are convertible before maturity into 9,084,192 shares of our common stock at a conversion price of approximately \$26.42 per share of common stock but only upon the stock trading at or above \$31.70 per share for 20 consecutive trading days during the last 30 consecutive trading days of the preceding fiscal quarter, or upon the occurrence of certain other specified events. We may redeem the Debentures at our option, on or after June 1, 2008 at a redemption price equal to par plus accrued interest, if any. In addition, holders of the Debentures may require us to repurchase all or some of the Debentures on June 1, 2008, 2013 and 2018 at a price equal to 100% of the principal amount plus accrued interest, including contingent interest, if any. We will pay the repurchase price for any debentures repurchased on June 1, 2008 in cash, but may choose to pay the repurchase price in cash, our common stock, or any combination thereof in 2013 and 2018. Additionally, a holder may require us to repurchase all or a portion of that holder’s debentures if a fundamental change, as defined in the indenture, occurs prior to June 1, 2008 at 100% of their principal amount, plus any accrued and unpaid interest, including contingent interest, if any. We may choose to pay the repurchase price in cash, our common stock, or any combination thereof.

	December 31, 2005	December 31, 2004
1.50% convertible debentures due June 1, 2023, with interest payable semi-annually on June 1 and December 1	\$ 240,000	\$ 240,000
	<u>\$ 240,000</u>	<u>\$ 240,000</u>

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

**Note 8: Other Comprehensive Income**

The activity in other comprehensive income and related tax effects are as follows:

	Years Ended December 31,		
	2005	2004	2003
Net unrealized investment (losses)/gains:			
Unrealized holding gains/(losses), net of tax (provision)/benefit of \$(500) in 2005, \$1,796 in 2004 and \$2,062 in 2003	\$ 737	\$(2,694)	\$(3,092)
Reclassification adjustment for losses included in net income, net of tax benefit/(provision) of \$403 in 2005, \$(53) in 2004 and \$(481) in 2003	(594)	78	696
Net unrealized investment (losses)/gains	143	(2,616)	(2,396)
Translation adjustments	(1,000)	392	1,417
Other comprehensive (loss)/income	\$ (857)	\$(2,224)	\$ (979)

The components of accumulated other comprehensive income were:

	December 31, 2005	December 31, 2004
Net unrealized investment (losses) /gains	\$ (2,563)	\$ (2,706)
Translation gains/(losses)	494	1,494
Accumulated other comprehensive (loss)income	\$ (2,069)	\$ (1,212)

**Note 9: Commitments and Contingencies**

*Leases*

*Off-Balance Sheet Financing—Synthetic Lease Arrangement*

We are a party to two synthetic leases (the “301 Lease” and the “303 Lease”, together “Leases”) covering our Foster City facilities located at 301 and 303 Velocity Way, Foster City, California. These leases provide a cost effective means of providing adequate office space for our corporate offices. Both Leases expire in July 2014. We may, at our option, purchase the facilities during or at the end of the term of the leases for the amount expended by the lessor to purchase the facilities (\$56,850 for the 303 Lease and \$31,730 for the 301 Lease). We have guaranteed to the lessor a residual value associated with the buildings equal to 82% of their funding of the respective Leases. Under the financial covenants, we must maintain a minimum net worth and a minimum tangible net worth as of the end of each quarter. There is an additional covenant regarding mergers. We were in compliance with all of the covenants as of December 31, 2005. We are liable to the lessor for the financed amount of the buildings if we default on our covenants.

We have assessed our exposure in relation to the first loss guarantees under the Leases and believe that there is no deficiency to the guaranteed value at December 31, 2005. If there is a decline in value, we will record a loss associated with the residual value guarantee. The funds pledged under the Leases (\$56,850 for the 303 Lease and \$31,730 for the 301 Lease at December 31, 2005 for a total of \$88,580) are in LIBOR-based interest bearing accounts and are restricted as to withdrawal at all times. In conjunction with the Leases, we have entered into separate ground leases with the lessor for approximately 30 years.

We are treated as the owner of these buildings for federal income tax purposes.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

As part of the September 2004 amended financing arrangement for the 301 Lease, we completed a valuation of the building located at 301 Velocity Way. Under the original financing agreement, we guaranteed the lessor upon termination of the original lease an 82% residual value in the building which cost \$43,080 to construct. The valuation provided a value of approximately \$31,730, and we recorded a one-time loss of \$11,350 associated with the original lease. In addition, we took a non-cash charge of \$852 for capitalized costs associated with the financial arrangement.

Effective July 1, 2003, we have applied the accounting and disclosure rules set forth in Interpretation No. 46 *Consolidation of Variable Interest Entities, as revised* ("FIN 46R") for variable interest entities ("VIEs"). We have evaluated our synthetic lease agreements to determine if the arrangements qualify as variable interest entities under FIN 46R. We determined that the synthetic lease agreements do qualify as VIEs; however, because we are not the primary beneficiary under FIN 46R we are not required to consolidate the VIEs in our financial statements.

We also leases office facilities in various locations in the United States and overseas for periods ranging from two to five years, expiring between March 2003 and November 2009.

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

<b>Fiscal Year</b>	<b>(in thousands)</b>
2006	\$ 9,454
2007	8,735
2008	7,351
2009	6,574
2010	5,418
2011 through 2014	13,591
<b>Total</b>	<b>\$ 51,123</b>

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

Rental expense amounted to approximately \$6,206, \$4,750 and \$3,573 for the years ended December 31, 2005, 2004 and 2003, respectively.

*Purchase Commitments*

We sub-contract with other companies to manufacture our products. During the normal course of business the sub-contractors procure components based upon orders placed by us. If we cancel all or part of the order, we may still be liable to the sub-contractors for the cost of the components purchased by the sub-contractors for placement in our products. We periodically review the potential liability and the adequacy of the related allowance. Our consolidated financial position and results of operations could be negatively impacted if we were required to compensate the sub-contract manufacturers for amounts in excess of the related allowance.

*Guarantees and Product Warranties*

Under Financial Accounting Standards Board Interpretation No 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"), we are required upon issuance of a guarantee to disclose and recognize a liability for the fair value of the obligation we assume under that guarantee.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

Our products are generally accompanied by a 12-month warranty, which covers both parts and labor. We accrue for warranty costs as part of cost of sales based on associated material product costs and technical support labor costs. The warranty provision is based upon historical experience, by product, configuration and geographic region.

Changes in the warranty reserves for the years ended December 31, 2004 and 2005 were as follows:

<b>Balance at December 31, 2003</b>	\$ 2,103
Provision for warranty during the year	1,742
Settlements	<u>(2,007)</u>
<b>Balance at December 31, 2004</b>	1,838
Warranty obligation assumed upon acquisition of VUTEK	3,867
Provision for warranty during the year	3,605
Settlements	<u>(3,666)</u>
<b>Balance at December 31, 2005</b>	<u>\$ 5,644</u>

The lease agreements for our company headquarters provide for residual value guarantees. Under FIN 45, the fair value of a residual value guarantee in lease agreements entered into after December 31, 2002, must be recognized as a liability on our consolidated balance sheet. We have determined that the residual value guarantees have no material value as of December 31, 2005.

In the normal course of business and in an effort to facilitate the sales of our products, we sometimes indemnify other parties, including customers, lessors and parties to other transactions with us. Typically our indemnity provisions provide that we agree to hold the other party harmless against losses arising from a breach of representations and warranties or covenants and intellectual property infringement. Our indemnity provisions often limit the time within which an indemnification claim can be made as well as the amount of the claim which can be made. In addition, we have entered into indemnification agreements with our officers and directors; our bylaws also contain similar indemnification obligations for our agents.

**Legal Proceedings**

As more fully discussed below, from time to time we may be involved in a variety of claims, lawsuits, investigations and proceedings relating to contractual disputes, securities law, intellectual property law, and employment law. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with inside and outside counsel, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Because of the uncertainties related to both the amount and range of loss on the pending litigation matters, we are unable to predict the liability that could finally result from a range of possible unfavorable outcomes. However, we have reserved the estimated amount that we reasonably expect to pay for the cases discussed. However, our estimate could be wrong, and we could pay more or less than our current accrual. Litigation can be costly, diverting management's attention and could, upon resolution, have a material adverse effect on our business, results of operations, financial condition and cash flow. In addition, we are normally involved in other litigation matters relating to various claims that arise in the normal course of our business.

**Leggett & Platt, Inc. and L&P Property Management Company v. VUTEK, Inc.:** On May 17, 2005, Leggett & Platt, Inc., or L&P, and its patent holding subsidiary brought a patent infringement action against

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

VUTEk, a company acquired by us in June 2005, in the United States District Court in the Eastern District of Missouri. We believe that the L&P infringement claims are demonstrably false, and we will vigorously seek summary adjudication of non-infringement against L&P's claims. On June 29, 2005, we answered L&P's complaint and counter-claimed, asking the court to find that L&P had no objective or subjective basis for bringing the action and that the asserted patent is invalid and not infringed. A *Markman* hearing has been scheduled in April 2006, with the case set for trial in March 2007.

***Citiline Holdings, Inc. v. Printcafe Software, Inc., Marc Olin, Joseph Whang, Amos Michelson, et al.***: On June 25, 2003, a securities class action complaint was filed against Printcafe Software, Inc., a our wholly owned subsidiary acquired in October 2003 and certain of Printcafe's officers in the United States District Court for the Western District of Pennsylvania. The complaint alleges that the defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 due to allegedly false and misleading statements in connection with Printcafe's initial public offering and subsequent press releases. In June 2004, an amended complaint was filed in the action adding additional Printcafe directors as defendants. The parties have reached an agreement in principle to fully and finally resolve this litigation, subject to the Court's approval of the proposed class action settlement. The parties executed a written Stipulation and Agreement of Compromise and Settlement in September 2005 and jointly moved for the Court's preliminary approval of the settlement. On December 20, 2005, the Court preliminarily approved the proposed settlement, certified the settlement class and directed the issuance of notice. In accordance with class action procedures, the court also scheduled a final hearing in April 2006 to consider final approval of the settlement.

***US Bureau of Industry and Security (BIS) Export Investigation***

EFI recently learned that there is an open investigation by the US Bureau of Industry and Security (BIS) under the US Departments of Commerce relating to *VUTEk's* compliance with the export regulations in connection with several export sales to Syria in 2004. The investigation was initiated in Jan 2005, prior to EFI's acquisition of VUTEk in June 2005. At present, we believe that these matters will be resolved solely with administrative penalties and without a significant adverse effect to on our on-going business. However, there is no assurance that these matters will not have an unforeseen outcome that could impair the conduct of our business with our sales outside the United States and Canada.

***Indemnifications***

In the normal course of business, we provide indemnifications of varying scope to customers against claims of intellectual property infringement or other possible claims made by third parties arising from the use of our products. Historically, costs related to these indemnification provisions have not been significant and we are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

As permitted under Delaware law, we have agreements whereby we indemnify our executive officers and directors for certain events or occurrences while the executive officer or director is, or was serving, at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the executive officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that limits our exposure and enables us to recover a portion of any future amounts paid. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is immaterial.

**Notes to Consolidated Financial Statements—(Continued)**  
(In thousands, except for per share amounts)

**Note 10: Common Stock Repurchase Programs**

In August 2004, our Board of Directors authorized \$100,000 to be used to repurchase shares of its common stock. A total of 53 shares were repurchased under this program in 2004; no shares were repurchased in 2005. The \$100,000 repurchase program was intended to partially offset the exercise of common stock options by employees and the distribution of common stock through the 2000 Employee Stock Purchase Plan.

None of the shares of common stock we have repurchased have been cancelled.

**Note 11: Restructuring charges**

We incurred restructuring costs of \$2,685 during the first quarter of 2005. These costs related to employee severance related to a reduction in workforce in all of our operating categories and at all of our principal locations. As of December 31, 2005, we had charged approximately \$2,671 against the restructuring accrual for employee severance costs for approximately 65 employees. We anticipate the remaining accrual balance for employee severance costs will be paid within the next six months.

**Note 12: Income Taxes**

The components of income from operations before income taxes are as follows:

	Years ended December 31,		
	2005	2004	2003
U.S.	\$(31,045)	\$ 8,080	\$21,648
Foreign	27,801	16,148	19,680
Total	<u>(3,244)</u>	<u>24,228</u>	<u>41,328</u>

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

	Years ended December 31,		
	2005	2004	2003
Current:			
U.S. Federal	\$(1,624)	\$ (8,233)	\$10,120
State	(723)	(1,454)	1,447
Foreign	1,400	1,224	1,490
Total current	<u>(947)</u>	<u>(8,463)</u>	<u>13,057</u>
Deferred:			
U.S. Federal	3,059	(4,946)	3,536
State	(1,247)	241	(1,734)
Foreign	(42)	(623)	(39)
Total deferred	<u>1,770</u>	<u>(5,328)</u>	<u>1,763</u>
Total provision (benefit) for income taxes	<u>\$ 823</u>	<u>\$(13,791)</u>	<u>\$14,820</u>

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

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

	December 31,	
	2005	2004
Inventory reserves	\$ 5,140	\$ 2,394
Other reserves and accruals	13,698	8,516
Accrued compensation and benefits	3,877	3,155
Net operating loss carryforwards	39,271	32,227
Tax credit carryforwards	31,310	26,615
Deferred revenue	2,090	1,010
Other	4,287	2,855
Gross deferred tax assets	99,673	76,772
Depreciation	(1,591)	(2,300)
Amortization of Intangibles	(48,190)	(5,060)
Convertible Debt	(17,421)	(9,678)
State Taxes	(4,468)	(5,932)
Gross deferred tax liabilities	(71,670)	(22,970)
Deferred Tax Valuation Allowance	(1,952)	(1,952)
Total deferred tax assets, net	<u>\$ 26,051</u>	<u>\$ 51,850</u>

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

	Years ended December 31,					
	2005		2004		2003	
	\$	%	\$	%	\$	%
Tax expense at federal statutory rate	(1,135)	35.0	8,480	35.0	14,465	35.0
State income taxes, net of federal benefit	(1,281)	39.5	(1,041)	(4.3)	(198)	(0.5)
Tax-exempt interest income	(40)	1.2	(348)	(1.4)	(1,772)	(4.3)
Research and development credits	(2,554)	78.7	(2,427)	(10.0)	(1,136)	(2.6)
Foreign tax rate differential	(6,803)	209.7	(495)	(2.0)	(1,022)	(2.5)
In-process technology and amortization of goodwill	15,855	(488.8)	350	1.4	4,200	10.2
Change in accounting for foreign earnings	2,998	(92.4)	(11,077)	(45.7)	—	0.0
Reduction in accrual for estimated potential tax assessments	(6,239)	192.3	(7,857)	(32.4)	—	0.0
Extra-territorial income exclusion	(311)	9.6	(134)	(0.6)	—	0.0
Non-deductible travel & entertainment	286	(8.8)	226	0.9	142	0.3
Non-deductible stock compensation charge	47	(1.4)	—	0.0	—	0.0
Other	—	0.0	532	2.2	141	0.3
	<u>823</u>	<u>(25.4)</u>	<u>(13,791)</u>	<u>(56.9)</u>	<u>14,820</u>	<u>35.9</u>

We have \$101,512 and \$32,340 of loss and credit carry-forwards at December 31, 2005. These losses and credits will expire between 2006 and 2025. A significant portion of these net operating loss and credit carry-forwards relate to recent acquisitions and utilization of these loss and credit carry-forwards will be subject to an annual limitation under the U.S. Internal Revenue Code. We also have a valuation allowance related to foreign tax credits resulting from the 2003 acquisition of Best. If these foreign tax credits are ultimately utilized, the resulting benefit would reduce goodwill rather than tax expense.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

In 2005, the Internal Revenue Service (IRS) started an examination of our income tax returns for the years 2002, 2003, and 2004. We are also subject to ongoing audits by state and foreign tax authorities. We believe that adequate accruals for potential assessments have been made for all years.

In the second quarter of 2005, pursuant to the American Jobs Creation Act of 2004, we made the decision to repatriate earnings which had previously been permanently invested outside the United States. In the fourth quarter of 2005, we repatriated \$70,000 of earnings to the US. The total tax charge associated with this repatriation was \$3,515, of which \$517 represents state income taxes, net of federal benefit. In addition, we reduced our tax contingency reserve in 2005 by \$6,239 as a result of the filing of our prior years federal, state, and foreign tax returns and the closing of the statute of limitations in certain tax jurisdictions.

During the third quarter of 2004, we reached a settlement with the IRS for the federal income tax returns filed for the years 1999 through 2001. As a result of the settlement, the third quarter's tax benefit in 2004 was increased by the reassessment of taxes resulting in a favorable adjustment of \$18,934. This favorable adjustment was related to the profitability of foreign operations in 1999 through 2003 and foreign sales corporation and research and development credit benefits.

**Note 13: Employee Benefit Plans**

As of December 31, 2004, we have eleven stock-based compensation plans, ten stock incentive plans and one employee stock purchase plan. We apply APB 25 and related interpretations in accounting for our plans. Accordingly, no compensation cost has been recognized for stock-based compensation for options granted to employees under our plans. Stock-based compensation costs related to restricted stock granted under our plans have been recognized.

*Stock Compensation Plans*

We have ten stock incentive plans. The 2004 Equity Incentive Plan, the 1999 Equity Incentive Plan, and the Printcafe 2002 Stock Incentive Plan allow for awards of restricted stock as well as grants of options. Restricted stock awards are not transferable by the recipient until vesting has occurred, but carry full voting and dividend rights. The vesting of restricted stock is normally in four to six years, which can be accelerated to one to four years if certain performance criteria are met. Restricted stock has been granted to our employees who are vice-presidents and above and members of our board of directors.

All plans allow us to grant stock options. The exercise price of each option granted under any open plan equals the market price of our stock on the date of grant and with a term of 7 to 10 years. Options are granted throughout the year and generally vest ratably over two to four years. We have periodically made company-wide grants.

At December 31, 2005, approximately 1,773 shares were available for future grants to employees, directors or consultants. We do not grant any options under the closed plans, however all outstanding options under the closed plans continue to be governed by the terms and conditions of the existing option agreements for those grants.

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

Plan Name	Status	Origin	Shares Available for Distribution
2004 Equity Incentive Plan	Open	Original	1,352
1999 Equity Incentive Plan	Open	Original	284
Splash 1996 Stock Option Plan	Open	Assumed	67
Printcafe 2002 Stock Incentive Plan	Open	Assumed	14
Printcafe 2002 Key Executive Stock Incentive Plan	Open	Assumed	55
T/R Systems	Open	Assumed	1
1990 Stock Plan	Closed	Original	n/a
MGI 1985 Nonqualified Stock Option Plan	Closed	Assumed	n/a
Prograph 1999 Stock Incentive Plan	Closed	Assumed	n/a
Printcafe Inc. 2000 Stock Incentive Plan	Closed	Assumed	n/a
Total shares available, December 31, 2004			<u>1,773</u>

For purposes of pro forma reporting, we estimate the fair value of our options using the Black–Scholes option value model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Our options have characteristics significantly different from those of traded options and changes in the subjective input assumptions can materially affect the fair value estimates. The fair value of options granted and the option component of the employee purchase plan shares were estimated at the date of grant using the Black–Scholes pricing model with the following weighted average assumptions:

Black Scholes Assumptions & Fair Value	Years Ended December 31,		
	2005	2004	2003
Expected Volatility	40.1% – 44.7%	46.1% – 56.9%	62.4% – 68.1%
Dividend Yield	0.0%	0.0%	0.0%
Risk Free Interest Rate	3.64 to 4.36%	2.25 to 3.40%	2.0 to 2.75%
Weighted Average Expected Option Term	2.8 – 3.34 years	3.6 – 3.75 years	3.4 – 4.0 years
Weighted Average Per Share Fair Value of Options Granted	\$5.83	\$12.08	\$11.99

Stock issued under the ESPP are valued using the same assumptions as the stock grants, except that the term is reduced to 6 months.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

A summary of the status of our stock option activity as of and for the years ended December 31, 2005, 2003 and 2002 is presented below:

	Years ended December 31,					
	2005		2004		2003	
	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price
Options outstanding, beginning of year	9,747	\$ 24.81	11,487	\$ 24.21	11,128	\$ 21.25
Granted	3,140	17.32	344	24.09	3,269	20.48
Assumed thru acquisitions	—	—	—	—	140	189.96
Exercised	(1,709)	17.36	(1,384)	15.85	(2,425)	15.11
Forfeited	(1,061)	26.20	(700)	32.33	(625)	23.61
Options outstanding, end of year	<u>10,117</u>	\$ 23.60	<u>9,747</u>	\$ 24.81	<u>11,487</u>	\$ 24.21
Options exercisable, end of year	<u>6,154</u>	\$ 27.05	<u>7,212</u>	\$ 26.20	<u>6,693</u>	\$ 27.06
Options expired during year	<u>268</u>		<u>123</u>		<u>199</u>	

The following table summarizes information about stock options outstanding at December 31, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Avg. Remaining Life	Weighted Avg. Exercise Price	Number Exercisable	Weighted Avg. Exercise Price
\$10.61 to \$ 16.17	2,195	5.48	\$ 15.1668	791	\$ 13.4182
\$16.20 to \$ 17.15	1,707	6.32	16.9357	829	17.1057
\$17.70 to \$ 19.45	2,264	5.16	19.0933	1,170	19.0754
\$19.50 to \$ 25.625	1,818	4.82	22.9361	1,343	22.9168
\$25.63 to \$ 47.25	1,832	3.28	35.2307	1,720	35.7756
\$47.56 to \$7,467.09	301	3.01	89.8717	301	89.8717
\$10.61 to \$7,467.09	<u>10,117</u>	4.96	\$ 23.5951	<u>6,154</u>	\$ 27.0489

*Restricted Stock Grants*

We have granted restricted stock to certain employees and to the members of the Board of Directors. The grant price of the restricted shares equals the estimated grant date fair value. The vesting periods range up to 48 months. The estimated fair value of the restricted stock was recorded in additional paid-in capital, with an off-setting amount recorded as deferred compensation in the stockholders' equity section of the balance sheet. As the stock vests, compensation expense is recorded in the income statement and the deferred compensation account is relieved. We awarded 363 shares in 2005 with a weighted average fair value of \$17.42 per share, of which 6 shares were forfeited before year-end.

Approximately \$2,069, \$448 and \$47 was recorded as compensation expense for the years ended December 31, 2005, 2004 and 2003, respectively.

*Employee Stock Purchase Plan*

In 2001, We established an employee stock purchase plan which allows qualified employees (as defined) to purchase designated shares of our common stock at a price equal to 85% of the lower of the closing price on the first day of the two year offering period or the last day of the purchase period.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

The Plan is qualified under Section 423 of the Internal Revenue Code. We initially authorized 400 shares for purchase under this plan, with an additional 0.5% of the common shares outstanding on the first day of each year being automatically added to the shares available for issue under this plan. As of December 31, 2005, there were 212 shares available for purchase under this plan. We issued 366 shares during 2005 at an average purchase price of \$14.39, 368 shares during 2004 at an average purchase price of \$13.68 and 305 shares during 2003 at an average purchase price of \$13.04.

*Employee 401(k) Plan*

We sponsor a 401(k) Savings Plan (the “401(k) Plan”) to provide retirement and incidental benefits for our 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. We currently match 50% of the employee contributions, up to a maximum of the first 4% of the employee’s compensation contributed to the plan, subject to IRS limitations. Our 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. Our matching contributions to the Plan totaled \$1,576 in 2005, \$1,653 in 2004 and \$952 in 2003. The employee and our contributions are cash contributions invested in mutual funds managed by an independent fund manager, or in self-directed retirement plans. The fund manager or the employee may invest in our common stock at their discretion.

**Note 14: Information Concerning Business Segments and Major Customers***Information about Products and Services*

We operate in a single industry segment, technology for high-quality printing in short production runs. In accordance with SFAS 131, *Disclosures About Segments of an Enterprise and Related Information*, our operating decision-makers have been identified as our executive officers, who review the operating results to make decisions about allocating resources and assessing performance for the entire Company. We do not have separate operating segments for which discrete financial statements are prepared. Our management makes operating decisions and assesses performance primarily based on the marketplace acceptance of our products, which is typically measured by revenues.

The following is a breakdown of revenues by product category for the years ended December 31, 2005, 2004 and 2003:

	Years ended December 31,		
	2005	2004	2003
Controllers	\$ 274,015	\$ 292,833	\$ 318,884
Inkjet Products	86,913	—	—
Professional Printing Applications	71,375	68,484	21,782
Miscellaneous	36,198	33,287	38,921
Total Revenue	<u>\$ 468,501</u>	<u>\$ 394,604</u>	<u>\$ 379,587</u>

*Information about Geographic Areas*

Our sales originate in the United States, The Netherlands, Germany and Japan. Shipments to some of our OEM customers are made to centralized purchasing and manufacturing locations, which in turn sell through to other locations. As a result of these factors, we believe that sales to certain geographic locations might be higher or lower, as accurate data is difficult to obtain.

**Notes to Consolidated Financial Statements—(Continued)**  
**(In thousands, except for per share amounts)**

The following is a breakdown of revenues by sales origin for the years ended December 31, 2005, 2004 and 2003, respectively:

	Years ended December 31,		
	2005	2004	2003
United States	\$ 332,895	\$ 258,873	\$ 231,389
The Netherlands	127,595	126,861	140,372
Germany	7,506	8,781	7,368
Japan	505	89	458
Total Revenue	<u>\$ 468,501</u>	<u>\$ 394,604</u>	<u>\$ 379,587</u>

The following table presents our long-lived assets in Europe as of December 31, 2005 and 2004.

	December 31,	
	2005	2004
Goodwill	\$ 6,235	\$ 6,882
Intangible Assets, net	3,253	4,541
	<u>\$ 9,488</u>	<u>\$ 11,423</u>

*Information about Major Customers*

For the past three years we have had three major customers, Canon, Konica Minolta and Xerox, each with total revenues greater than 10%. These customers, in order of magnitude, accounted for approximately 22%, 15% and 11% of revenue in 2005, approximately 22%, 21% and 17% of revenue in 2004 and approximately 28%, 25% and 19% of revenue in 2003. These same three customers, each with accounts receivable balances greater than 10% of our total accounts receivable balance, in aggregate accounted for approximately 39% and 49% of the accounts receivable balance as of December 31, 2005 and 2004, respectively.

**Note 15: Related Party Transactions**

In February 2005 we signed an engagement letter with the investment banking firm CE Unterberg, Towbin ("CEUT"), under which they would provide acquisition-related services to the Company. The Chairman of CEUT is a member of our Board of Directors. We have paid CEUT \$1,984 for their services related to the acquisition of VUTEK, which closed in June 2005.

Notes to Consolidated Financial Statements—(Continued)  
(In thousands, except for per share amounts)

**Note 16: Unaudited Quarterly Consolidated Financial Information**

The following table presents our operating results for each of the eight quarters in the two-year period ended December 31, 2005. 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 our audited consolidated financial statements and the notes thereto appearing in this Annual Report. These operating results are not necessarily indicative of the results for any future period.

2005:	Q1	Q2	Q3	Q4
Revenue	\$ 82,003	\$ 99,036	\$142,102	\$145,360
Gross profit	53,209	61,745	86,688	87,369
(Loss) income from operations	(3,362)	(35,883)	15,579	10,943
Net (loss) income	(658)	(33,277)	18,498	11,370
Net (loss) income for dilution calculation (1)	(658)	(33,277)	19,248	12,120
Net (loss) income per basic common share	\$ (0.01)	\$ (0.61)	\$ 0.34	\$ 0.21
Net (loss) income per diluted common share (1)	\$ (0.01)	\$ (0.61)	\$ 0.30	\$ 0.18
In-process research and development charges	—	(38,200)	—	(7,100)
Reduction in workforce	(2,685)	—	—	—
<b>2004:</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Revenue	\$106,682	\$109,107	\$ 97,586	\$ 81,229
Gross profit	68,562	71,050	63,597	53,013
Income (loss) from operations	11,341	13,026	(7,972)	(2,366)
Net income	11,009	10,138	16,059	813
Net income for dilution calculation (1)	11,759	10,888	16,809	813
Net income per basic common share	\$ 0.20	\$ 0.19	\$ 0.30	\$ 0.02
Net income per diluted common share (1)	\$ 0.18	\$ 0.17	\$ 0.27	\$ 0.02
In-process research and development charges	(1,000)	—	—	—
Gain on sale of assets	2,994	—	—	—
Real estate related charges	—	—	(14,394)	—
Benefit from settlement of IRS audit	—	—	18,935	—

- (1) The quarterly information for 2005 and 2004 reflect the dilutive effect of the 9,084 shares of common stock related to the 1.50% senior convertible debentures. Net income for dilution was calculated by adding back the after-tax effect of interest and other debt-related expense for each period. In the first and second quarter of 2005 and the fourth quarter of 2004 the shares were anti-dilutive, and were excluded from the calculation.

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[Table of Contents](#)

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

None.

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a–15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including the Chief Executive Officer and Chief Financial Officer, is engaged in a comprehensive effort to review, evaluate and improve our controls; however, management does not expect that our disclosure controls will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost–benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10–K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective.

*Management’s Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a–15(f) of the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of the company’s internal control over financial reporting as of December 31, 2005. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control—Integrated Framework.

Based on our assessment using those criteria, we concluded that our internal control over financial reporting was effective as of December 31, 2005.

We have excluded VUTEk from our assessment of internal control over financial reporting as December 31, 2005 because it was acquired by the Company in a purchase business combination during fiscal year 2005. VUTEK is a wholly–owned subsidiary whose total assets and total revenue represent 24.6% and 18.6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

Our management’s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages 41 and 42 of this Annual Report on Form 10–K.

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[Table of Contents](#)

*Changes in Internal Control over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9A. Other Information**

On September 19, 2005, we entered into an OEM Distribution and License Agreement with Adobe Systems Incorporated and Adobe Systems Software Ireland Limited, as amended by Amendment No. 1 to OEM Distribution and License Agreement with such parties dated September 19, 2005. The agreement is effective for a five-year term beginning October 1, 2005, with one-year renewal terms thereafter, and may be earlier terminated by either party upon material breach by the other party and in other limited circumstances. Pursuant to such agreement, Adobe has granted us non-exclusive, non-transferable licenses to use Adobe PostScript(R) interpreter software, certain font programs and other software and related Adobe trademarks in our products. We are obligated to pay royalties and other fees to Adobe in exchange for such licenses. Each party to the agreement has agreed to indemnify the other for losses arising out of intellectual property infringement by the other party's products, subject to various conditions and limitations.

We have used Adobe software in most of our products pursuant to a prior license agreement with Adobe and expect to continue to use Adobe software in many of our products in the foreseeable future. Please see Item 1A "Risk Factors—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."

A copy of the agreement is filed with this annual report on Form 10-K. We have requested confidential treatment of portions of the agreement.

PART III

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

Information regarding our directors is incorporated by reference from the information contained under the caption “**Election of Directors**” in our Proxy Statement for our 2006 Annual Meeting of Stockholders (the “2006 Proxy Statement”). Information regarding our current executive officers is incorporated by reference from information contained under the caption “**Executive Officers**” in our 2006 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 our 2006 Proxy Statement. Information regarding the audit committee of our board of directors and information regarding an audit committee financial expert is incorporated by reference from information contained under the caption “**Committees of the Board of Directors**” in our 2006 Proxy Statement. Information regarding our code of ethics is incorporated by reference from information contained under the caption “**Committees of the Board of Directors**” in our 2006 Proxy Statement. Information regarding our implementation of procedures for stockholder nominations to our board of is incorporated by reference from information contained under the caption “**Committees of the Board of Directors**” in our 2006 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 our 2006 Proxy Statement.

**Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Other than information regarding securities authorized for issuance under equity compensation plans, which is set forth below, the information required by this item is incorporated by reference from the information contained under the caption “**Security Ownership**” in our 2006 Proxy Statement.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth information as of December 31, 2005 concerning securities that are authorized under equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column 1)
Equity compensation plans approved by stockholders	10,109,709	\$ 22.71	1,772,966
Equity compensation plans not approved by stockholders	—	—	—
<b>TOTAL</b>	<b>10,109,709</b>	<b>\$ 22.71</b>	<b>1,772,966</b>

This table does not include options outstanding as of December 31, 2005, representing 6,959 shares with an average exercise price of \$1,316.46 per share, that were assumed in connection with business combinations where additional grants cannot be made.

**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 our 2006 Proxy Statement.

**Item 14: Principal Accountant Fees and Services**

The information required by this item is incorporated by reference from the information contained under the caption “**Principal Accountant Fees and Services**” in our 2006 Proxy Statement.

**Item 15: Exhibits, Financial Statement Schedules and Reports on Form 10-K.**

*(a) Documents Filed as Part of this Report*

*(1) Index to Financial Statements*

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

**Index to Financial Statements**

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	47
<a href="#">Consolidated Balance Sheets at December 31, 2005 and 2004</a>	49
<a href="#">Consolidated Statements of Income for the three years ended December 31, 2005</a>	50
<a href="#">Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2005</a>	51
<a href="#">Consolidated Statements of Cash Flows for the three years ended December 31, 2005</a>	52
<a href="#">Notes to Consolidated Financial Statements</a>	53

*(2) Financial Statement Schedule*

Schedule II—Valuation and Qualifying Accounts

(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 in Item 8 of this report.)

*(3) Exhibits*

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of August 30, 2000, by and among the Company, Vancouver Acquisition Corp. and Splash Technology Holdings, Inc. (6)
2.2	Amendment No. 1, dated as of October 19, 2000, to the Agreement and Plan of Merger, dated as of August 30, 2000, by and among the Company, Vancouver Acquisition Corp. and Splash Technology Holdings, Inc. (7)
2.3	Agreement and Plan of Merger and Reorganization, dated as of July 14, 1999, among the Company, Redwood Acquisition Corp. and Management Graphics, Inc. (4)
2.4	Agreement and Plan of Merger, dated as of February 26, 2003 by and among the Company, Strategic Value Engineering, Inc. and Printcafe Software, Inc. (15)
2.5	Merger Agreement, dated as of April 14, 2005 by and among the Company, VUTEk, Inc. and EFI Merger Sub, Inc. (18)
3.1	Amended and Restated Certificate of Incorporation (2)
3.2	Bylaws as amended (1)
4.2	Specimen Common Stock certificate of the Company (1)
4.3	Indenture dated as of June 4, 2003 between the Company and U.S. Bank National Association, as Trustee, relating to convertible senior debentures due 2023 (8)
4.4	Form of Convertible Senior Debenture due 2023 (Exhibit A to Indenture filed as Exhibit 4.3 above) (8)
4.5	Registration Rights Agreement, dated as of June 4, 2003, among the Company, UBS Warburg LLC, C.E. Unterberg Towbin and Morgan Stanley Incorporated (8)

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## Table of Contents

<b>Exhibit No.</b>	<b>Description</b>
10.1+	Agreement dated December 6, 2000, by and between Adobe Systems Incorporated and the Company (5)
10.2	1990 Stock Plan of the Company (1)
10.3	Management Graphics, Inc. 1985 Nonqualified Stock Option Plan (17)
10.4	The 1999 Equity Incentive Plan as amended (3)
10.5	2000 Employee Stock Purchase Plan as amended (3)
10.7	Splash Technology Holdings, Inc. 1996 Stock Option Plan as amended to date (13)
10.8	Prographics, Inc. 1999 Stock Option Plan (10)
10.9	Printcafe Software, Inc. 2000 Stock Incentive Plan (10)
10.10	Printcafe Software, Inc. 2002 Key Executive Stock Incentive Plan (10)
10.11	Printcafe Software, Inc. 2002 Employee Stock Incentive Plan (10)
10.12	T/R Systems, Inc. 1999 Stock Option Plan (11)
10.13	Electronics for Imaging, Inc. 2004 Equity Incentive Plan (12)
10.14	Form of option grant agreement
10.15	Form of restricted stock award agreement
10.16	Form of Indemnification Agreement (1)
10.17	Employment Agreement dated August 1, 2003, by and between Fred Rosenzweig and the Company (9)
10.18	Employment Agreement dated August 1, 2003, by and between Joseph Cutts and the Company (9)
10.19	Employment Agreement dated August 1, 2003, by and between Guy Gecht and the Company (9)
10.20	Lease Financing of Properties Located in Foster City, California, dated as of July 16, 2004, among the Company, Société Générale Financial Corporation and Société Générale (14)
10.21	Lease Financing of Properties Located in Foster City, California, dated as of September 30, 2004, among the Company, Société Générale Financial Corporation and Société Générale (16)
10.22+	OEM Distribution and License Agreement dated September 19, 2005 by and among Adobe Systems Incorporated, Adobe Systems Software Ireland Limited and the Company, as amended by Amendment No. 1 dated as of October 1, 2005
12.1	Computation of Ratios of Earnings to Fixed Charges
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (see signature page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

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+ The Company has received 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.

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

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## Table of Contents

- (3) Filed as an exhibit to the Company's Registration Statement on Form S-8 on June 24, 2003 and incorporated herein by reference.
- (4) Filed as an exhibit to the Company's Report of Unscheduled Events on Form 8-K on September 8, 1999 (File No. 000-18805) and incorporated herein by reference.
- (5) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 000-18805) and incorporated herein by reference.
- (6) Filed as exhibit (d) (1) to the Company's Schedule TO-T on September 14, 2000 and incorporated herein by reference.
- (7) Filed as exhibit (d) (5) to the Company's TO/A Number 3 on October 20, 2000 and incorporated herein by reference.
- (8) Filed as an exhibit to the Company's Quarterly Report on Form 10Q for the quarter ended June 30, 2003 (File No. 000-18805) and incorporated herein by reference.
- (9) Filed as an exhibit to the Company's Quarterly Report on Form 10Q for the quarter ended September 30, 2003 (File No. 000-18805) and incorporated herein by reference.
- (10) Filed as an exhibit to Printcafe Software, Inc.'s Registration Statement on Form S-1 (File No. 333-82646) and incorporated herein by reference.
- (11) Filed as an exhibit to T/R Systems, Inc.'s Registration Statement on Form S-1 (File No. 333-82646) and incorporated herein by reference.
- (12) Filed as an exhibit to the Company's Registration Statement on Form S-8 on June 16, 2004 and incorporated herein by reference.
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- (14) Filed as an exhibit to the Company's Quarterly Report on Form 10Q for the quarter ended June 30, 2004 (File No. 000-18805) and incorporated herein by reference.
- (15) Filed as exhibit 10 to Amendment No. 2 to the Schedule 13D filed on February 26, 2003 and incorporated herein by reference.
- (16) Filed as an exhibit to the Company's Form 8-K filed on October 6, 2004 (File No. 000-18805) and incorporated herein by reference.
- (17) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 000-18805) and incorporated herein by reference.
- (18) Filed as an exhibit to the Company's Form 8-K filed on April 18, 2005 (File No. 000-18805) and incorporated herein by reference.

### *(b) List of Exhibits*

See Item 15 (a).

*(c) Consolidated Financial Statement Schedule II for the years ended December 31, 2005, 2004 and 2003, respectively.*

## ELECTRONICS FOR IMAGING, INC.

## Schedule II

## Valuation and Qualifying Accounts

Description	Balance at beginning of period	Charged to revenue and expenses	Charged to/ from other accounts (in thousands)	Deductions	Balance at end of period
<b>Year Ended December 31, 2005</b>					
Allowance for doubtful accounts and sales-related allowances	\$ 3,086	\$ 6,890	\$ 43(1)	\$ (5,713)	\$ 4,306
<b>Year Ended December 31, 2004</b>					
Allowance for doubtful accounts and sales-related allowances	\$ 3,794	\$ 1,319	\$ (1,145)(2)	\$ (882)	\$ 3,086
<b>Year Ended December 31, 2003</b>					
Allowance for doubtful accounts and sales-related allowances	\$ 1,238	\$ 580	\$ 2,237(3)	\$ (261)	\$ 3,794

(1) Sales-related allowance—\$43

(2) Adjustment to acquired bad debt allowances: T/R Systems—\$(175), Printcafe Software, Inc.—\$(1,070); sales-related allowance—\$100

(3) Bad debt allowance received through acquisition of Best GmbH—\$30, Printcafe Software, Inc.—\$1,713 and T/R Systems, Inc.—\$394, and sales-related allowance—\$100.

**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 16, 2006

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 Joseph Cutts 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/ <b>GUY GECHT</b> <b>Guy Gecht</b>	Chief Executive Officer, Director	March 16, 2006
_____/s/ <b>FRED ROSENZWEIG</b> <b>Fred Rosenzweig</b>	President, Director	March 16, 2006
_____/s/ <b>JOSEPH CUTTS</b> <b>Joseph Cutts</b>	Chief Financial Officer, Chief Operating Officer and Corporate Secretary	March 16, 2006
_____/s/ <b>GILL COGAN</b> <b>Gill Cogan</b>	Director	March 16, 2006
_____/s/ <b>JEAN-LOUIS GASSÉE</b> <b>Jean-Louis Gassée</b>	Director	March 16, 2006
_____/s/ <b>DAN MAYDAN</b> <b>Dan Maydan</b>	Director	March 16, 2006
_____/s/ <b>THOMAS UNTERBERG</b> <b>Thomas Unterberg</b>	Director	March 16, 2006
_____/s/ <b>JAMES S. GREENE</b> <b>James S. Greene</b>	Director	March 16, 2006
_____/s/ <b>CHRIS PAISLEY</b> <b>Chris Paisley</b>	Director	March 16, 2006

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## [Table of Contents](#)

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[Table of Contents](#)

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- (17) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 000-18805) and incorporated herein by reference.
- (18) Filed as an exhibit to the Company's Form 8-K filed on April 18, 2005 (File No. 000-18805) and incorporated herein by reference.

**Notice of Grant of Stock Options  
and Option Agreement**

**Electronics For Imaging, Inc.**  
 ID: 94-3086355  
 303 Velocity Way  
 Foster City, CA 94404

**Employee Name**  
**Address**  
**Address**

**Option Number:**  
**Plan:**

Effective <date of grant>, you have been granted a(n) Non-Qualified Stock Option to buy <number> shares of Electronics For Imaging, Inc. (the Company) stock at \$ <strike price> per share.

The total option price of the shares granted is \$<total option price>.

Shares in each period will become fully vested on the date shown.

Shares	Vest Type	Full Vest	Expiration
_____	On Vest Date	_____	_____
_____	Monthly	_____	_____

By your clicking on the Acceptance button and the Company's signature below, you and the Company agree that these options are granted under and governed by the terms and conditions of the Company's 2004 Stock Option Plan, as amended from time-to-time, and the Option Agreement that you have entered into the Company, both of which are attached and made a part of this Notice of Grant of Options. Additionally by your acceptance, you agree that you have read, fully understand and agree to abide by the terms of the Company's Insider Trading Policy, which are attached.

\_\_\_\_\_  
 Electronics For Imaging, Inc.

\_\_\_\_\_  
 Date

\_\_\_\_\_  
**Employee Name**

\_\_\_\_\_  
 Date

**ELECTRONICS FOR IMAGING, INC.  
2004 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT**

**THIS RESTRICTED STOCK AWARD AGREEMENT** (this “**Award Agreement**”) is dated as of \_\_\_\_\_, 20\_\_ (the “**Agreement Date**”) by and between Electronics for Imaging, Inc., a Delaware corporation (the “**Corporation**”) and \_\_\_\_\_ (the “**Participant**”).

**WITNESSETH**

**WHEREAS**, pursuant to the Electronics for Imaging, Inc. 2004 Equity Incentive Plan (the “**Plan**”), the Corporation hereby grants to the Participant, effective as of the date hereof (the “**Award Date**”), a restricted stock award (the “**Award**”), upon the terms and conditions set forth herein and in the Plan; and

**NOW THEREFORE**, in consideration of services rendered and to be rendered by the Participant, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

**1. Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

**2. Grant; Purchase Price.** Subject to the terms of this Award Agreement, the Corporation hereby issues to the Participant an Award with respect to an aggregate of \_\_\_\_\_ restricted shares of Common Stock of the Corporation (the “**Restricted Stock**”) in consideration for services rendered, with a Fair Market Value per share equal to \$\_\_\_\_\_ (the “**Purchase Price**”).

**3. Vesting.** Subject to Section 8 below, the Restricted Stock shall vest, and restrictions (other than those set forth in Section 8(b) of the Plan) shall lapse as follows:

[Subject to the terms of this Award Agreement, and continued satisfactory performance of \_\_\_\_\_, the Award shall vest, and restrictions (other than those set forth in Section 8(b) of the Plan) shall lapse, as follows: \_\_\_\_\_% of the Award shall be vested as of \_\_\_\_\_, and \_\_\_\_\_% shall vest yearly thereafter, with all shares vesting as of \_\_\_\_\_.]

[So long as the Corporation achieves at least \_\_\_% of the performance plan (the “**Performance Target**”) for the fiscal year prior to each Vesting Date, the restrictions on vesting shall lapse according to the following schedule and dates (each date below, a “**Vesting Date**”): (i) after \_\_\_\_\_ the Performance Target, \_\_\_\_\_% of the Restricted Stock shall vest on \_\_\_\_\_ of the following year, (iii) after \_\_\_\_\_ the Performance Target, \_\_\_% of the Restricted Stock shall vest on \_\_\_\_\_ of the following year, and (ii) after \_\_\_\_\_ the Performance Target, \_\_\_\_\_% of the Restricted Stock shall vest on \_\_\_\_\_ of the following year and (iv) after \_\_\_\_\_ the Performance Target, the remaining 25% of the Restricted Stock shall vest on \_\_\_\_\_ of the following year. To the extent that vesting has been deferred because the

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Corporation had not met the Performance Target applicable for such fiscal year, upon the achievement of the Performance Target, the shares shall vest on \_\_\_\_\_ of the following year as if the Corporation had achieved the Performance Target since the \_\_\_\_\_ fiscal year. This approach will continue up to the year \_\_\_\_, when, the restrictions on vesting will lift with respect to \_\_\_% of the Restricted Stock on \_\_\_\_\_.]

**4. Continuation of Employment.** The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Partial employment or service (in this case, Partial employment refers to termination of employment or service, then returning in some capacity. In other words, vesting is not terminated in the case of a part-time employee who remains continuously employed throughout the vesting schedule), even if substantial, during any vesting period will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

Nothing contained in this Award Agreement or the Plan constitutes an employment or service commitment by the Corporation, affects the Participant's status as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Affiliate, interferes in any way with the right of the Corporation or any Affiliate at any time to terminate such employment or services, or affects the right of the Corporation or any Affiliate to increase or decrease the Participant's other compensation or benefits. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

**4. Dividend and Voting Rights.** After the Award Date, the Participant shall be entitled to cash dividends and voting rights with respect to the shares of Restricted Stock subject to the Award even though such shares are not vested and the restrictions with regard to such shares have not lifted, provided that such rights shall terminate immediately as to any shares of Restricted Stock that are forfeited pursuant to Section 7.

**5. Restrictions on Transfer.** Prior to the time that they have become vested pursuant to Section 3, neither the Restricted Stock, nor any interest therein, amount payable in respect thereof, or Restricted Property (as defined in Section 8 hereof) may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

#### **6. Stock Certificates.**

(a) **Book Entry Form.** The Corporation shall issue the shares of Restricted Stock subject to the Award either: (a) in certificate form as provided in Section 7(b) below; or (b) in book entry form, registered in the name of the Participant with notations regarding the applicable restrictions on transfer imposed under this Award Agreement.

(b) Certificates to be Held by Corporation; Legend. Any certificates representing shares of Restricted Stock that may be delivered to the Participant by the Corporation prior to vesting shall be redelivered to the Corporation to be held by the Corporation until the restrictions on such shares shall have lapsed and the shares shall thereby have become vested or the shares represented thereby have been forfeited hereunder. Such certificates shall bear the following legend:

*“The ownership of this certificate and the shares of stock evidenced hereby and any interest therein are subject to substantial restrictions on transfer under an Agreement entered into between the registered owner and Electronics for Imaging, Inc. A copy of such Agreement is on file in the office of the Secretary of Electronics for Imaging, Inc.”*

(c) Delivery of Certificates Upon Vesting. Promptly after the vesting of any shares of Restricted Stock pursuant to Section 3, the Corporation shall, as applicable, either remove the notations on any shares of Restricted Stock issued in book entry form which have vested or deliver to the Participant a certificate or certificates evidencing the number of shares of Restricted Stock which have vested (or, in either case, such lesser number of shares as may be permitted pursuant to Section 10(f) of the Plan). The Participant (or the beneficiary or personal representative of the Participant in the event of the Participant’s death or incapacity, as the case may be) shall deliver to the Corporation any representations or other documents or assurances required pursuant to Section 8(b) of the Plan. The shares so delivered shall no longer be restricted shares hereunder.

(d) Stock Power; Power of Attorney. Concurrent with the execution and delivery of this Award Agreement, the Participant shall deliver to the Corporation an executed stock power in the form attached hereto as Exhibit B, in blank, with respect to such shares. The Participant, by acceptance of the Award, shall be deemed to appoint, and does so appoint by execution of this Award Agreement, the Corporation and each of its authorized representatives as the Participant’s attorney(s)-in-fact to effect any transfer of unvested forfeited shares (or shares otherwise reacquired by the Corporation hereunder) to the Corporation as may be required pursuant to the Plan or this Award Agreement and to execute such documents as the Corporation or such representatives deem necessary or advisable in connection with any such transfer.

## **7. Effect of Termination of Employment.**

(a) Forfeiture after Certain Events. Except as provided in Section 11(c) of the Plan and Section 8 hereof, the Participant’s shares of Restricted Stock shall be forfeited to the extent such shares have not become vested upon the date the Participant is no longer employed by the Corporation or any of its Affiliates for any reason, whether with or without cause, voluntarily or involuntarily. If the Participant is employed by an Affiliate and that entity ceases to be an Affiliate, such event shall be deemed to be a termination of employment of the Participant for purposes of this Award Agreement, unless the Participant otherwise continues to be employed by the Corporation or another of its Affiliates following such event.

(b) Repurchase of Shares. Upon the occurrence of any forfeiture of shares of Restricted Stock hereunder, the Corporation may, but is not required to, repurchase such unvested, forfeited shares and related Restricted Property (the “**Repurchase Right**”). The per

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share price to be paid by the Corporation in settlement of its Repurchase Right for such unvested, forfeited shares (and any related Restricted Property) shall equal the lesser of (1) the Fair Market Value of a share of Common Stock as of the date of the repurchase and (2) the original Purchase Price for such share (subject to adjustment as provided in Section 11(a) of the Plan). The Corporation may exercise its powers under Section 6(d) hereof and take any other action necessary or advisable to evidence such transfer. The Participant, or the Participant's beneficiary or personal representative, as the case may be, shall deliver any additional documents of transfer that the Corporation may request to confirm the transfer of such unvested, forfeited shares and related Restricted Property to the Corporation.

**8. Adjustments Upon Specified Events.** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 11(a) of the Plan, the Committee shall make adjustments if appropriate in the number and kind of securities that may become vested under an Award. If any adjustment shall be made under Section 11(a) of the Plan or an event described in Section 11(c) of the Plan shall occur and the shares of Restricted Stock are not fully vested upon such event or prior thereto, the restrictions applicable to such shares of Restricted Stock shall continue in effect with respect to any consideration or other securities (the "**Restricted Property**" and, for the purposes of this Award Agreement, "**Restricted Stock**" shall include "**Restricted Property**", unless the context otherwise requires) received in respect of such Restricted Stock. Such Restricted Property shall vest at such times and in such proportion as the shares of Restricted Stock to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof if such shares of Restricted Stock had remained outstanding. To the extent that the Restricted Property includes any cash (other than regular cash dividends provided for in Section 4 hereof), such cash shall be invested, pursuant to policies established by the Committee, in interest bearing, FDIC-insured (subject to applicable insurance limits) deposits of a depository institution selected by the Committee, the earnings on which shall be added to and become a part of the Restricted Property.

**9. Tax Withholding.** The Corporation (or any of its Affiliates last employing the Participant) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the vesting of any Restricted Stock. Concurrent with the execution and delivery of this Award Agreement, the Participant shall deliver to the Corporation an executed election form attached hereto as Exhibit C with respect to such shares. If an 83(b) election is made, tax withholding is required at that time and not at vesting. *PARTICIPANT HEREBY ASSUMES ALL RESPONSIBILITY FOR FILING SUCH ELECTION AND PAYING ANY TAXES RESULTING FROM SUCH ELECTION OR FROM FAILURE TO FILE THE ELECTION AND PAYING TAXES RESULTING FROM THE LAPSE OF THE REPURCHASE RESTRICTIONS ON THE UNVESTED SHARES.*

*PARTICIPANT UNDERSTANDS THAT PARTICIPANT MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PARTICIPANT'S PURCHASE OR DISPOSITION OF THE SHARES. PARTICIPANT REPRESENTS (i) THAT PARTICIPANT HAS CONSULTED WITH A TAX ADVISER THAT PARTICIPANT DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND (ii) THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.*

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**10. Notices.** Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the Participant's last address reflected on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Participant is no longer an employee of the Corporation or one of its Affiliates, shall be deemed to have been duly given by the Corporation when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

**11. Plan.** The Award and all rights of the Participant under this Award Agreement are subject to, and the Participant agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by reference. In the event of a conflict or inconsistency between the terms and conditions of this Award Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Participant agrees to be bound by the terms of the Plan and this Award Agreement. The Participant acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan after the date hereof.

**12. Entire Agreement.** Subject to the terms contained in the participant's Employment Agreement with the Corporation, this Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 12(a) of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**13. Counterparts.** This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

**14. Section Headings.** The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

**15. Governing Law.** This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

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**IN WITNESS WHEREOF**, the Corporation has caused this Award Agreement to be executed on its behalf by a duly authorized officer and the Participant has hereunto set his or her hand as of the date and year first above written.

**ELECTRONICS FOR IMAGING, INC.,  
a Delaware corporation**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

**PARTICIPANT**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print Name*

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**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Restricted Stock Award Agreement by Electronics for Imaging, Inc., I, \_\_\_\_\_, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Restricted Stock Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: \_\_\_\_\_,

\_\_\_\_\_  
*Signature of Spouse*

\_\_\_\_\_  
*Print Name*

**STOCK POWER**

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Award Agreement between Electronics for Imaging, Inc., a Delaware corporation (the "Corporation"), and the individual named below (the "Individual") dated as of \_\_\_\_\_, the Individual, hereby sells, assigns and transfers to the Corporation, an aggregate \_\_\_\_\_ shares of Common Stock of the Corporation, standing in the Individual's name on the books of the Corporation and represented by stock certificate number(s) \_\_\_\_\_ to which this instrument is attached, and hereby irrevocably constitutes and appoints \_\_\_\_\_ as his or her attorney in fact and agent to transfer such shares on the books of the Corporation, with full power of substitution in the premises.

Dated \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print Name*

*(Instruction: Please do not fill in any blanks other than the signature line. The purpose of the assignment is to enable the Corporation to exercise its sale/purchase option set forth in the Restricted Stock Award Agreement without requiring additional signatures on the part of the Individual.)*

**ELECTION FORM**

I choose to make an 83(b) election and pay for the taxes owed on my Restricted Stock on the date of grant [yes/no].

I choose to pay for the taxes owed on my Restricted Stock on the date that they vest with a cash payment to the Company on such date [yes/no].

I choose to pay for the taxes owed on my Restricted Stock on the date that they vest with a sell to cover [yes/no].

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*Signature*

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*Print Name*

**[NOTE: THIS ELECTION FORM IS FOR USE BY THE CORPORATION ONLY. IN ORDER TO FILE AN EFFECTIVE 83(B) ELECTION WITH THE IRS, PARTICIPANT SHOULD COMPLETE AN 83(B) ELECTION WHICH COMPLIES WITH THE INTERNAL REVENUE CODE REQUIREMENTS AND FILE SUCH ELECTION ACCORDING TO THE TERMS AND RESTRICTIONS SET FORTH BY THE IRS, INCLUDING WITHOUT LIMITATION THE DEADLINE TO FILE SUCH ELECTION.]**

OEM DISTRIBUTION AND  
LICENSE AGREEMENT

BY AND BETWEEN

ADOBE SYSTEMS INCORPORATED and  
ADOBE SYSTEMS SOFTWARE IRELAND LIMITED

AND

ELECTRONICS FOR IMAGING, INC.

DATED: SEPTEMBER 19, 2005

TABLE OF CONTENTS

<u>Section Number</u>	<u>Section Name</u>	<u>Page</u>
1	Definitions	4
2	Scope of EFI's Licenses	9
3	Modification to Adobe Deliverables	12
4	Adobe Deliverables and Acceptance	13
5	Development, Testing, Certification and Updating of EFI Products	14
6	Proprietary Rights and Legends	15
7	Marketing of EFI Products [*]	16
8	Payments	18
9	Performance Warranty	21
10	EFI Support of End Users	22
11	Proprietary Rights Indemnity	22
12	Term and Termination	24
13	Limitation of Liability	26
14	General	27
15	Dispute Resolution	30
16	Subsidiaries and Contractors	31
17	Name Change	31
18	Financial Statements	31
19	Confidentiality	32

\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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EXHIBITS

<b>Title</b>	<b><u>Exhibit</u></b>	<b>Section Reference</b>
Licensing Categories and Terms	A	1.4, 1.8, 1.22, 1.23, 1.25, 2.1, 12.51, <b><u>EXHIBIT G, EXHIBIT L, EXHIBIT O</u></b>
Development and Reproduction Sites	B	1.10, <b><u>EXHIBIT K-2</u></b>
Extended Roman Font Program Set	C-1	1.16, 1.19, <b><u>EXHIBIT A, EXHIBIT F, EXHIBIT I, EXHIBIT L, EXHIBIT O</u></b>
Font Programs for Japanese Typefaces	C-2	1.16, 1.19, <b><u>EXHIBIT A, EXHIBIT F, EXHIBIT I, EXHIBIT L</u></b>
Font Programs for Chinese Typefaces	C-3	1.16, <b><u>EXHIBIT A, EXHIBIT F, EXHIBIT I</u></b>
Font Programs for Korean Typefaces	C-4	<b><u>EXHIBIT A, EXHIBIT F, EXHIBIT I</u></b> , 1.16
Form of Certification Request and Approval	D-1	<b><u>EXHIBIT J</u></b> , 1.6
Form of Product Certification Checklist	D-2	<b><u>EXHIBIT J</u></b> , 1.6
Omitted	E	
Adobe Deliverables Appendix No. 1	F	1.28, 4.1
Maintenance	G	1.24, 1.28, 1.38, 4.3, 5.1, 8.1, <b><u>EXHIBIT A, EXHIBIT F, EXHIBIT I, EXHIBIT O</u></b>
EFI End User Agreement	H	1.29,2.2, <b><u>EXHIBIT A</u></b>
Use of Adobe Trademarks	I	7.2, <b><u>EXHIBIT A</u></b>
EFI Product Test Procedures	J	5.2, <b><u>EXHIBIT D</u></b>
Secure Procedures for Handling Adobe Support Information	K-1	4.1.2, 6, 12.5.2, 12.5.8, 13.2, 13.3, <b><u>EXHIBIT A, EXHIBIT C-1, EXHIBIT K-2</u></b>

Additional Secure Procedures for Handling Adobe Core Source	K-2	1.8, 6, 12.5.2, 12.5.8, 13.2, 13.3, <b><u>EXHIBIT A</u></b>
Royalties	L	8.1, 8.2, 8.7, <b><u>EXHIBIT A, EXHIBIT C-3, EXHIBIT C-4</u></b>
Royalty Report Format	L-1	8.7
Authorized Third Party Agreement Minimum Terms and Conditions	M	1.5
Certified EFI Products	N	14.19, <b><u>EXHIBIT F</u></b>
Remarketer Customer Reproduction Rights Minimum Terms and Conditions	O	<b><u>EXHIBIT A</u></b>
Permitted Countries List	P	1.10, 1.31, 11.1.1
Form of Adobe Deliverables Appendix	Q	1.3
Copy Vendor Provisions	R	1.31
Contacts	S	15

### **OEM DISTRIBUTION AND LICENSE AGREEMENT**

This OEM Distribution and License Agreement (this “Agreement”) is by and among Adobe Systems Incorporated, a Delaware corporation having its principal place of business at 345 Park Avenue, San Jose, CA 95110-2704 (“Adobe”), Adobe Systems Software Ireland Limited, a company incorporated in the Republic of Ireland with its principal offices located at Unit 3100 Lake Drive, CityWest Business Campus, Saggart D24, Ireland (“Adobe Ireland”) (both individually in their respective countries and collectively referred to as “Adobe”), and Electronics for Imaging, Inc., a Delaware corporation having its principal place of business at 303 Velocity Way, Foster City, California 94404 (“EFI”). This Agreement is effective as of September 19, 2005 (the “Effective Date”).

OEM DISTRIBUTION AND LICENSE AGREEMENT  
ELECTRONICS FOR IMAGING, INC.

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The purpose of this Agreement is to provide the terms and conditions pursuant to which Adobe will license software and technologies that Adobe owns or has the right to license, including Adobe PostScript interpreter software, to EFI for EFI's use in EFI Products.

The parties hereby agree as follows:

## AGREEMENT

### 1. DEFINITIONS.

**1.1 Adobe Certification Test Suite** means the testing materials and procedures developed by Adobe to be used by EFI to test Revised Object (for use as part of an EFI Product) for conformity with the PostScript Language Specification and Adobe quality standards.

**1.2 Adobe Deliverables** means any software (whether in source or object code form), development tools, utilities, SDKs, fonts, drivers, documentation or related materials provided by Adobe to EFI hereunder, either on tangible media or delivered electronically.

**1.3 Adobe Deliverables Appendix** means an appendix to this Agreement signed by both parties prior to the delivery of certain Adobe Deliverables by Adobe to EFI that, among other things, identifies the deliverables being supplied by Adobe to EFI and the applicable licensing category and licensing fees for such deliverables. A form of the Adobe Deliverables Appendix is attached hereto as **EXHIBIT Q** ("*Form of Adobe Deliverables Appendix*").

**1.4 Adobe Support Information** means Adobe Deliverables that are provided to EFI for EFI's internal use only at a Development Site. Examples of Adobe Support Information and applicable licensing terms are set forth in **EXHIBIT A** ("*Licensing Categories and Terms*").

**1.5 Authorized Third Parties** means a collective term for third parties that provide maintenance to End Users on EFI's or its Remarketer Customers' behalf under written agreements between such third parties and either EFI or EFI's Remarketer Customers containing terms substantially similar to terms contained in **EXHIBIT M** ("*Authorized Third Party Agreement Minimum Terms and Conditions*").

**1.6 Certification Letter** means a letter provided by Adobe to EFI indicating that the Revised Object included in a particular EFI Product conforms to the PostScript Language Specification and Adobe quality standards. A Certification Letter shall be in a form reasonably similar to the attached **EXHIBIT D-1** ("*Form of Certification Request and Approval*"), as may be modified by Adobe from time to time, and shall include a Product Certification Checklist, which shall be submitted in a form reasonably similar to the attached **EXHIBIT D-2** ("*Form of Product Certification Checklist*"), as may be modified by Adobe from time to time.

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

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**1.8 Core Source** means the source code for the specified modules of the PostScript Software licensed to EFI under this Agreement. Applicable licensing terms for Core Source, as well as the Core Source modules that EFI is permitted to use, are set forth in **EXHIBIT A** (“*Licensing Categories and Terms*”). Handling and use restrictions applicable to Core Source are set forth in **EXHIBIT K-2** (“*Additional Secure Procedures for Handling Core Source*”).

**1.9 Designated Output Device** means an output device (i.e., print engine or other raster imaging device) designated in a Certification Letter and used to display the raster output created by the Revised Object.

**1.10 Development Site** means a physical location under EFI’s control and supervision identified in **EXHIBIT B** (“*Development and Reproduction Sites*”), at which EFI may use the Adobe Support Information. New Development Sites may be added without approval by Adobe provided such sites are in a Permitted Country, as set forth in **EXHIBIT P** (“*Permitted Countries List*”) and advance notice of such new sites is provided by EFI to Adobe. A **Primary Development Site** shall be a Development Site at which Core Source may be used. Primary Development Sites are also identified in **EXHIBIT B** (“*Development and Reproduction Sites*”) and new Primary Development Sites, regardless of location, require written approval of Adobe.

**1.11 Distributable Software** means those portions of the Adobe Deliverables that EFI is permitted to include in EFI Products. Distributable Software includes (a) Revised Object, (b) Host Software and (c) Font Programs. Only software in object code form may be distributed by EFI.

**1.12 Download Site** means an Adobe–maintained, password–protected web site from which EFI may download copies of the Adobe Deliverables.

**1.13 EFI Product** means one of the following categories of products:

**1.13.1** a hardware product designed by EFI that integrates the Revised Object, applicable Font Programs, and EFI printer controller board technology to produce a fully functioning printer controller board, distributed by EFI through its distribution channels, or through the channels of its Remarketer Customers, for use with a Designated Output Device as part of an End User Product.

**1.13.2** an EFI designed chip, chip set or software solution that is combined with Revised Object and applicable Font Programs for distribution to its Remarketer Customer who then incorporates the chip, chip set, or software solution and Revised Object and Font Programs as part of a printer controller board which it then distributes with a Designated Output Device as part of an End User Product.

**1.13.3** A software only product combining Font Programs, PostScript Software and EFI technology that provides a Raster Image Processing capability.

**1.13.4** Any other product that the parties agree in writing to be an EFI Product.

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**1.14 End User** means a third party using an End User Product for its ordinary business or personal purposes, but not for redistribution or resale.

**1.15 End User Documentation** means the documentation provided by Adobe that is intended for use by an End User.

**1.16 End User Product** means an EFI Product along with a Designated Output Device specified in a Certification Letter, containing all of the essential hardware and software components required to supply the End User with a fully functioning printing system. Unless otherwise designated in a Certification Letter, each respective version of an End User Product listed below must contain the following minimum configuration:

**1.16.1 Roman Versions.** Revised Object, the Font Programs listed in EXHIBIT C-1 (“*Extended Roman Font Program Set*”), an EFI Product, and a Designated Output Device, all as specified in a Certification Letter.

**1.16.2 Japanese Versions.** Revised Object, the Font Programs listed in EXHIBIT C-1 (“*Extended Roman Font Program Set*”), Font Programs for Japanese Typefaces identified in EXHIBIT C-2 (“*Font Programs for Japanese Typefaces*”), an EFI Product, and a Designated Output Device, all as specified in a Certification Letter.

**1.16.3 Chinese Versions.** Revised Object, the Font Programs listed in EXHIBIT C-1 (“*Extended Roman Font Program Set*”), Font Programs for Chinese Typefaces identified in EXHIBIT C-3 (“*Font Programs for Chinese Typefaces*”), an EFI Product, and a Designated Output Device, all as specified in a Certification Letter.

**1.16.4 Korean Versions.** Revised Object, the Font Programs listed in EXHIBIT C-1 (“*Extended Roman Font Program Set*”), Font Programs for Korean Typefaces as identified in EXHIBIT C-4 (“*Font Programs for Korean Typefaces*”), an EFI Product, and a Designated Output Device, all as specified in a Certification Letter.

**1.17 Error** means a defect in a Reference Port that causes the Reference Port, when compiled and running in the development environment specified by Adobe, not to operate substantially in accordance with the PostScript Language Specification.

**1.18 Commercial Shipment** means the distribution by EFI or an EFI Subsidiary of Revised Object in an EFI Product for resale, except with respect to such distribution between EFI and its Subsidiary or between Subsidiaries.

**1.19 Font Programs** means the digitally encoded, machine readable outline programs for the Typefaces identified in EXHIBIT C-1 (“*Extended Roman Font Program Set*”), EXHIBIT C-2 (“*Font Programs for Japanese Typefaces*”), EXHIBIT C-3 (“*Font Programs for Chinese Typefaces*”), and EXHIBIT C-4 (“*Font Programs for Korean Typefaces*”), for which Adobe has sublicensing rights to allow EFI to further sublicense such Typefaces to its Remarketer Customers as part of an EFI Product. Adobe may deliver font programs in one or more of the following formats: Adobe Type 1, Open Type, CFF (Compact Font Format), TrueType, or CID-keyed fonts.

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**1.20 Golden Master** means a master tape or a compact disk copy of Adobe Deliverables from which multiple copies of such deliverables may be made, if permitted hereunder.

**1.21 Hardware Upgrade** means the installation of any enhanced or additional hardware, which may include software, on a previously installed EFI Product which enhances the performance of the Revised Object. Hardware Upgrades specifically do not include spares, disk drives, monitors, keyboards, or computer furniture, but do include, without limitation, CPUs and blades.

**1.22 Host Software** means any Adobe-supplied software in object code form that typically runs on a host computer system independently of the PostScript Software, but used in conjunction with an End User Product; including any enhancements, modifications or Localizations thereto. Examples of Host Software and applicable licensing terms are set forth in EXHIBIT A (“*Licensing Categories and Terms*”). Host Software is a category of Distributable Software.

**1.23 Localization** means a version of the Adobe Driver Software (as defined in Section 5.a.ii of EXHIBIT A (“*Licensing Categories and Terms*”)) for which the dialog text strings and help files have been translated into a language other than English.

**1.24 Maintenance** means the services provided to EFI by Adobe as further described in EXHIBIT G (“*Maintenance*”).

**1.25 Other Adobe Software** means software that is not integral to the PostScript Software but may be incorporated into the Revised Object or other EFI Products, as permitted herein. Examples of Other Adobe Software and applicable licensing terms are set forth in EXHIBIT A (“*Licensing Categories and Terms*”).

**1.26 PostScript Language Specification** means the “PostScript Language Reference Book” (1999) as printed in English by Addison Wesley (also known as the “Red Book”) which supersedes all the material about Language Level 3 in the 3010 Supplement, “*Supplement: PostScript Language Reference Manual (Language Level 3 Specification and Adobe PostScript 3 Version 3010 Product Supplement)*”, or any other official subsequent editions or supplements to the PostScript Language Reference Manual.

**1.27 PostScript Software** means the unmodified computer programs, in source and/or object code form, known collectively as Adobe’s Level 3 PostScript interpreter software and any enhancements or modifications to the foregoing as provided by Adobe to EFI.

**1.28 Reference Port** means a version of the PostScript Software, the components of which are supplied in source and/or object code form, as determined by Adobe, that runs in an Adobe-specified development environment, such as Windows NT or MacOS X. The initial delivery of a Reference Port is accompanied by an Adobe Deliverables Appendix (in a form similar to EXHIBIT F (“*Adobe Deliverables Appendix No. 1*”) and any subsequent deliveries shall be made under an Adobe materials release form that references the earlier

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Adobe Deliverables Appendix. A “Reference Port” also refers to any Updates to the Reference Port that Adobe supplies to EFI under **EXHIBIT G** (“Maintenance”) for that particular Reference Port.

**1.29 Remarketer Customer** means any third party with whom EFI has entered into a written agreement authorizing such third party to distribute under such third party’s own trademark an End User Product pursuant to such third party’s own End User Agreement that includes terms substantially equivalent to and no less restrictive than those set forth in **EXHIBIT H** (“*EFI End User Agreement*”).

**1.30 Replacement Software** means a copy of Distributable Software programs that are not licensed for internal use only and are intended for use in accordance with Section 2.4 (“*Replacement of Defective Product*”) as a maintenance spare for a specific EFI Product.

**1.31 Reproduction Site** means the locations at which EFI or Remarketer Customers may reproduce (or have reproduced) Distributable Software. Reproduction Sites may be located anywhere in the United States. Any location outside of the United States that is located in a country on the Permitted Countries List contained in **EXHIBIT P** (“*Permitted Countries List*”) may be designated as a Reproduction Site by providing Adobe advance written notice. Any entity reproducing the Distributable Software shall be subject to the provisions set forth in **EXHIBIT R** (“*Copy Vendor Provisions*”).

**1.32 Revised Object** means the compiled, object code version of the PostScript Software and Other Adobe Software, if any, as revised by EFI for use in an EFI Product pursuant to EFI’s licenses hereunder. Revised Object is a category of Distributable Software.

**1.33 Software Development Tools and Utilities** means the tools and utilities provided by Adobe for use by EFI with the PostScript Software (i.e., CRD Maker, PPD Tools, Driver Software Localization Kits). Software Development Tools and Utilities are a category of Adobe Support Information.

**1.34 Software Upgrade** means either the (A) installation of Revised Object and, if required, Host Software or Font Programs in an EFI Product which contains an earlier version of such Revised Object and/or Host Software or Font Programs for the purpose of enhancing or extending (beyond bug fixes and patches) such EFI Product or (B) an upgrade of the EFI software in an EFI Product or (C) the addition of EFI software to an EFI Product.

**1.35 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. Subsidiaries of EFI may become parties to this Agreement by agreeing in writing to be bound by the terms and conditions hereof (such writing to be made available to Adobe upon request) and provided that EFI agrees to be responsible for and a guarantor of the obligations, acts and omissions of such Subsidiaries pursuant to this Agreement.

**1.36 Trademarks** mean collectively the Adobe Trademarks and Typeface Trademarks. “Adobe Trademarks” means (a) the trademarks “Adobe<sup>®</sup>,” “PostScript<sup>®</sup>” and “PostScript<sup>®</sup> 3™,” (b) the respective stylistic marks and distinctive logotypes for such trademarks, and (c) other marks and logotypes as Adobe may make available to EFI pursuant to an amendment to this Agreement. “Typeface Trademarks” means the trademarks, if any, used by Adobe to identify the Typefaces.

**1.37 Typeface** means a human readable set of glyphs as may be specified by Adobe. 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.

**1.38 Update** means updated versions of a Reference Port, in source code and/or object code form, as determined by Adobe, which includes all changes, alterations, corrections and enhancements to such Reference Port which Adobe makes generally available to Adobe OEM licensees receiving maintenance (as described in **EXHIBIT G** (“*Maintenance*”)) for that particular Reference Port.

## 2. SCOPE OF EFI’S LICENSES.

**2.1 Licenses to Adobe Deliverables.** Licensing terms for all Adobe Deliverables provided hereunder by Adobe to EFI are as set forth in **EXHIBIT A** (“*Licensing Categories and Terms*”). The determination of which licensing category a particular Adobe Deliverable is placed into shall be determined by Adobe. Licensing categories shall be indicated on the Adobe Deliverable Appendix or otherwise made known to EFI by Adobe prior to delivery to EFI of Adobe Deliverables.

**2.2 End User Agreement.** EFI will take all commercially reasonable steps to protect Adobe’s proprietary rights in the Adobe Deliverables. EFI will ensure that each copy of the Distributable Software distributed by EFI to an End User, directly or through EFI’s Remarketer Customers, will be accompanied by a copy of EFI’s or Remarketer Customer’s software license agreement applicable to such software (the “*End User Agreement*”). EFI’s End User Agreements will include, and EFI will require its Remarketer Customers to include in their End User Agreements, terms and conditions that will protect Adobe’s rights in the Distributable Software. Adobe acknowledges that the EFI End User License Agreement attached hereto as **EXHIBIT H** (“*EFI End User Agreement*”) adequately protects Adobe’s rights. EFI agrees that it will implement use of such approved EFI End User Agreement in each of its products containing Distributable Software as soon as it is commercially reasonable to do so, but not later than such time as EFI releases a new version (which for these purposes shall include dot releases) of an EFI Product containing Distributable Software (unless it is not commercially feasible to do so). EFI will not change the approved EFI End User Agreement that accompanies the Distributable Software in a manner that would lessen the protections afforded the Distributable Software to more than a marginal degree or use a different End User Agreement without the written consent of Adobe. In the event EFI would like to make changes to the EFI End User Agreement that would lessen the protections afforded the Distributable Software to more than a marginal degree, EFI shall provide Adobe with written notice of such proposed changes. If Adobe does not reject the proposed changes in the EFI End User Agreement and propose alternative language within 30 days of receipt, such proposed changes

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will be deemed accepted by Adobe. EFI will use reasonable commercial efforts to ensure that its Remarketer Customers include substantially similar protections for the Distributable Software in their End Users Agreements and otherwise comply with the foregoing obligations. The End User Agreement must be presented to the End User such that upon acceptance of the End User Agreement in the contemplated manner, it is legally enforceable against the End User in the jurisdiction in which the End User is located under the prevailing law of such jurisdiction. Potential methods of presentment to the End User could be (a) a written agreement signed by the End User, or (b) a written agreement in the package containing the Distributable Software, that is visible to the End User that the End User accepts by some action by the End User such as opening the package, or (c) an agreement in electronic form that the End User is presented prior to use of the software and accepts by using the software or clicking a button, provided that EFI determines in each instance that such methods are deemed in the relevant jurisdiction to create a legally enforceable obligation. EFI acknowledges that Host Software is normally supplied by Adobe with an accompanying End User license from Adobe or Adobe's suppliers. EFI agrees to retain and to require its Remarketer Customers to retain the End User license with the applicable Host Software distributed hereunder. If any such Host Software does not already include an End User license, EFI shall include or require its Remarketer Customer to include, its own End User Agreement that complies with the requirements set forth in this Section for the licensing of Distributable Software. Remarketer Customers shall include in such End User Agreement a provision stating that in case of conflict the terms of any individual End User license for Host Software shall prevail over the terms of the End User Agreement.

**2.3 Protection Mechanisms.** EFI shall employ copy protection, serialization, encryption or any other protection mechanism as reasonably specified in writing by Adobe to restrict or monitor unauthorized use of Distributable Software. Adobe will only specify protection mechanisms that are commonly used in the software industry. The protection mechanism for Font Programs for Japanese, Korean and Chinese Typefaces will be provided to EFI by Adobe or other third parties and may include encryption as well as Copy Protection. "Copy Protection" shall mean a mechanism that ensures that the applicable EFI Product will implement a unique read-only PostScript Language LicenseID parameter keyed to each font configuration. When Adobe or its supplier supplies the protection mechanism, EFI will use all reasonable means to ensure that such protection mechanism is not removed, subverted or disabled. If Adobe reasonably believes that there is unlicensed use of the Distributable Software caused by a violation of the protection mechanism, EFI will resolve the protection problem within 60 days of detailed notification. If the End User Product is located in a network environment with Distributable Software located on a server, EFI will employ a protection mechanism that permits the End User access to Distributable Software only if such use is permitted by a license from EFI or its Remarketer Customers.

**2.4 Replacement of Defective Product.** EFI shall have the right to distribute royalty-free copies of Replacement Software either directly or through its Remarketer Customers or Authorized Third Parties, solely for the purpose of replacing defective EFI Product. EFI will use commercially reasonable efforts to ensure that such Replacement Software is used solely for the purpose of servicing defective EFI Product and that all such replaced copies of the Distributable Software are not reused. Replacement Software supplied for the purpose of servicing a defective EFI Product shall be on a "like-for-like" basis. Other than for replacement of defective EFI product, EFI acknowledges that it has no right to grant to its Remarketer Customers or to Authorized Third Parties the right to reproduce the Distributable Software contained in the Replacement Software. All distribution of Replacement Software by EFI shall be royalty-free and EFI shall account for each shipment of Replacement Software in the reports submitted under Section 8.7 ("*Reporting*").

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**2.5 Clone Products.** EFI agrees that it will not in any way use Adobe Deliverables, including any test files, in the development or testing of Clone Products nor will it distribute Adobe Deliverables in conjunction with Clone Products. Any prohibition contained in this Agreement applicable to Clone Product development and distribution shall apply equally to raster-output devices, display or screen output devices, or any other peripheral devices.

**2.6 Adobe Licensors.** Worldwide license rights granted herein by Adobe to the Adobe Deliverables except for the Other Technologies (as defined below) shall be deemed granted by Adobe Systems. License rights granted herein to the Other Technologies by Adobe (a) in the United States, Canada and Mexico shall be deemed granted by Adobe Systems, and (b) outside of the United States, Canada and Mexico shall be deemed granted by Adobe Ireland. Other Technologies shall be deemed to consist of PDF Libraries, PDF Trapping Library, Normalizer and JDF SDK.

**2.7 Evaluation Units.** An “*Evaluation Unit*” means a Roman Version of an EFI Product, that includes (i) a time-bomb or other similar routine or mechanism designed to disable use of such Evaluation Unit after a trial period of reasonable length (not to exceed one year), or (ii) a prominent watermark placed on every page of output generated by the Evaluation Unit. EFI agrees that it will not, and will use commercially reasonable efforts to ensure that recipients of the Evaluation Units will not, circumvent, override, or otherwise extend or bypass the applicable restrictions included in such Evaluation Units.

**2.7.1** So long as the Adobe is the licensor of the Roman fonts to EFI, EFI shall pay Adobe the sum of [\*] per year for the right to distribute, either directly or through Remarketer Customers up to [\*]

**2.7.2** EFI agrees that it will pay Adobe the applicable fees in accordance with Section 8 (“*Payments*”) of the Agreement for all Evaluation Units that have been converted from trial to commercial use. An “*Evaluation Unit*” becomes a commercial use unit for which EFI shall pay Adobe the royalties specified in the Agreement when the conditions set forth in Section 8.9 have been satisfied. Upon incurring an obligation to pay Adobe such royalties, the applicable Evaluation Unit shall be converted to a fully functioning End User Product on which the restriction permitting use for evaluation purposes only shall no longer apply. EFI shall maintain adequate records on the number of Evaluation Units shipped and number converted to commercial use and will provide such information to Adobe as part of the quarterly reporting required by Section 8.7 (“*Reporting*”). Such records may also be inspected as part of any audit conducted by Adobe pursuant to this Agreement.

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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**2.7.3** With respect to each Evaluation Unit, except as otherwise permitted herein, EFI shall comply with, and shall require its Remarketer Customers to comply with, all applicable terms and conditions of the Agreement. Unless Evaluation Units are converted to a commercial unit, Evaluation Units are provided AS IS, without any warranty, express or implied. Adobe will have no liability to EFI for any alleged or actual patent, copyright, trade secrets, and any other intellectual property or proprietary rights infringement or misappropriation claim, suit, or action arising from or related to the Evaluation Units. Adobe will have no obligation to provide any support, maintenance, or any other services for the Evaluation Units, but shall provide, upon payment of applicable fees, support, maintenance, or any other services as provided for in this Agreement, if and when, such units are converted to commercial use.

**2.7.4** EFI shall ensure that any Evaluation Unit that is not converted into a commercial version of an End User Product is returned to EFI or Remarketer Customer promptly after the trial period has expired or is made inoperable.

**2.8 Quality Assurance Copies.** EFI shall be permitted to internally use [\*] copies of each of the Adobe application products for each [\*] and for each [\*] in which such products have been developed strictly for the purpose of quality control testing with EFI products, such Adobe application products to be determined by Adobe in its reasonable discretion. For Adobe Acrobat, Adobe will provide [\*] copies. Additional copies may be requested from the Adobe account manager.

**2.9 Remarketer Customers.** This Agreement allows EFI to sublicense certain rights that EFI possesses hereunder to EFI's Remarketer Customers. Such sublicenses shall be consistent with the terms and conditions of this Agreement.

### **3. MODIFICATIONS TO ADOBE DELIVERABLES.**

**3.1 Modifications by Adobe.** EFI may request modifications to Adobe Deliverables in writing describing the modifications EFI wishes Adobe to make and the reasons why the modifications are needed. Adobe and EFI will discuss proposed business terms of this custom development, including, without limitation, the scope of work, technical specifications, ownership and licensing rights, milestone schedule and pricing, but Adobe in its sole discretion may accept or deny such a request. Any custom development work performed by Adobe for EFI shall be pursuant to a separate written agreement between the parties.

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**3.2 Modifications by EFI.** EFI may make modifications to any of the Adobe Deliverables that are provided to EFI in source code form, except for Core Source, to which no modifications may be made. Ownership of such modifications shall vest in EFI, subject to Adobe's ownership rights in the Adobe Deliverables. Both parties agree to execute the assignments or other documents and take reasonable actions requested by the other party to evidence the foregoing ownership rights. If EFI requests that Adobe assist in any troubleshooting that involves modifications to Adobe Deliverables made by EFI, EFI grants such rights (including the right to copy and internally distribute) to Adobe as are reasonably necessary for Adobe to provide such assistance and solely for the purpose of troubleshooting the EFI modifications and for no other use.

#### **4. ADOBE DELIVERABLES AND ACCEPTANCE.**

**4.1 Adobe Deliverables.** Adobe Deliverables Appendix No. 1, attached as **EXHIBIT F** (*Adobe Deliverables Appendix No. 1*), covers the prior Adobe Deliverables provided to EFI, including the PostScript Software supplied to EFI on a Reference Port basis. For any future Adobe Deliverables provided to EFI, Adobe will provide such deliverables by the following method:

4.1.1 Upon the request of EFI for a particular Adobe Deliverable that EFI is entitled to hereunder, Adobe will prepare an Adobe Deliverables Appendix and present it to EFI for signature. Upon receipt of a copy of the Adobe Deliverables Appendix signed by EFI, Adobe will provide the Adobe Deliverable to EFI either by (a) providing the Adobe Deliverable on a tangible medium, such as a CD, or (b) making the Adobe Deliverable available to EFI electronically through the Download Site. Notwithstanding the foregoing, an Adobe Deliverables Appendix will not be required if the Adobe Deliverable being requested is a patch, Update or release provided pursuant to Adobe's Maintenance obligations.

4.1.2 For Adobe Deliverables that are supplied to EFI in electronic form, specified individuals at EFI who are Authorized Employees or Authorized Contractors (as defined in **EXHIBIT K-1** (*"Secure Procedures for Handling Adobe Support Information"*)) may access the Download Site where the deliverables are available for download. Such individuals will be provided a password that may not be used by any person other than the one to which it was issued.

4.1.3 By its downloading or acceptance of delivery of the Adobe Deliverables, EFI agrees that its use of such Adobe Deliverables shall be governed by the terms of this Agreement and the additional terms, if any, set forth on the Adobe Deliverables Appendix.

**4.2 Acceptance.** EFI shall be deemed to have accepted the Adobe Deliverables upon receipt thereof. EFI's recourse, if any, for any errors in the Adobe Deliverables shall be as set forth in Section 9 (*"Performance Warranty"*).

**4.3 Maintenance.** For each Reference Port and associated Adobe Deliverables supplied to EFI hereunder or other Adobe Deliverables for which Adobe provides Maintenance (as indicated on the Adobe Deliverables Appendix, which may not include all Adobe Deliverables), Adobe shall provide the Maintenance described in **EXHIBIT G** (*"Maintenance"*), for which EFI shall pay an annual Maintenance fee, if required in accordance

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with Section 8.1 (“*License and Maintenance Fees*”). Notwithstanding anything to the contrary on a Deliverables Appendix, Maintenance will always be provided for the standard versions of a Reference Port if applicable fees are paid. No Maintenance fees will be due if Adobe chooses to discontinue providing Maintenance for any such Reference Port or if EFI is no longer using the Reference Port, provided that pre-paid Maintenance fees will not be refunded. Unless otherwise agreed to in writing, Adobe shall have no obligation to provide Maintenance for any “Customized Versions” of the PostScript Software. A “Customized Version” of the PostScript Software is one that includes any changes made by EFI or by Adobe on behalf of EFI to the standard Reference Port (i.e., the version of the Reference Port that Adobe generally makes available to its OEM customers). The foregoing shall not be deemed to relieve Adobe of its obligation to provide Maintenance for the Reference Port from which a Customized Version was developed.

## 5. DEVELOPMENT, TESTING, CERTIFICATION AND UPDATING OF EFI PRODUCTS.

**5.1 EFI Development Responsibilities.** EFI shall be responsible for (a) creating modifications to the Adobe Support Information to the extent permitted herein to create Revised Object fully adapted for use as part of an EFI Product and suitable for distribution to End Users as part of an End User Product, and (b) promptly updating the Revised Object with any Updates or Error corrections it receives pursuant to **EXHIBIT G** (“*Maintenance*”). With the written consent of Adobe, EFI may elect not to update any Revised Object for an EFI Product that is undergoing development at the time of delivery of an Update. Adobe’s sole responsibility in connection with the above shall be to provide the Maintenance described in **EXHIBIT G** (“*Maintenance*”) and as paid for by EFI if such payment is required.

**5.2 Testing and Certification of Revised Object and Proposed Designated Output Devices.** EFI will test each End User Product using the Adobe Certification Test Suite and provide the test results to Adobe. EFI must obtain certification from Adobe for each End User Product (including any previously certified End User Product where the Revised Object is subsequently modified by EFI) in accordance with the procedures in **EXHIBIT J** (“*EFI Product Test Procedures*”). EFI shall not begin Commercial Shipment of any EFI Product prior to certification by Adobe of such EFI Product. Adobe will provide EFI ten copies (per platform and per applicable language) of each of the Adobe software applications needed for testing purposes free of charge. EFI shall not use such software for anything other than testing.

**5.3 Loaned Equipment.** In the event of a reasonable need for independent certification testing by Adobe, EFI shall loan Adobe all reasonably necessary equipment as requested by Adobe for this sole purpose. All equipment loaned by EFI to Adobe shall remain the property of EFI, shall be fully insured by Adobe, and shall be returned to EFI at its request after termination of Adobe’s testing activities hereunder. EFI shall pay all reasonable shipping and other costs (including, without limitation, custom fees and duties, if any) resulting from delivery of such loaned equipment to Adobe at its facilities in the San Francisco Bay Area (including San Jose). Any loaned equipment shall be returned to EFI by Adobe, shipping, insurance and any other applicable costs prepaid by EFI. EFI shall select the delivery method and carrier. While in the possession of Adobe, the loaned equipment shall be maintained by EFI in good working order. Adobe is responsible for and liable to EFI for damage to the equipment other than normal wear and tear.

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**5.4 Updating of EFI Products.** EFI shall use commercially reasonable efforts to have the initial release of each EFI Product contain the then current version made available to EFI of the Distributable Software that is included with such EFI Product. For subsequent versions of EFI Products and in accordance with EFI's normal release schedules, EFI, on the initial release date of such subsequent version, will include the most current version made available to EFI of the Distributable Software provided that such Distributable Software can be integrated with the EFI Product with minimal engineering effort on the part of EFI. Upon the request of EFI's customers or in accordance with its normal release schedules, EFI will also send out patch updates to its customers with newly released Distributable Software provided that such Distributable Software can be integrated with the EFI Product with minimal engineering effort on the part of EFI.

**6. PROPRIETARY RIGHTS AND LEGENDS.** EFI acknowledges Adobe's representation that 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 Deliverables. 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 Deliverables. EFI agrees that it will not exceed the scope of the licenses granted herein, including the limitation imposed on EFI with respect to its right to modify the Adobe Support Information. EFI agrees to protect the Adobe Support Information in accordance with EXHIBIT K-1 ("Secure Procedures for Handling Adobe Support Information"). In addition, EFI agrees that it shall permit the handling, use and storage of Core Source only by its Authorized Employees (as defined in EXHIBIT K-2 ("Additional Secure Procedures for Handling Adobe Core Source")) and only at a Primary Development Site and it shall protect such Adobe Core Source in accordance with EXHIBIT K-2 ("Additional Secure Procedures for Handling Adobe Core Source") of this Agreement.

**6.1 Proprietary Notices.** EFI agrees that each copy of an EFI Product that contains Adobe Deliverables shall contain the same proprietary notices of Adobe and its suppliers that appear on or in such Adobe Deliverables as provided by Adobe to EFI and as otherwise reasonably required by Adobe. More specifically, EFI agrees that a valid Adobe copyright notice (and/or a supplier copyright notice as specified by Adobe) for the Revised Object, Font Programs and Host Software will be replicated on the applicable media in the following format or such other format as Adobe specifies by written notice to EFI:

- (a) the name of the program,
- (b) the word "Copyright" and the circled-c symbol <sup>©</sup>,
- (c) the date of first publication of the Adobe-supplied software, and
- (d) the name of the copyright owner and the words "All Rights Reserved".

**6.2 U.S. Government End Users.** When distributing an EFI Product to a U.S. Government End User, EFI shall identify or require its Remarketer Customer to identify the

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Revised Object, Font Programs, Host Software and related documentation in the EFI Product as a “commercial item,” as that term is defined at 48 C.F.R. 2.101, and more specifically shall be identified as “commercial computer software” and “commercial computer software documentation,” as such terms are used in 48 C.F.R. 12.212. Consistent with 48 C.F.R. 12.212 and 48 C.F.R. 227.7202–1 through 227.7202–4, EFI or Remarketer Customer (as applicable) will provide the Revised Object, Font Programs, Host Software and related documentation to U.S. Government End Users (a) only as a commercial end user item and (b) with only those rights as are granted to all other End Users pursuant to the terms and conditions herein and the terms and conditions set forth in Adobe’s standard end–user license agreement.

**6.3 Foreign Government Agreements.** EFI will take or require its Remarketer Customers to take all commercially reasonable steps in making proposals and agreements with foreign governments other than the United States which involve the Distributable Software and related documentation to ensure that Adobe’s proprietary rights in such Distributable Software and related documentation receive the maximum protection available from such foreign government for commercial computer software and related documentation developed at private expense.

**6.4 Residuals Clause.** In the course of this Agreement either party may be exposed to intellectual property belonging to the other party (“IP”). Ideas, concepts and know–how contained in a party’s IP that are retained in the unaided memories of employees of the other party may be used by such other party for its own business purposes, provided that such employees do not deliberately seek to remember the information. The foregoing is not intended to (a) grant a copyright or patent license to a party for the other party’s IP, (b) grant a license to a party to recreate any of the other party’s IP or significant portions, features or elements thereof, (c) supersede any obligations of confidentiality contained herein, or (d) relieve EFI of any obligations with respect to the handling of Adobe Support Information or Adobe Core Source, as set forth in Exhibits K–1 and K–2, respectively.

## 7. MARKETING OF EFI PRODUCTS; [\*].

**7.1** [\*] Adobe and EFI agree to work together to [\*] Adobe will make reasonable efforts to [\*] where the Adobe print business [\*]. Likewise, EFI will make reasonable efforts to [\*] where EFI is [\*] Notwithstanding the foregoing, neither party shall be in breach of this Section 7.1 if it decides in good faith and for valid business reasons that it cannot [\*].

**7.2 EFI’s Use of Adobe Trademarks in Press Releases and other Publications.** EFI agrees to comply with the requirements set forth in **EXHIBIT I** (“Use of Adobe Trademarks”) when referencing Adobe Deliverables as part of an EFI Product in any press release or any other publication.

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**7.3 Review of Press Releases.** Each party will provide the other a reasonable opportunity to review any press releases or announcements that reference the other party or its products before such releases or announcements are made and will make such reasonable changes as the referenced party may request.

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**7.4 Marketing of Clone Products.** EFI agrees that it will not market any Clone Products in a fashion likely to cause consumer confusion as to the source or Adobe's sponsorship or approval of such products.

**7.5 Adobe Trademarks and Attribution in EFI Products.** EFI shall include on the packaging of EFI Products a phrase substantially similar to "This product contains Adobe Technology" and may include an Adobe logo or an Adobe Trademark. The choice and location, so long as consistent with Adobe's Trademark Usage Guidelines, of the attribution is in the sole discretion of EFI. This obligation does not in any way relieve EFI of any other trademark attribution requirements or the proper and prescribed use of Adobe trademarks or service marks. If EFI notifies Adobe that it is impractical to comply with this Section 7.5 in a particular circumstance and requests that Adobe waive such compliance, Adobe will consider the request in good faith.

**7.6** [\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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## 8. PAYMENTS.

8.1 [\*]

8.2 [\*]

8.3 [\*]

8.4 [\*]

**8.5 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, 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 Deliverables from any such tax liability, EFI will promptly furnish it to Adobe. All withholding tax certificates, documents, application forms, etc., should be forwarded to the following address, or such other address as provided by Adobe: Adobe Systems Incorporated, Attention: Tax Department, 345 Park Avenue, San Jose, California, 95110-2704.

**8.6 Payment of Royalties.** All royalties due Adobe from EFI hereunder shall be paid in U.S. Dollars within forty-five (45) days after the end of each calendar quarter. Payment shall be by wire transfer directly to:

[\*]

EFI shall notify Adobe within twenty-four (24) hours of instructing a bank to make a wire transfer to Adobe for payments due hereunder and provide Adobe with receipts issued by the bank to verify that payment by wire transfer has occurred.

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Any undisputed amounts not paid when due hereunder shall bear interest at a rate which is the lesser of the "Applicable Rate" divided by 12 or the maximum rate allowable under applicable law, until the overdue amount, plus applicable interest is paid in full. The Applicable Rate is the prime interest rate published by the Bank of America, N.A. plus two percentage points.

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**8.7 Reporting.** Within [\*]days after [\*], EFI will provide a detailed report to Adobe in substantially the form set forth in [\*] (“*Royalty Report Format*”) and which contains sufficient [\*] to allow Adobe to independently calculate the royalties due Adobe. The report shall include a legible summary broken out by [\*] EFI shall ensure that its confidentiality or non-disclosure agreements with its customers do not contain any clauses that would prohibit EFI from disclosing to Adobe any [\*] received by EFI from such customers. The Royalty Reports shall be sent to the following address, or such other address as provided by Adobe: Adobe Systems Incorporated, Attention: Kelly Denevan, M/S W13, 345 Park Avenue, San Jose, California, 95110-2704, or may be sent by email to [kdenevan@adobe.com](mailto:kdenevan@adobe.com).

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**8.8 Right of Audit.** EFI shall maintain a complete, clear, accurate record of: (a) the number, Product Segment and type and/or model name of EFI Products and End User Products, Gross Receipts earned and royalties due Adobe for each Product Segment during a calendar quarter, (b) the number of copies of Host Software distributed by EFI during the quarter, (c) the number of Font Programs by Typeface distributed by EFI during the quarter and (d) any other information required to determine whether EFI is paying the correct royalty amount hereunder,

including detailed information regarding the basis for any credits taken by EFI. Such records shall be maintained in a manner sufficient to enable Adobe to audit a period three (3) years back from the date of notice by Adobe of its intent to audit. Solely to ensure compliance with the terms of this Agreement, Adobe shall have the right to conduct an inspection and audit of all the relevant accounting and sales books and records of EFI during regular business hours at EFI's offices and in such a manner as not to interfere with EFI's normal business activities. An independent auditor, preferably from among KPMG, Deloitte & Touche, PriceWaterhouse Coopers or Ernst & Young, acceptable to both parties and paid by Adobe, will conduct the audit. The audit firm shall execute EFI's nondisclosure agreement and other reasonably requested forms with respect to use of EFI's confidential information. The auditor shall be required to agree to keep confidential from Adobe or any third party all Confidential Information of EFI learned during the course of the audit. Opinions and findings of the auditors concerning the royalties due Adobe shall not be kept confidential from Adobe. Prior to the disclosure of any documents (for example, product information and bills of materials) to Adobe, the auditor shall first seek EFI's prior approval to release specified document(s) and/or relevant information within a document(s); such approval shall not be unreasonably withheld. In no event shall audits be made more frequently than once per year or of previously audited quarters. If such inspections should disclose any underreporting, EFI shall promptly pay Adobe such amounts, together with interest on past due amount at the Applicable Rate annually from the date on which such amount became due to Adobe from EFI. Furthermore, if the inspection discloses underreporting exceeding seven percent (7%), EFI shall pay the reasonable cost of the audit. In the event of a dispute relating to the audit inspection, the parties shall follow the process described in Section 15 (Resolution Procedures). Adobe's rights and EFI's obligations under this *Section 8.8* ("Right of Audit") shall survive termination of this Agreement for a period of two (2) years from the last day of the final period for which royalties are reported.

**8.9 When Royalties Earned.** The royalties due hereunder for EFI Products or any royalty-bearing component of an End User Product shall be earned by Adobe when EFI recognizes for GAAP accounting reporting purposes income derived from the sale or distribution of such EFI Product, whether prior to or following termination or expiration of this Agreement.

**8.10 Resolution of Disputes Concerning Royalty [\*].** In good faith EFI will assign each EFI Product to the applicable Product Segment each quarter. [\*]. EFI shall respond to Adobe's written request within 10 business days, absent a mutually agreed extension, and provide Adobe with any requested additional sales information. Adobe will then have 10 business days, absent a mutually agreed extension, to make an independent determination as to [\*] such sales. If Adobe disagrees with such determination by EFI, Adobe will inform EFI in writing within the 10 business days, absent a mutually agreed extension, that it continues to disagree with [\*]. EFI and Adobe will attempt in good faith to agree on [\*] of such sales and the parties' representatives will meet in person to discuss the [\*] within 10 business days of Adobe's notice of disagreement, absent a mutually agreed extension. If the initial meeting does not produce an agreement, then the procedure shall escalate as follows. Within 5 business days, EFI and Adobe's representatives shall prepare letters setting forth their respective positions, of no longer than 3 pages, and such letters shall be exchanged between the CFOs of both companies. Within 5 business days of the exchange, the CFOs shall then meet in person to resolve the [\*]. The parties will be guided by how the EFI Products at issue are perceived by the applicable industry and End User community. If either party fails to comply with the procedures as outlined above, the dispute shall be decided in favor of the other party, if in compliance.

\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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**8.11 EFI's Continuing Obligation to Pay Royalties.** EFI acknowledges that the grant of the right to use Remarketer Customers to distribute Adobe Deliverables as part of an End User Product or Software Upgrades or as Replacement Software does not in any way affect EFI's obligation to account for and pay all royalties, if any, for such Adobe Deliverables distributed by such Remarketer Customers.

## **9. PERFORMANCE WARRANTY.**

**9.1 Software Warranties.** Adobe warrants that for a period of ninety (90) days from EFI's acceptance of PostScript Software pursuant to Section 4.2 ("Acceptance"), the PostScript Software will execute substantially in accordance with the PostScript Language Specification using the development environment specified by Adobe. Unless specified in writing by Adobe, all other Adobe Deliverables are provided without warranty of any kind and strictly "AS IS." For those Adobe Deliverables that Adobe expressly indicates in writing as having a warranty (the "Warrantable Adobe Deliverables"), Adobe warrants that such deliverables will execute substantially in accordance with the functional specifications for such deliverables, as specified in the applicable Adobe Deliverables Appendix or other written document provided to EFI, for a period of ninety (90) days from EFI's acceptance of such component pursuant to Section 4.2 ("Acceptance"). Each such ninety (90) day period is referred to as a "Warranty Period." If, during the applicable Warranty Period, EFI reports to Adobe a failure of such PostScript Software or Warrantable Adobe Deliverables to conform to the foregoing warranty 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 PostScript Software or Warrantable Adobe Deliverables in a timely manner to correct such failure. EFI acknowledges that the Warranty Period for any PostScript Software or other Adobe technology, software or documentation delivered to EFI under the Adobe Deliverables Appendix No. 1 has expired.

**9.2 Limitations on Warranties.** EFI acknowledges that the Adobe Support Information provided by Adobe to EFI hereunder will require adaptation by EFI for use in EFI Products based on hardware and operating systems which differ from the development environment specified by Adobe. THE WARRANTIES SET FORTH IN SECTION 9.1 ("SOFTWARE WARRANTIES") STATE ADOBE'S SOLE AND EXCLUSIVE WARRANTY TO EFI CONCERNING THE ADOBE DELIVERABLES AND EFI'S SOLE AND EXCLUSIVE REMEDY FOR BREACH OF WARRANTY. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 9.1 ("SOFTWARE WARRANTIES"), ADOBE MAKES NO ADDITIONAL WARRANTIES, EXPRESS, IMPLIED, ARISING FROM COURSE OF DEALING OR USAGE OF TRADE, OR STATUTORY, AS TO THE ADOBE DELIVERABLES OR ANY MATTER WHATSOEVER. IN PARTICULAR, ANY AND ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT ARE EXPRESSLY EXCLUDED. EFI SHALL NOT HAVE THE RIGHT TO MAKE OR PASS ON, AND SHALL TAKE ALL MEASURES NECESSARY TO ENSURE THAT NEITHER IT NOR ANY OF ITS AGENTS, REMARKETER CUSTOMERS OR EMPLOYEES SHALL MAKE OR PASS ON, ANY EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION ON BEHALF OF ADOBE OR ITS THIRD PARTY SUPPLIERS TO ANY REMARKETER CUSTOMER, END USER, OR THIRD PARTY.

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**10. EFI SUPPORT OF END USERS.** EFI or its Remarketer Customers will have the sole responsibility for supporting End Users and for providing End Users with reasonable End User Documentation, warranty service, and telephone support for the use of EFI Products and End User Products consistent with good industry practice.

**11. PROPRIETARY RIGHTS INDEMNITY.**

**11.1 By Adobe.**

**11.1.1 Adobe Deliverables.** Subject to the limitations set forth below and compliance with Section 11.3 (“*Conditions and Limitations on Indemnity*”), Adobe will indemnify and defend EFI from any lawsuit filed by a third party (an “Infringement Claim,” which shall also be deemed to include for the purposes of Section 11.2 claims made against Adobe by third parties) in which it is claimed that the uses permitted hereunder of the Adobe Deliverables infringe any patent, copyright, or trademark in the countries listed in EXHIBIT P (the “*Permitted Countries List*”), [\*]. Adobe shall pay all claims, demands, damages, liabilities, fines and penalties assessed or awarded against EFI by a court in connection with such Infringement Claim after a final nonappealable judgment has been granted by the court to third parties against EFI strictly attributable to the alleged infringement by the Adobe Deliverables. Adobe shall pay the amount agreed to in settlement, but Adobe shall not be responsible for any compromise or settlement made without Adobe’s written consent. Adobe’s maximum liability to EFI under this Section 11.1.1 (cumulating amounts paid in defending and settling all claims) shall be [\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**11.1.2 Other Remedies.** Without limiting Adobe’s obligations under Section 11.1.1 (“Adobe Deliverables”), in the event any Infringement Claim is made by a third party or, in Adobe’s sole judgment, is likely to be made, Adobe may, at its discretion, either (a) procure for EFI the right to continue to use the Adobe Deliverables, as such use is specifically provided for in this Agreement, (b) replace, in whole or in part, such portions of the Adobe Deliverables that are or are likely to be the subject of such Infringement Claim with substantially comparable non-infringing code, (c) modify the Adobe Deliverables to avoid infringement. The parties shall consult with each other in good faith to consider the relative burdens to each party in selecting one of the options set forth in subsection (a) through (c) above.

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**11.1.3 Exclusive Remedy.** THE RIGHTS GRANTED TO EFI UNDER SECTION 11.1 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 OR INTELLECTUAL PROPERTY RIGHT BY ANY OF THE ADOBE DELIVERABLES. ADOBE WILL HAVE NO LIABILITY TO EFI FOR ANY INFRINGEMENT OR CLAIM OF INFRINGEMENT TO THE EXTENT THE INFRINGEMENT OR CLAIM OF INFRINGEMENT RESULTS FROM (A) MODIFICATION OF THE ADOBE DELIVERABLES BY EFI OR ANY THIRD PARTY, (B) USE OF THE ADOBE DELIVERABLES IN CONNECTION OR IN COMBINATION WITH EQUIPMENT, DEVICES, OR SOFTWARE NOT CERTIFIED BY ADOBE, (C) USE OF ANY ADOBE DELIVERABLES OTHER THAN AS PERMITTED OR IN A MANNER NOT INTENDED UNDER THIS AGREEMENT OR (D) USE OF OTHER THAN THE MOST CURRENT RELEASE OF THE ADOBE DELIVERABLES AT THE TIME OF INFRINGEMENT (IF SUCH CLAIM WOULD HAVE BEEN PREVENTED BY THE USE OF SUCH RELEASE). The foregoing subsection (D) shall not affect claims made against EFI alleging infringing use of the Adobe Deliverables in EFI Products and End User Products distributed prior to the date Adobe made available such current release to EFI.

## 11.2 By EFI

**11.2.1 EFI Product.** Except for claims alleging infringement by the Adobe Deliverables and subject to the limitations set forth below and compliance with Section 11.3 ("*Conditions and Limitations on Indemnity*"), EFI agrees to indemnify and defend Adobe from any lawsuit filed by a third party in which it is claimed that the use, manufacture, and distribution of EFI Products and End User Products by EFI or its Remarketer Customers infringes or violates any (a) patent, copyright or trademark in the countries listed in EXHIBIT P (the "*Permitted Countries List*"), or (b) license between Adobe and its licensors for intellectual property sublicensed to EFI hereunder. EFI shall pay all claims, demands, damages, liabilities, fines and penalties assessed or awarded against Adobe by a court in connection with such Infringement Claim after a final nonappealable judgment has been granted by the court to third parties against Adobe that is strictly attributable to the alleged infringement by the EFI Products or End User Products or breach of the license between Adobe and its licensors for intellectual property sublicensed to EFI hereunder. EFI shall pay the amount agreed to in settlement, but EFI shall not be responsible for any compromise or settlement made without EFI's consent. EFI's maximum liability to Adobe under Section 11.2.1 (cumulating amounts paid in defending and settling all claims) shall be [\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**11.2.2 Exclusive Remedy.** THE RIGHTS GRANTED TO ADOBE UNDER THIS SECTION 11.2 SHALL BE ADOBE'S SOLE AND EXCLUSIVE REMEDY AND EFI'S SOLE OBLIGATION FOR ANY ALLEGED INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER PROPRIETARY OR INTELLECTUAL PROPERTY.

**11.3 Conditions and Limitations on Indemnity.** To qualify for the indemnification, defense and payment set forth in this Section 11, the indemnified party must (a) give the indemnifying party prompt written notice of any such claim within the earlier of (i) fifteen (15) days after a director-level representative of the indemnified party or attorney in the indemnified party's legal department first learns of any such Infringement Claim or (ii) ten (10) days after the serving on the indemnified party of a complaint for an Infringement Claim, (b)

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tender to the indemnifying party the defense or settlement of the Infringement Claim, and (c) cooperate with indemnifying party, at the indemnifying party's expense, in defending or settling such Infringement Claim. Without the written consent of the other party, neither party shall admit to any fault or liability on the part of such other party in connection with an Infringement Claim.

## 12. TERM AND TERMINATION

**12.1 Term.** The initial term of this Agreement ("Initial Term") is for five (5) years from the Effective Date. The Agreement may be terminated at any time for cause (as provided for in Section 12.2 below) or by the mutual written consent of the Parties. This Agreement will renew automatically at the conclusion of the Initial Term and each one year anniversary thereafter for additional one year periods, unless either party gives written notice of its intent to terminate at least 180 days prior to an upcoming anniversary date. After the Initial Term, either party may terminate the Agreement for any or no cause upon 120 days written notice. Notwithstanding the provisions of this Section 12 ("*Term and Termination*"), the parties agree that this Agreement may not be terminated pursuant to this Section 12 ("*Term and Termination*") or under any other provision of this Agreement, under any circumstances, without first attempting to resolve the dispute, situation or circumstance giving rise to the possibility of such termination pursuant to Section 15 ("*Dispute Resolution*").

**12.2 Termination for Cause.** In the event of a material breach by either party, the non-breaching party shall give written notice in accordance with the notice provisions hereof of the circumstances it alleges constitutes the breach and the actions it requests of the purportedly breaching party in order to cure. Upon receipt of the written notice, the purportedly breaching party shall have thirty (30) days to cure the breach. A party may terminate the Agreement at the end of such thirty (30) day period if the breach remains uncured. EFI shall be deemed in breach of this Agreement in the event of a material breach by one of EFI's Remarketer Customers or sublicensees of any of the "Remarketer Obligations" imposed hereunder. A Remarketer Obligation is an obligation contained herein to which a Remarketer Customer is subject and which EFI has the responsibility to enforce. A breach of a Remarketer Obligation shall be considered cured if the Remarketer Customer cures the alleged breach, or EFI terminates the sublicense with its Remarketer Customer.

**12.3 Bankruptcy.** This Agreement shall immediately and automatically terminate, without judicial intervention, if either party is declared bankrupt or files for bankruptcy, files for moratorium on payments of its debts or seeks any other similar relief, or if a party shall go into liquidation (other than for a voluntary liquidation for the purposes of merger, reconstruction or amalgamation) or enters into a scheme or voluntary arrangement with its creditors or becomes subject to an administration order or examinership or has a Trustee in Bankruptcy, Receiver or Examiner appointed over any of its property and assets or undergoes any proceeding analogous to any of the foregoing events. A party so affected shall notify the other party immediately if one of the foregoing events occurs.

**12.4 Force Majeure.** This Agreement may be terminated by either party immediately upon notice if any force majeure event substantially affecting the other party's performance continues for ninety (90) days or more.

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**12.5 Obligations on Termination or Expiration.** Upon termination or expiration of this Agreement:

**12.5.1 Licenses Terminated.** The licenses granted pursuant to Section 2 (“*Scope of EFI’s Licenses*”), including those licenses whose terms are set forth in Exhibit A (“*Licensing Categories and Terms*”) shall terminate immediately.

**12.5.2 Safeguarding of Proprietary Rights.** After any termination or expiration hereof, EFI shall continue to be responsible for safeguarding the proprietary rights of Adobe and Adobe’s suppliers in accordance with this Agreement, including Section 6 (“*Proprietary Rights and Legends*”), **EXHIBIT K-1** (“*Secure Procedures for Handling Adobe Support Information*”), and, if applicable, **EXHIBIT K-2** (“*Additional Secure Procedures for Handling Adobe Core Source*”).

**12.5.3 Return or Destruction of Adobe Deliverables.** Except as otherwise provided in Section 12.5.4 (“*Continued Use by End Users*”), EFI will immediately discontinue use and distribution of, and return or destroy all copies of, Adobe Deliverables and other Adobe information or materials in its possession (including copies placed in any storage device under EFI’s control), except as set forth in Subsection 12.5.7 (“*Right To Sell Off Inventory*”). EFI shall warrant in writing to Adobe its return or destruction of all of Adobe’s proprietary information within thirty (30) days of termination or expiration.

**12.5.4 Continued Use by End Users.** End Users shall be permitted the continued and uninterrupted use of the Revised Object, Font Programs and Host Software 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.

**12.5.5 Support and Maintenance; No Right to Sublicense.** Notwithstanding the foregoing, EFI shall have the right to retain four copies of the Revised Object for five years after termination 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 exercise any other rights with respect to such software except as specifically set forth in this Section. EFI shall immediately notify its Remarketer Customers that their sublicense to distribute any products or services that contain Adobe Deliverables has been terminated.

**12.5.6 Termination of Remarketer Customer Agreement.** Upon termination of the Agreement, (i) EFI’s agreements with the Remarketer Customers shall terminate; (ii) Remarketer Customers’ rights to distribute the Distributable Software will terminate, but the Remarketer Customers’ sublicensees shall be permitted the uninterrupted use of the Adobe Deliverables for the balance of the term of their respective End User Agreement, provided that, and for so long as, they are not in default of such agreement; and (iii) Remarketer Customers’ rights upon default of the applicable End User Agreements shall be automatically assigned to Adobe.

**12.5.7 Right to Sell-Off Inventory.** In the event of termination or expiration of this Agreement other than pursuant to Section 12.2, EFI shall have six (6) months from the effective date of termination to distribute any inventory of EFI Products and Software

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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 Section 8 (“*Payments*”) and to observe all other terms and conditions imposed on EFI hereunder with respect to distribution of the Revised Object, Font Programs and Host Software. In the event of termination of the Agreement pursuant to Section 12.2, it shall be at Adobe’s sole discretion whether EFI may continue to distribute existing inventory and the terms, if any, pursuant to which such distribution may occur.

**12.5.8 Other Surviving Provisions.** Section 1 (“*Definitions*”), Section 6 (“*Proprietary Rights and Legends*”), Section 8 (“*Payments*”), Section 9 (“*Performance Warranty*”), Section 10 (“*EFI Support of End Users*”), Section 11 (“*Proprietary Rights Indemnity*”), Section 12 (“*Term and Termination*”), Section 13 (“*Limitation of Liability*”), Section 14 (“*General*”), Section 15 (“*Dispute Resolution*”), Section 16 (“*Subsidiaries and Contractors*”), Section 19 (“*Confidentiality*”), **EXHIBIT K-1** (“*Secure Procedures for Handling Adobe Support Information*”) and **EXHIBIT K-2** (“*Additional Secure Procedures for Handling Adobe Core Source*”) shall survive any expiration or termination of this Agreement.

### 13. LIMITATION OF LIABILITY

**13.1 Adobe.** OTHER THAN AS PROVIDED FOR IN SECTION 11 (“*PROPRIETARY RIGHTS INDEMNITY*”) WITH RESPECT TO THIRD PARTY CLAIMS, NEITHER ADOBE NOR ITS SUPPLIERS WILL BE LIABLE TO EFI OR ANY OTHER PARTY FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS OR ANY INDIRECT, SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND (INCLUDING LOST PROFITS) REGARDLESS OF THE FORM OF ACTION WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT PRODUCT LIABILITY OR OTHERWISE, EVEN IF ADOBE OR SUCH SUPPLIER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing limitation of liability is independent of any exclusive remedies for breach of warranty set forth in this Agreement.

**13.2 EFI.** OTHER THAN AS PROVIDED FOR IN SECTION 11 (“*PROPRIETARY RIGHTS INDEMNITY*”) WITH RESPECT TO THIRD PARTY CLAIMS OR IN THE EVENT OF A BREACH OF SECTION 2 (SCOPE OF EFI’S LICENSES) OR OTHER PROVISIONS INTENDED TO PROTECT ADOBE’S RIGHTS IN ITS INTELLECTUAL PROPERTY (INCLUDING, BUT NOT LIMITED TO THE PROVISIONS IN EXHIBIT K-1 (“*SECURE PROCEDURES FOR HANDLING ADOBE SUPPORT INFORMATION*”) AND EXHIBIT K-2 (“*ADDITIONAL SECURE PROCEDURES FOR HANDLING ADOBE CORE SOURCE*”), EFI WILL NOT BE LIABLE TO ADOBE OR ANY OTHER PARTY FOR ANY INCIDENTAL, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY BREACH OF THIS AGREEMENT WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT PRODUCT LIABILITY OR OTHERWISE, EVEN IF ADOBE OR SUCH SUPPLIER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

### 13.3 [\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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## 14. GENERAL

**14.1 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 performed within California between California residents. The parties agree that the (a) United Nations Convention on Contracts for the International Sale of Goods, (b) Uniform Commercial Code and/or its implementing and/or successor legislation and/or regulations; and/or (c) the Uniform Computer Information Transactions Act and/or its implementing and/or successor legislation and/or regulations, as applicable respectively, are specifically excluded from application to this Agreement.

**14.2 Forum, Attorneys Fees.** All disputes arising under this Agreement may only be brought in Superior Court of the State of California in San Francisco, Santa Clara or San Mateo County or the Federal District Court for the Northern District of California, as permitted by law. Adobe and EFI consent to the personal jurisdiction of the above courts. In addition to any other relief, the prevailing party in any action arising out of this Agreement shall be entitled to reasonable attorney's fees, expert witness fees, consultant fees, related litigation costs and expenses, costs and fees on appeal after a final nonappealable judgment has been entered by the court, as permitted by law and granted by the court.

**14.3 Notices.** All legal notices required under this Agreement shall be in writing and shall be delivered by personal delivery, facsimile transmission followed by a mailed copy, 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 by electronic transmission. Notices shall be sent to the signatories of this Agreement at the addresses set forth at the end of this Agreement or such other address as either party may specify in writing. If the legal notice is to Adobe, copies shall also be sent to the attention of Adobe's General Counsel and to the Adobe Account Manager (currently Kelly Denevan). If the notice is to EFI, a copy shall also be sent to the attention of EFI's General Counsel.

**14.4 Injunctive Relief.** The parties shall be entitled where appropriate under existing laws of contract as applied in matters concerning intellectual property or confidential information to seek timely injunctive relief to protect the parties' rights under this Agreement in addition to any and all remedies available at law.

**14.5 No Agency.** In performing this Agreement, each of the parties will operate as, and have the status of, an independent contractor. This Agreement does not create any agency, employment, partnership, joint venture, franchise or other similar, special or exclusive relationship between the parties. Neither party will have the right or authority to assume or create any obligations or to make any representations, warranties or commitments on behalf of the other party or its Subsidiaries, whether express or implied, or to bind the other party or its Subsidiaries in any respect whatsoever.

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**14.6 Force Majeure.** Neither party shall be liable hereunder by reason of any failure or delay in the performance of its obligations hereunder on account of strikes, shortages, riots, insurrection, fires, flood, storm, explosions, acts of God, war, acts of terrorism, whether actual or threatened, acts of a public enemy, epidemics, quarantines, or other causes similar to those enumerated, governmental action, labor conditions, earthquakes, material shortages or any other cause which is beyond the reasonable control of such party, *provided*, however, that the party so affected shall promptly notify the other party of the force majeure event and use reasonable commercial efforts to avoid or remove such causes of nonperformance, and shall continue performance hereunder with reasonable dispatch whenever such causes are removed.

**14.7 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.

**14.8 Severability.** In the event that any provision of this Agreement shall be unenforceable or invalid under any applicable law or decision, such unenforceability or invalidity shall not render the entire Agreement unenforceable or invalid. Instead such provision shall be changed and interpreted so as to best accomplish the objectives of such provision within the limits of applicable law or court decision.

**14.9 Headings.** The Section headings 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 Section or in any way affect this Agreement.

**14.10 No Patent License.** This Section, including subsection 14.10.1, shall survive termination or expiration of this Agreement. Notwithstanding any provisions to the contrary in the Immunity from Suit and Covenant Not to Sue ("*Immunity*") between the parties dated July 30, 1996, the Immunity shall not affect this Section.

**14.10.1 Adobe Patents.** As used herein, "Adobe Patent Right" means any right arising under any United States or foreign patent issued to, assigned to, owned by, or exclusively licensed by Adobe, now or in the future, applicable to the Adobe Deliverables. [\*]

**14.10.2** [\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**14.11 Assignment.** EFI may not assign this Agreement, nor may EFI assign, delegate or transfer any of its rights or obligations hereunder, including without limitation any assignment, delegation or transfer to EFI's affiliate or in connection with a change of control of EFI, without the prior written consent of Adobe, which shall not be unreasonably withheld. EFI acknowledges and agrees that any refusal by Adobe to consent to a whole or partial assignment, delegation or transfer of EFI's rights or obligations hereunder to a party that Adobe reasonably believes to be a competitor of Adobe's PostScript or PDF business shall be deemed reasonable. Any attempted assignment without Adobe's consent shall be void and of no effect and constitute a material breach of the Agreement. Adobe may freely assign this Agreement

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and any of its rights or obligations hereunder without the consent of EFI. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding on the successors and permitted assigns of the parties hereto. Each party agrees that if it assigns or transfers this Agreement, it shall cause such successor, assignee, or transferee to assume all of its obligations hereunder. The foregoing shall not be deemed to prevent either party from using contractors in performing its obligations hereunder, provided that such party assumes full responsibility for all acts and omissions of such contractors.

**14.13 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 Deliverables and products produced therefrom. EFI agrees that it will not export or re-export the Adobe Deliverables or products produced therefrom in any form, without the appropriate United States and foreign governmental licenses. EFI agrees that its obligations pursuant to this section shall survive and continue after any termination or expiration of rights under this Agreement.

**14.14 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. Each party further acknowledges that it has read this Agreement, understands it, sought proper legal counsel and agrees to be bound by it.

**14.15 Confidential Agreement.** Neither party will disclose the royalty provisions this Agreement without prior written consent of the other party. However, either party may disclose the Agreement to the extent required by the terms of the Agreement, by law, by a government agency, or by judicial order from a court of competent jurisdiction. Such party shall promptly notify the other party of such request for disclosure, where possible, and upon the other party's request, cooperates to minimize the disclosure of such information and/or works with the other party to obtain a protective order prior to such disclosure.

**14.17 Entire Agreement.** This Agreement together with the exhibits, Certification Letters and appendices, 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 of a purchase order purporting to supplement or vary the provisions hereof shall be void. In the event of any conflict between the terms of this Agreement and any appendix hereto, the terms of the appendix shall control for the EFI Product and the End User Product described therein.

**14.18 Termination of All Prior PostScript Software Agreements.** Except for the Collaboration Agreement entered into as of March 31, 2003 by Adobe, EFI and certain of their subsidiaries or affiliates, the parties agree that the agreements between Adobe and EFI that relate to Adobe PostScript Software (including those agreements listed below) (all together the "Prior Agreements") to the extent not already terminated shall terminate effective immediately. In addition, the parties agree that all Adobe proprietary information supplied to EFI under the Prior Agreements and which is currently in EFI's possession or control shall be

treated as Adobe Deliverables under the terms of this Agreement and further, that any such Adobe proprietary information supplied to EFI in source code form or any derivative thereof shall be treated as Adobe Support Information under this Agreement.

*List of Prior Agreements:*

Custom PostScript Interpreter OEM License Agreement dated as of March 1, 1991, as amended to date, Appendix No. 1 dated March 3, 1991 and Appendix No. 2 dated June 11, 1993

PostScript Support Source and Object Code Distribution License Agreement dated as of September 12, 1995 and Reference Port Appendices No. 1 and No. 2 dated September 12, 1995 and December 6, 1996, respectively, and Licensed System Appendices No. 1 dated May 30, 1996, No. 2 dated February 28, 1997, No. 3 dated August 29, 1997, No. 4 dated December 17, 1997 and No. 5 dated May 13, 1998

Adobe Printer Driver Reproduction and License Agreement dated August 25, 1994, including Appendices No. 1–3 all dated August 25, 1994, Appendix No. 4 dated December 1, 1995, another Appendix No. 4 dated April 17, 1996 and Appendix No. 5 dated June 10, 1996 and the Adobe Driver Software for Macintosh and Windows Continuing Support Agreement dated August 25, 1994

Adobe Printer Driver Reproduction and License Agreement (OEM Version) dated as of November 1, 1996, as amended, and Driver Appendices No. 1–3 all dated August 15, 1996 (for AdobePS 3.0.1 for Microsoft Windows, AdobePS 4.1 for Microsoft Windows and PSpriinter 8.3.1 for Apple Macintosh, respectively), Appendix No. 4 dated November 1, 1996 (for PSpriinter 8.2.2J for Macintosh and ATMJ Software), and Appendix No. 5 dated December 2, 1996 (for AdobePS 4.1.1 for Microsoft Windows)

Adobe Brilliant Screens Technology License Agreement (ABS Toolkit) dated as May 30, 1996

Letter Agreement dated July 9, 1999 between Adobe and EFI

Letter Agreement Re: Adobe PostScript Royalties dated December 6, 2000 between Adobe and EFI

Temporary Assignment Agreement Between Electronics for Imaging, Inc. and Adobe Systems Incorporated

**14.19 Prior Certification of EFI Products.** The parties agree that the products listed in **EXHIBIT N** (“*Certified EFI Products*”) have been certified by Adobe and have been or are being distributed by EFI under the terms of the Agreement.

**15. Dispute Resolution.** For any disputes that may arise between the parties with respect to any technology issues, any support and service issues or any other matters reasonably related to this Agreement, the parties shall follow the procedures set forth herein. In the event of a dispute, either party may give the other party’s ombudsman written notice of

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its desire to invoke these procedures (“Dispute Notice”). The parties’ respective contacts specified in **EXHIBIT S** (“*Contacts*”) shall meet and discuss in good faith (A) all reasonable solutions and exercise all reasonable efforts to resolve disputes that are generally related to the business relationship contemplated by this Agreement within ten (10) business days after a party receives a Dispute Notice from the other party and (B) all disputes related to technical and support, issues that the parties’ respective technical and support contacts, as applicable, are unable to resolve, within the ten (10) business days after a party receives a Dispute Notice from the other party. If the ten (10) business days has elapsed and these business and ombudsman contacts are unable to resolve any general business relationship issue, or any technical or support issue escalated to them, those contacts shall bring such dispute to the attention of their respective executive level managers who may pursue any dispute resolution procedures they deem desirable in their own independent discretion. Notwithstanding the foregoing, if the dispute is not resolved within thirty (30) days of receipt by either party of a Dispute Notice, either party may exercise its termination rights under Section 12.2 (Termination) Pending resolution of any dispute related to this Agreement, each party shall continue their performance under this Agreement, including but not limited to providing support and software bug fixes and updates and the payment of all amounts due under this Agreement.

**16. Subsidiaries and Contractors.** This Agreement applies to EFI and to its Subsidiaries. EFI agrees to make all payments due Adobe under this Agreement for itself and its Subsidiaries. EFI guaranties the performance of its Subsidiaries and contractors of EFI or its Subsidiaries, of all of EFI’s obligations hereunder. For the purposes of this Agreement, any breach by a subsidiary or contractor of EFI of the provisions of this Agreement shall be deemed to constitute a breach by EFI.

**17. Name Change.** In the event that EFI changes its corporate name or corporate structure, EFI shall notify Adobe in writing at least ten (10) days prior to such name or structure change taking effect.

**18. Financial Statements.** If EFI should cease to be a publicly traded company, upon request from Adobe, EFI shall provide to Adobe as confidential information quarterly and/or annual audited financial statements including a balance sheet, income statement, statement of cash flow, relevant notes and/or credit references reasonably necessary for Adobe to ascertain the credit-worthiness of EFI.

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## 19. Confidentiality.

**19.1 Definition of Confidential Information.** “Confidential Information” means (A) any and all technical and non-technical information including patent, copyright, trade secret, and proprietary information, techniques, sketches, drawings, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs (including pre-release versions of software), ppd and driver files, software source documents, and formulae related to the current, future and proposed products and services of each of the parties, and includes, without limitation, each party’s respective information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing, manufacturing, customer lists, business forecasts, sales and merchandising, and marketing plans and information and (B) proprietary or confidential information of any third party who may disclose such information to either party in the course of the other party’s business; *provided*, however, that any information disclosed by the Discloser will be considered Discloser’s Confidential Information by the Recipient only if such information, (A) is provided as information fixed in a tangible medium of expression, is conspicuously designated as “Confidential” or “Proprietary”, or (B) would be reasonably understood, either from the nature of the information or the circumstances of disclosure, to be confidential or proprietary. “Discloser” means the party who discloses its own Confidential Information. “Recipient” means the party who receives the other party’s Confidential Information

**19.2 Confidential Information Exclusions.** Discloser’s Confidential Information shall not include any information which: (A) is or falls into the public domain without fault of the Recipient, (B) the Recipient can show was in its possession prior to receipt thereof from the Discloser, (C) the Recipient receives from a third party with no obligation of confidence to the Discloser, or (D) the Recipient independently develops without benefit, use or reference to any of Discloser’s Confidential Information.

**19.3 Use of Confidential Information.** Except (A) as expressly permitted or required in carrying out this Agreement, or (B) for such limited disclosures in confidence as may be reasonably necessary to either party’s attorneys and accountants, the Recipient shall not use Discloser’s Confidential Information or disclose Discloser’s Confidential Information to any third party, either during the term of this Agreement or thereafter, without the prior written consent of Discloser. Thus, Recipient may use Discloser’s Confidential Information only to perform its obligations under this Agreement.

**19.4 Disclosure of Confidential Information to Employees and Contractors.** Except as otherwise provided in or permitted by this Agreement, Recipient shall not use, reproduce, duplicate, copy, or otherwise disclose, distribute, or disseminate any part of Discloser’s Confidential Information except for internal use by employees (both regular employees and temporary employees), consultants or contractors of Recipient, on a need-to-know basis solely for the purposes permitted by this Agreement. Prior to disclosing Discloser’s Confidential Information to Recipient’s employees, consultants or contractors, Recipient shall have executed with such party an agreement that restricts use and disclosure of Discloser’s Confidential Information (or categories of Confidential Information which encompass Confidential Information) in a manner consistent with this Agreement. Recipient shall protect Discloser’s Confidential Information with the same degree of care used to protect Recipient’s own proprietary information of like importance, but in any case using no less than a reasonable degree of care.

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**19.5 Required Disclosure.** Nothing in this Agreement shall prohibit Recipient from disclosing Discloser's Confidential Information if legally required to do so by judicial or governmental order or by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process in a judicial or governmental proceeding (a "**Required Disclosure**"); *provided* that Recipient shall (A) give Discloser prompt written notice of such Required Disclosure at least ten days prior to such disclosure, (B) cooperate with Discloser in the event that Discloser elects to contest such disclosure or seek a protective order with respect thereto, and (C) in any event only disclose the exact Confidential Information, or portion thereof, specifically requested by the Required Disclosure.

**19.6 Ownership of Confidential Information.** All Confidential Information shall remain the property of the respective Discloser and shall be returned to Discloser upon written request or termination of this Agreement for any reason, except as provided otherwise in this Agreement.

**19.7 No Licenses or Warranties for Confidential Information.** Except as otherwise provided in this Agreement, no license under any intellectual property right is granted or implied by the conveying of Discloser's Confidential Information to Recipient. None of the Confidential Information which may be disclosed by Discloser shall constitute any representation, warranty, assurance, guarantee, or inducement by Discloser of any kind, and, in particular, with respect to the non-infringement of any intellectual property rights, or other rights of third persons or of Discloser.

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IN WITNESS WHEREOF, the parties hereto have caused this OEM Distribution and License Agreement to be executed by their duly authorized representatives.

ADOBE:

ADOBE SYSTEMS INCORPORATED

By: /s/ Bruce Chizen

Print  
Name: Bruce Chizen

Title: CEO

Date: Sept. 19, 2005

Address for Notice:

345 Park Avenue  
San Jose, CA 95110-2704

ADOBE SYSTEMS SOFTWARE IRELAND LIMITED

By: /s/ David Liddy

Print  
Name: David Liddy

Title:

Date: 28-9-2005

Address for Notice:

Unit 3100 Lake Drive  
CityWest Business Campus  
Dublin D24, Ireland

EFI:

ELECTRONICS FOR IMAGING, INC.

By: /s/ Guy Gecht

Print  
Name: Guy Gecht

Title: CEO

Date: Sept. 19, 2005

Address for Notice:

303 Velocity Way  
Foster City, CA 94404

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EXHIBIT A

LICENSING CATEGORIES AND TERMS

**1. Adobe Support Information**

**a. Examples of Adobe Support Information.** Adobe Support Information includes any of the following software components or documentation provided by Adobe to EFI hereunder: (a) Other Adobe Software, Host Software and PostScript Software in source code form, (b) unreleased versions of Other Adobe Software, Host Software or PostScript Software in object code form, (c) documentation provided by Adobe intended for internal use by EFI for development purposes only, (d) the Adobe Certification Test Suite, (e) Software Development Tools and Utilities, or (f) any Adobe Deliverables identified as Adobe Support Information in an Adobe Deliverables Appendix or otherwise as communicated to EFI, and (g) any enhancements or modifications related to any of the foregoing as provided by Adobe. Adobe Support Information shall not be deemed to include Core Source.

**b. License Terms.** EFI shall have a non-exclusive, non-transferable (except as provided in Section 14.11 (“*Assignment*”)) license to use (but not the right to sublicense the right to use) the Adobe Support Information supplied to EFI hereunder solely at a Development Site, for the sole purpose of designing, developing, adapting, localizing, modifying, testing and maintaining Revised Object implemented as part of present or future EFI Products, in conformance with the PostScript Language Specification. EFI’s right to modify the Adobe Support Information under the license set forth in this Paragraph is limited to Adobe Support Information supplied to EFI in source code form. EFI agrees that all development activities associated with the Adobe Support Information will be done only by EFI employees and Authorized Consultants (as defined in EXHIBIT K-1 (“*Secure Procedures for Handling Adobe Support Information*”)) and solely at the Development Sites. EFI’s right to use the Adobe Support Information solely at the Development Sites does not preclude EFI from distributing the Distributable Software to its Remarketer Customers for the uses permitted herein.

**2. Core Source.**

**a. Examples of Core Source.** The Core Source modules currently licensed to EFI are known as “Devpattern” and “Framemarker.” Future Core Source modules licensed to EFI will be so identified on the applicable Deliverables Appendix. Also see Section 1.8 of the Agreement for a definition of Core Source.

**b. License Terms.** EFI shall have a non-exclusive, non-transferable (except as provided in Section 14.11 (“*Assignment*”)) license to use (but not the right to sublicense the right to use) the Core Source supplied to EFI hereunder solely at a Primary Development Site, for the sole purpose of designing, developing, adapting, localizing, modifying, testing and maintaining Revised Object implemented as part of present or future EFI Products, in conformance with the PostScript Language Specification. EFI agrees that all development activities associated with the Core Source will be done only by Authorized Employees of EFI pursuant to the procedures set forth in EXHIBIT K-2 (“*Additional Secure Procedures for Handling Core Source*”).

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### 3. Distributable Software.

**a. Examples of Distributable Software.** Distributable Software includes (a) Revised Object, (b) Host Software and (c) Font Programs. See Section 1.11 of the Agreement for a definition of Distributable Software.

**b. License Terms.** Aside from sublicensing rights, each of the types of Distributable Software has unique licensing terms set forth below. The sublicensing rights for Distributable Software are as follows:

Adobe hereby grants EFI a non-exclusive, non-transferable (except as provided in Section 14.11 (“*Assignment*”)) license to sublicense its Remarketer Customers the right to reproduce solely at Reproduction Sites and distribute, through multiple tiers, the Distributable Software solely for use with an End User Product or a Software Upgrade or as Replacement Software (as described in Section 2.4 (“*Replacement of Defective Product*”)). As a condition to such sublicensing rights, the Remarketer Customers must have written agreements with EFI containing terms substantially similar to EXHIBIT O (“*Remarketer Customer Reproduction Rights Agreement Minimum Terms and Conditions*”).

### 4. Revised Object.

**a. Definition of Revised Object.** See Section 1.32 of the Agreement for a definition of Revised Object.

**b. License Terms.** EFI shall have a non-exclusive, non-transferable (except as provided in Section 14.11 (“*Assignment*”)) license to (a) use, solely at the Development Sites, (b) reproduce (or have reproduced for EFI’s sole benefit) at the Reproduction Sites only, (c) sublicense and distribute, directly and indirectly through EFI’s usual distribution channels, including distribution through Remarketer Customers, the Revised Object for use as part of an Adobe certified EFI Product; and to (d) sublicense to its Remarketer Customers the right to reproduce at the Reproduction Sites only and to remarket Revised Object solely for use with an Adobe certified End User Product subject to compliance with the requirements in Paragraph 3.b of this EXHIBIT A, and (e) create Golden Masters and distribute such Golden Masters to Remarketer Customers for such Remarketer Customers’ faithful reproduction thereof. All distributions of any Revised Object shall be subject to the terms and conditions of this Agreement. EFI’s right to distribute the Revised Object or use it internally (other than for development or testing) is contingent upon certification by Adobe of a particular EFI Product for use and distribution as part of an End User Product. Distribution or use (other than for development or testing) of Revised Object shall be limited to versions in ROM form, or encrypted versions executable from RAM, protected in accordance with Section 2.3 (“*Protection Mechanisms*”).

### 5. Host Software

**a. Examples of Host Software.** Also see Section 1.22 of the Agreement for a definition of Host Software.

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**i. Adobe Reader** means Adobe’s host–resident software that permits End Users to read portable document format (“PDF”) files.

**ii. Adobe Driver Software** means driver software, and accompanying utility files and installation tools, all in object code form, which enable application programs to communicate with printers containing PostScript Software from Adobe, including any enhancements, modifications or localizations provided by Adobe and any localizations or modifications made by EFI through its use of the applicable Adobe development tools (subject to EFI’s ownership of such localizations and modifications as set forth in Section 3.2 (“*Modifications by EFI*”). In connection with the delivery of the Adobe Driver Software, Adobe may supply EFI with development tools such as plug–in and localization kits to allow EFI to make limited modifications and/or localize the Adobe Driver Software. EFI agrees that it (a) shall use such tools solely to localize or customize the Adobe Driver Software for use by End Users in conjunction with EFI Products, (b) shall not change the name of any Adobe Driver Software file or Adobe Driver Software icon without Adobe’s prior written consent, (c) shall make only such modifications as are permitted by use of such tools in the normal and intended manner and (d) shall ensure that the Adobe Driver Software, and any derivative thereof, is licensed under EFI’s End User Agreement.

**iii. Adobe Type Manager (or ATM)** means Adobe’s host–resident software containing font rendering technology that reads Adobe Type 1 fonts and generates bitmap characters.

**b. License Terms.** EFI shall have a non–exclusive, non–transferable (except as provided in Section 14.11 (“*Assignment*”)) license to (a) use the Host Software, and in the case of Adobe Driver Software, the right to localize and modify the Adobe Driver Software (provided Adobe delivers to EFI a software development tool expressly intended for such localization or modification) at the Development Sites only, (b) reproduce (or have reproduced for EFI’s sole benefit) the Host Software at the Reproduction Sites only, (c) sublicense and distribute the Host Software, directly and indirectly through EFI’s usual distribution channels, including distribution through Remarketer Customers, (d) sublicense to its Remarketer Customers the right to reproduce at the Reproduction Sites only and remarket Host Software solely for use with an Adobe certified End User Product, subject to compliance with the requirements in Paragraph 3.b of this EXHIBIT A, and (e) create Golden Masters and distribute such Golden Masters to Remarketer Customers for such Remarketer Customers’ faithful reproduction thereof. All distribution of the Host Software shall be in object code form only and either bundled with an Adobe certified EFI Product or separately for use with an Adobe certified EFI Product or Adobe certified End User Product in accordance with the terms applicable to “Host Software” in EXHIBIT H (“*EFI End User Agreement*”). EFI’s license to distribute the Host Software or use it internally (other than for development or testing) is contingent upon certification by Adobe approving a particular EFI Product for use and distribution as part of an End User Product.

## 6. Font Programs

**a. Examples of Font Programs.** See Exhibits C–1 through C–4. See Section 1.19 of the Agreement for a definition of Font Programs.

**b. License Terms.** In addition to rights to the Font Programs granted elsewhere in this Agreement, EFI shall have a non-exclusive, non-transferable (except as provided in Section 14.11 (“Assignment”)) license to (a) reproduce (or have reproduced for EFI’s sole benefit) the Font Programs at the Reproduction Sites, (b) distribute the Font Programs, directly and indirectly through EFI’s usual distribution channels, including distribution through Remarketer Customers, only bundled with the Revised Object for use with an EFI Product or, in the case of Roman Font Programs only, bundled with Host Software solely for use with an EFI Product, (c) sublicense to its Remarketer Customers the right to reproduce at the Reproduction Sites only and to remarket the Font Programs solely for use with an End User Product, subject to compliance with the requirements in Paragraph 3.b of this EXHIBIT A, (d) create Golden Masters and distribute such Golden Masters to Remarketer Customers for such Remarketer Customers’ faithful reproduction thereof, (e) sublicense the Font Programs to End Users for the reproduction and display of Typefaces as set forth on the number of central processing units (“CPUs”) and computers specified in **EXHIBIT H** (“*EFI End User Agreement*”), or in a Certification Letter, for use with a single End User Product, (f) use the Font Programs to reproduce and display the Typefaces in conjunction with the testing, evaluation or demonstration of an EFI Product or End User Product and (g) use and sublicense each End User to use the Typeface Trademarks to identify the Font Programs. All distributions of any Font Programs shall be subject to the terms and conditions of this Agreement. The use, reproduction and distribution of the Font Programs in EFI Products as set forth in **EXHIBIT C-1** (“*Extended Roman Font Program Set*”), **EXHIBIT C-2** (“*Font Programs for Japanese Typefaces*”), **EXHIBIT C-3** (“*Font Programs for Chinese Typefaces*”) and **EXHIBIT C-4** (“*Font Programs for Korean Typefaces*”) is subject to Adobe certification of the EFI Products containing such Font Programs. EFI’s license under this Paragraph to the Font Programs will terminate upon termination of the agreement (or the applicable portion thereof) between Adobe and the Trademark owner, if any, pertaining to such Font Programs, at which time Adobe shall have the right to substitute a Font Program for an equivalent Typeface. Notwithstanding the license granted in subparagraph (c) above, EFI may not sublicense to its Remarketer Customers the right to reproduce any Font Programs owned by a third party for which Adobe has not received the requisite sublicensing rights.

**b.1 Minimum Font Program Requirements** All EFI Products containing PostScript 3 Software distributed hereunder shall include, at a minimum, the Font Programs, as follows:

**b.1.1** For Roman Versions of EFI Products, the full Extended Roman Font Program Set, as described in **EXHIBIT C-1** (“*Extended Roman Font Program Set*”).

**b.1.2** For Japanese versions of EFI Products, the Extended Roman Font Program Set, as described in **EXHIBIT C-1** (“*Extended Roman Font Program Set*”), and the Font Programs for Japanese Typefaces, as described in **EXHIBIT C-2** (“*Font Programs for Japanese Typefaces*”). EFI shall bundle the number and type of Morisawa Japanese Typefaces or the Heisei Japanese Typefaces specified in accordance with **EXHIBIT C-2**. Notwithstanding the foregoing, EFI shall not be required to bundle any Japanese Typefaces with PostScript Version 3016. For PostScript Version 3015, EFI has a choice bundle either Hesei or Morisawa Typefaces for products with less than 1200 dpi resolution.

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**b.1.3** For Chinese versions of EFI Products, the Extended Roman Font Program Set, as described in **EXHIBIT C-1** (“*Extended Roman Font Program Set*”), and the Font Programs for Chinese Typefaces, as described in **EXHIBIT C-3** (“*Font Programs for Chinese Typefaces*”) in the minimum configuration specified in a Certification Letter.

**b.1.4** For Korean versions of EFI Products, the Extended Roman Font Program Set, as described in **EXHIBIT C-1** (“*Extended Roman Font Program Set*”), and the Font Programs for Korean Typefaces, as described in **EXHIBIT C-4** (“*Font Programs for Korean Typefaces*”) in the minimum configuration specified in a Certification Letter.

## 7. Other Adobe Software.

### a. Examples of Other Adobe Software:

**i. Example Code** means a program(s) that is provided to EFI as an example of software development that implements certain functions. The license terms for Example Code are set forth in Paragraph 1.b. of this Exhibit A.

**ii. In-RIP Trapping Software** means the machine-readable object code version of software, including any data structures embedded in the software program file and accompanying installation file, and any corrections, changes, alterations or enhancements to the In-RIP Trapping Software supplied by Adobe, which when embedded into the Postscript Software will enable EFI to include specified color trapping (trapping means the automatic generation of overlaps to correct for colorant misregistration during the printing process) functionality in an End User Product for distribution to customers hereunder.

**a. In-RIP Trapping Software Warranty.** Adobe will provide the warranty for the In-RIP Trapping Software as set forth in Section 9.1 (“*Software Warranties*”) of the Agreement. For purposes of the warranty, the functional specifications for the In-RIP Trapping Software shall be the “PostScript Language Definition for Trapping” dated April 29, 1997 (revision Number 1.0.1) or any subsequent and then-current version thereof.

**b. License Terms:** EFI shall have a non-exclusive, non-transferable (except as provided in Section 14.11 (“*Assignment*”)) license to (a) use, solely at the Development Sites, (b) reproduce (or have reproduced for EFI’s sole benefit) at the Reproduction Sites only, (c) sublicense and distribute, directly and indirectly through EFI’s usual distribution channels, including distribution through Remarketer Customers, the In-RIP Trapping Software for use as part of an Adobe certified EFI Product

**c. Trapping-Related Patent Notice.** If an EFI Product contains an implementation of Adobe’s In-RIP Trapping Software, EFI and its Remarketer Customers shall include a notice indicating that the In-RIP Trapping Software is licensed under U.S. Patents Nos. 5,113,249, 5,323,248, 5,420,702, and 5,481,379. This notice must be displayed on EFI’s and/or Remarketer Customer’s product packaging, End User Agreement, or other End User Documentation in a location reasonably visible to the End User.

**iii. Normalizer.** The “Normalizer Software” means the machine-executable object code version of software, including any data structures embedded in the software program file and accompanying installation file (if any, provided by Adobe), and any corrections, changes, alterations, or enhancements to such software supplied by Adobe, that enables the conversion of Adobe PostScript files into PDF files. The Normalizer Software is excluded from the warranty provided with respect to the Postscript Software set forth in Section 9 (“*Performance Warranty*”).

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**a. License Terms.** EFI may distribute the Normalizer Software solely for use with an End User Product (“Integrated Normalizer Software”) or bundled as part of an EFI workflow software application that supports printing to an output device (“Standalone Normalizer Application Software”). EFI may not use or permit the use of the Normalizer Software (a) for the purpose of document exchange or on–line publication (unless such use contributes in a significant way to supporting prepress or printing–related solutions) or, (b) as a PDF file–creating application that would effectively compete with the Adobe Acrobat or Acrobat Distiller Server products. EFI shall ensure that each copy of the Normalizer Software distributed by EFI is accompanied by the appropriate End User agreement, as described in Section 2.2 (“*End User Agreement*”) of this Agreement and, in addition, with respect to U.S. Government and Foreign Government End Users an End User agreement in accordance with Section 6.2 (“U.S. Government End Users”) and 6.3 (“Foreign Government Agreements”), respectively, of this Agreement.

**b. Font Program Usage with Integrated Normalizer Software.** No separate license or additional fees for the applicable Font Programs will be required for the following uses by the server based version of the Integrated Normalizer Software:

(i) The Integrated Normalizer Software is resident on the same host system as the Raster Image Processor (“RIP”), and the Integrated Normalizer Software only uses Font Programs that have been licensed for use with such RIP;

(ii) The Integrated Normalizer Software may use its own copy of the Roman Font Programs on the host computer on a royalty–free basis (whether or not the Integrated Normalizer Software and the RIP are on the same host computer or on separate host computers), provided that such use is limited to a maximum of five (5) copies of the Roman Font Programs; or

(iii) The Integrated Normalizer Software may use its own copy of the non–Roman Font Programs on a royalty–free basis, provided that (i) the Integrated Normalizer Software is resident on the same host computer with the RIP; and (ii) EFI represents and warrants that such non–Roman Font Programs will not be used by the Integrated Normalizer Software except solely as part of a process for printing by the RIP.

Other uses of the Font Programs in connection with the Integrated Normalizer Software are beyond the scope of the licenses granted herein and may require additional restrictions and/or fees.

**c. Use of Font Programs with Standalone Normalizer Application Software.** EFI shall not install or use, and shall prohibit any third party from installing or using, any Adobe–supplied Font Programs other than the Roman Font Programs specified in **EXHIBIT C–1** (“*Extended Roman Font Program Set*”) with the Standalone Normalizer Application Software. The royalty for such Roman Font Programs is included in the fee for the Normalizer Software license (as set forth in Paragraph III.A (“*Normalizer and PDF Libraries*”) of

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**EXHIBIT L** (“*Royalties*”) of this Agreement as amended herein; thus no separate royalty will be due for such Roman Font Programs distributed for use with the Standalone Normalizer Application Software.

**d. Additional Font Use Restrictions.**

(i). If EFI is distributing Standalone Normalizer Application Software without fonts provided by Adobe, EFI acknowledges that the Normalizer Software may embed the fonts into a PDF file and that such functionality may be outside of the terms of the applicable font license, for which Adobe shall have no liability or responsibility.

(ii). EFI shall report all Font Programs distributed for use with Normalizer Software in accordance with Section 8.6 (“*Payment of Royalties*”).

**e. Standalone Normalizer Application Software Quality Standards.** EFI shall perform testing and employ sufficient quality assurance standards to assure that the Standalone Normalizer Application Software successfully performs the function of converting Adobe PostScript files into PDF language files for printing to an output device.

**f. Normalizer Software Maintenance.** Adobe shall use commercially reasonable efforts to provide Maintenance services for the then-current major version of the Normalizer Software, as provided pursuant to Section 4.3 (“*Maintenance*”) and **EXHIBIT G** (“*Maintenance*”) of the Agreement, for as long as EFI continues to pay the applicable fees pursuant to Section 8.1 of the Agreement. For purposes of providing Error resolution services for the Normalizer Software under **EXHIBIT G** of the Agreement, “Documentation” shall mean the Adobe-supplied document titled “Using Normalizer” (or later supplement or version provided by Adobe).

**iv. Host PDF Printing Library.** Host PDF Printing Library means Adobe’s PDF Library technology and accompanying Roman Typeface fonts, in object code form only, as well as any enhancements or modifications thereto, as provided by Adobe to EFI hereunder which has as its purpose the converting of PDF files to PostScript language file form for processing by a printing system using Adobe PostScript software.

**a. License Terms.** Subject to EFI’s compliance with the terms of this Agreement, Adobe grants to EFI a non-exclusive, non-transferable license during the term of this Agreement to (i) incorporate or integrate the Host PDF Printing Library with application software supplied by EFI at a Development Site, (ii) reproduce (or have reproduced for EFI’s sole benefit) the Host PDF Printing Library at a Reproduction Site and (iii) sublicense and distribute, directly and indirectly through EFI’s usual distribution channels, including distribution through its Remarketer Customers, the Host PDF Printing Library solely in object code form as integrated with EFI’s application software and only as bundled for use with a End User Product or unbundled as an upgrade for use with a previously installed End User Product in accordance with this Agreement. EFI agrees that the Host PDF Printing Library will not be distributed for use with a Clone Product. Notwithstanding the restrictions contained in **Exhibit H** (“*EFI End User Agreement*”) of the Agreement on the number of copies permitted to be installed and used concurrently, an End User may install and use the Host PDF Printing

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Library, including the accompanying Roman Typeface fonts, on multiple computers, provided that the End User is contractually obligated to use the Host PDF Printing Library, including the accompanying Roman Typeface fonts, only in conjunction with an End User Product. EFI shall incur no payment obligations to Adobe for the right to distribute the Host PDF Printing Library if distributed bundled with an End User Product; provided, however, that if EFI distributes the Host PDF Printing Library in an unbundled form as an upgrade for use with a previously installed End User System on a fee basis, then EFI shall pay Adobe a royalty at the rate to be mutually agreed to by the parties.

**b. Host PDF Printing Library Maintenance.** Adobe shall use commercially reasonable efforts to provide Maintenance services for the then-current major version of the Host PDF Printing Library Software (including the most current dot releases thereof), as provided pursuant to Section 4.3 (“Maintenance”) and **EXHIBIT G** (“Maintenance”) of the Agreement, for as long as EFI continues to pay the applicable fees pursuant to Section 8.1 of the Agreement.

**v. “Adobe PDF Trapping Library”**

**A. The PDF Trapping Deliverables consists of the following:**

1. PDF Trapping Library. “PDF Trapping Library” means the machine-executable object code version of the PDF Trapping Library version 1.5 software (which is used on a host computer to perform the color trapping function on a PDF file in order to adjust for the misregistration of colors in a multicolor printing process), and any corrections, changes, alterations, or enhancements thereto supplied by Adobe hereunder. The PDF Trapping Library includes a functional client interface with example source code (“Sample Source”) that may be used and modified, as needed, solely to integrate the Adobe PDF Trapping Library into a prepress printing process.

2. Associated documentation: Associated documentation includes, but is not limited to, the documents entitled “Incorporating the Adobe PDF Trapper into a Product”, “Trapping Rules for Adobe Trapping Products”, and “Portable Job Ticket Format” v1.1. EFI may make a limited number of copies of the Associated Documentation for use by its Authorized Employees or Authorized Contractors for internal development purposes for the sole purpose of developing the EFI Application or product (as defined herein) and not for any other purpose or for distribution by any means.

**B. General.** The following shall apply to all use and distribution of the PDF Trapping Deliverables:

1. Notwithstanding anything to the contrary in this Exhibit or the Agreement, the PDF Trapping Deliverables are being supplied “AS IS” without warranty, support, and maintenance of any kind and Adobe will bear no liability for any damage, loss, liability, cost or expense, direct or indirect, arising out of EFI’s use of the PDF Trapping Deliverables or its distribution of the PDF Trapping Library as permitted in this Exhibit and the Agreement.

2. EFI is free to make changes to the Sample Source (but not to any other components of the PDF Trapping Deliverables) and to create derivative works

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containing portions or all of the Sample Source. Subject to Adobe's ownership of the underlying Sample Source, as supplied by Adobe to EFI hereunder, EFI shall own the modifications that it makes to the Sample Source; provided, however, that derivative works created by EFI containing any Sample Source, as provided by Adobe to EFI hereunder, shall remain subject to the provisions of this Exhibit and the Agreement.

**C. Distributed as part of, or for use with, a End User Product.** If the PDF Trapping Library, or components thereof, is distributed as either (i) integrated or bundled with an End User Product or (ii) unbundled as an upgrade for use with a previously installed End User Product, the following terms and conditions shall apply:

**1. License Grant.** EFI shall internally use the PDF Trapping Deliverables solely for developing EFI Products that include PostScript Software in accordance with the requirements set forth in this Exhibit and the Agreement, and EFI shall distribute the PDF Trapping Library solely in object code form only as integrated or bundled with an End User Product or unbundled as an upgrade for use with a previously installed End User Product. The PDF Trapping Deliverables supplied to EFI hereunder shall be deemed "Other Adobe Software" as defined in the Agreement and are subject to the terms and conditions of this Exhibit and the Agreement, including without limitation, EFI's obligation to protect the trade secrets and proprietary rights of Adobe in the PDF Trapping Deliverables in accordance with **EXHIBIT K-1** (Secure Procedures for Handling Adobe Support Information).

**D. Standalone EFI Application.** If the PDF Trapping Library is distributed as integrated with an EFI Application (as defined below) but not integrated or bundled with a End User Product or as an upgrade for use with a previously installed End User Product, the following terms and conditions shall apply:

**1. License Grant.** Subject to EFI's compliance with the terms of this Exhibit and the Agreement, Adobe grants to EFI a non-exclusive, non-transferable license during the term of the Agreement to (i) use the PDF Trapping Deliverables at a Development Site solely to integrate the PDF Trapping Library with EFI's application software that adds significant and primary functionality to the PDF Trapping Library (hereinafter, "EFI Application"), (ii) reproduce, modify, and compile into object code the Sample Code as a component of EFI Applications at a Development Site, (iii) reproduce (or have reproduced for EFI's sole benefit) at a Reproduction Site the PDF Trapping Library, and (iv) sublicense and distribute, directly and indirectly through EFI's usual distribution channels, including distribution through EFI's Remarketer Customers, the Sample Code (as delivered by Adobe and as modified by EFI and compiled into object code) and the PDF Trapping Library components in object code form solely as integrated into EFI Applications.

**2. Proprietary Notices.** The licenses in Paragraph D.1 above are conditioned on (i) EFI including a copyright notice reflecting the copyright ownership of EFI in such EFI Applications, (ii) EFI being solely responsible to its customers for any update or support obligation or other liability which may arise from the distribution of EFI Applications, (iii) EFI not making any statements that any EFI Application is "certified," or that its performance is guaranteed, by Adobe, and (iv) EFI not using Adobe's name or trademarks to market any EFI Applications without prior written permission of Adobe. Any modified or merged portion of the Sample Code and merged portion of the PDF Trapping Library components, is subject to this Exhibit and the Agreement.

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**3. End User License Agreement.** EFI acknowledges that the PDF Trapping Library, as supplied by Adobe, is not a finished product and is not to be distributed to End Users except as successfully integrated by EFI into the EFI Application. EFI will take all steps necessary to protect Adobe's proprietary rights in the PDF Trapping Deliverables and to ensure that each copy of the EFI Application distributed by EFI to an End User, whether directly or through EFI's usual distribution channels, will be accompanied by a localized copy of EFI's or Remarketer Customer's standard software license agreement applicable to such EFI Application (the "EFI Application End User Agreements"). Such EFI Application End User Agreements will include terms and conditions substantially equivalent to those set forth in **EXHIBIT H** ("*EFI End User Agreement*") attached hereto. The EFI Application End User Agreement may be (a) a written agreement signed by the End User, or (b) a written agreement in the package containing the EFI Application, or the user documentation for the EFI Application, that is fully visible to the End User and that the End User accepts by opening the package. If Adobe in writing permits EFI to distribute EFI Application in electronic form, EFI shall ensure that upon the initial use of the EFI Application, the End User is presented with a copy of the EFI Application End User Agreement and is required to electronically accept the terms of the EFI Application End User Agreement prior to accessing use of the functions of the EFI Application. EFI shall ensure that its Remarketer Customers' End User licenses substantially conform to the requirements set forth in this Paragraph.

**4. LIMITATION OF LIABILITY.** EXCEPT WITH RESPECT TO THE PROTECTION AGAINST THIRD PARTY CLAIMS AS SET FORTH IN SECTION 11.1.1 ("ADOBE DELIVERABLES"), IN NO EVENT WILL ADOBE OR ITS SUPPLIERS BE LIABLE FOR ANY LOSSES, DAMAGES, LIABILITIES, CLAIMS OR COSTS WHATSOEVER ARISING FROM EFI'S USE OF THE PDF TRAPPING DELIVERABLES OR ANY COMPONENT THEREOF OR ANY DISTRIBUTION OF EFI APPLICATIONS, INCLUDING WITHOUT LIMITATION ANY CONSEQUENTIAL, INDIRECT, INCIDENTAL DAMAGES, OR ANY LOST PROFITS OR LOST SAVINGS, EVEN IF ADOBE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES, DAMAGES, LIABILITIES, CLAIMS OR COSTS OR FOR ANY CLAIM BY ANY THIRD PARTY.

**5. INDEMNIFICATION.** EFI will defend, indemnify, and hold Adobe and Adobe's suppliers harmless from and against any and all actions, claims or suits, including reasonable attorneys' fees, that arise from or are related to the use, manufacture, and distribution of EFI Applications or EFI products containing any PDF Trapping Deliverables in any country, worldwide, provided that Adobe gives EFI prompt written notice of any such claim, tenders to EFI the defense or settlement of such a claim at EFI's expense, and cooperates with EFI, at EFI's expense, in defending or settling such claim.

**6. TRAPPING-RELATED PATENT NOTICE.** EFI shall comply with the requirements set forth in Paragraph 7(a)(ii)(c) ("Trapping-Related Patent Notice") of this Exhibit A with respect to any implementation of the PDF Trapping Library in an EFI Application or product.

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**E. PDF Trapping Library Maintenance.** Adobe shall use commercially reasonable efforts to provide Maintenance services for the then-current major version of the PDF Trapping Library Software, as provided pursuant to Section 4.3 (“Maintenance”) and **EXHIBIT G** (“Maintenance”) of the Agreement, for as long as EFI continues to pay the applicable fees pursuant to Section 8.1 of the Agreement. For purposes of providing Error resolution services for the PDF Trapping Library Software under **EXHIBIT G** of the Agreement, “Documentation” shall mean the Adobe-supplied document titled “Trapping Rules for Adobe Trapping Products based on Adobe Trapping Engine 305”, plus Specification and API Reference from “Incorporating Adobe PDF Trapper into a Product version 1.5 “ (or later supplement or version provided by Adobe).

vi. “PDF Libraries” or “PDFL” means the Adobe PDF Library software product and related documentation, including all updates.

a. **Definitions.** The following definitions are applicable to PDF Libraries only.

(i) **EFI Host Application** means host application software or hardware developed by EFI that incorporates the licensed PDFL Technology.

(ii) **PDFL Technology** means Adobe PDF Libraries technology.

(iii) **PDFL Documentation** means any copy, version or translation, in whole or in part, of Adobe’s documentation for PDFL Technology given to EFI for EFI’s internal use only, whether in printed manual or on-line format.

(iv) **PDFL Product Appendix** means any PDFL Technology Appendix executed by Adobe and EFI, attached to this Agreement and incorporated herein by this reference.

(v) **Product Appendix** means an appendix to this Agreement in which the specific PDFL Technology components licensed to EFI are identified. Each Product Appendix must be executed by both Adobe Systems and/or Adobe Ireland, as applicable, and EFI to be effective.

**b. License Terms.** Adobe grants to EFI a nonexclusive, nontransferable license, during the term of this Agreement, to reproduce at the Reproduction Sites, integrate with EFI Products and distribute, directly or through distributors, dealers or resellers, PDFL Technology, as so integrated. EFI will not distribute PDFL Technology as stand alone products. The PDFL Technology may be used solely for the conversion of documents in PDF format to PostScript format within a printing workflow environment. Any other use may subject EFI to additional license fees. All permitted use of the PDFL Technology, including use of PDFL Technology for demonstration purposes, shall be subject to the terms and conditions of the End User License Agreement. EFI may only distribute the version of the PDFL Technology specified in a Product Appendix. EFI shall comply with all applicable laws and regulations and obtain all appropriate government approvals pertaining to the sublicensing, transfer and advertising of PDFL Technology. EFI agrees not to distribute PDFL Technology by rental or lease. EFI agrees that an EFI Host Application will not alter, modify, or in any way, change the “Producer” field of the document information of a PDF file. EFI AGREES NOT TO ALTER ANY PDF FILES INCLUDED WITH COPIES OF THE PDFL TECHNOLOGY DELIVERED HEREUNDER.

**c. New Releases.** Adobe may, in its sole discretion, modify PDFL Technology and/or PDFL Documentation and deliver modified copies to EFI for distribution under the terms of this Agreement.

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(i) PDFL Technology updates designed by Adobe to correct or improve the software's performance ("PDFL Updates") will be provided without additional charge. Upon commercial shipment to EFI of a PDFL Update, EFI may continue to reproduce and distribute the previous release of the PDFL Technology integrated or incorporated in EFI's hardware, software and information products until EFI's products are revised, at which time EFI shall incorporate the Update into such products.

(ii) EFI may, but is not obligated to, incorporate a new release of PDFL Technology and Documentation ("New Release") in any products that EFI commercially releases during the first one hundred and twenty (120) days after Adobe commences commercial shipment of a New Release. EFI will make good faith efforts to incorporate such New Release in products that EFI commercially releases for the first time more than one hundred and twenty (120) days after Adobe's shipment of the New Release, but in no event will EFI not incorporate a New Release in products that EFI commercially releases for the first time more than one year after Adobe's shipment of the New Release.

(iii) Notwithstanding the foregoing, EFI will cease shipping any allegedly infringing version of PDFL Technology and commence shipment of new releases designed to avoid such infringement within ten (10) business days of delivery.

**d. PDF Libraries Maintenance.** Adobe shall use commercially reasonable efforts to provide Maintenance services for the then-current major version of the PDF Libraries Software, as provided pursuant to Section 4.3 ("*Maintenance*") and **EXHIBIT G** ("*Maintenance*") of the Agreement, for as long as EFI continues to pay the applicable fees.

## 8. End User Documentation

**a. License Terms.** EFI shall have a non-exclusive, non-transferable (except as provided in Section 14.11 ("*Assignment*")) license to (a) localize, reproduce, distribute, reformat and sublicense the End User Documentation, (b) modify the content of an EFI Product-specific portion of the End User Documentation and (c) modify the title page and copyright page. Subject to the modifications allowed in (b) and (c) above, EFI agrees to distribute the applicable End User Documentation for Host Software in its entirety as provided by Adobe. EFI agrees not to modify or delete any copyright notices or other proprietary notices included in the End User Documentation provided by Adobe. Except for the specific licenses granted in this Section, EFI shall have the same rights and obligations with respect to End User Documentation as those for Host Software provided by Adobe to EFI in object code form.

## 9. PostScript Language Specification License.

**a. Examples of PostScript Language Specification.** See Section 1.26 ("*PostScript Language Specification*").

**b. License Terms.** Adobe hereby grants to EFI a non-exclusive, non-transferable (except as provided in Section 14.11 ("*Assignment*")) license to reproduce and distribute the PostScript Language Specification for use with an End User Product, provided that EFI shall not make such PostScript Language Specification available for general distribution or resale through the retail trade, either through EFI or EFI's publisher. EFI agrees that no right is granted herein to reproduce Addison-Wesley's foreign language versions of the PostScript Language Specification. Adobe further grants EFI the right to sublicense its Remarketer

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Customers (excluding End Users) to reproduce, in whole or in part, and distribute the PostScript Language Specification in accordance with the same terms and conditions imposed on EFI in this Section. Such Remarketer Customers shall not receive the right to modify the PostScript Language Specification from EFI.

## 10. Trademark License.

a. **Trademark List.** See Section 1.36 (“Trademarks”).

b. **License Terms.** Subject to this Agreement and **EXHIBIT I** (“Use of Adobe Trademarks”) hereto, Adobe hereby grants to EFI a non-exclusive, non-transferable (except as provided in Section 14.11 (“Assignment”)), limited license to (a) use the Trademarks on EFI Products and End User Products and in EFI’s advertising and printed materials for the EFI Products and End User Products, and (b) sublicense such rights to Remarketer Customers for distribution of Software Upgrades and End User Products in all countries (except India or any other jurisdiction where trademark sublicensing is legally prohibited or not recognized) under a written agreement between EFI and a Remarketer Customer containing terms substantially equivalent to those set forth in **EXHIBIT I** (“Use of Adobe Trademarks”). Where necessary, Adobe will grant directly to EFI’s Remarketer Customers in India or in any other jurisdiction where trademark sublicensing is legally prohibited or not recognized, a non-exclusive royalty-free license to use the Trademarks on EFI Products and End User Products, and in advertising and printed materials for EFI Products and End User Products, in such countries and jurisdictions under a written agreement between Adobe and such Remarketer Customers.

c. Prior to the first Commercial Shipment of any EFI product that carries an Adobe Trademark, Adobe shall have the right to review and approve in writing the quality of the copies of, and use of Adobe’s trademarks with, such product and accompanying packaging, advertising, press releases and the like. Within ten (10) business days after receipt of such materials for review, Adobe will notify EFI of its acceptance or rejection in writing. If such materials do not conform to the requirements of this Agreement, EFI will revise and will cause its Remarketer Customers to revise such materials prior to shipment and Adobe shall have the right to review and approve such materials in accordance with the terms herein. Alternately, EFI may commence Commercial Shipment of an EFI Product that carries an Adobe Trademark without review of same by Adobe, provided that if at any time Adobe determines that its trademarks are being used in an inappropriate or unauthorized manner, Adobe may request EFI to correct such inappropriate or unauthorized use in a commercially reasonable timeframe (which shall not exceed 30 days). If EFI does not make such corrections within such period of time (or such other time as agreed to in writing by Adobe), EFI will cease shipment of the EFI Product until the corrections requested by Adobe are made. Paragraph 11 of this Exhibit A (“Trademarks License”) of the Agreement shall apply in connection with EFI’s use of and its right to sublicense the use of the Adobe trademarks on EFI products. Notwithstanding the foregoing, Adobe has certified and approved the quality of End User Products developed by EFI under this Agreement and therefore is familiar with and approves of the general quality standards implemented by EFI in its PostScript-based printer products. EFI acknowledges that the quality of the Standalone Normalizer Application Software distributed by EFI in connection with the Adobe trademarks shall be substantially the same as the quality of End User Products developed and marketed by EFI under this Agreement.

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## 11. Intentionally Deleted

**12. Other Restrictions and Conditions.** Except as expressly permitted in the Agreement or in writing from Adobe, EFI shall:

- a. not distribute, sell, sublicense, rent, loan, or lease the Adobe Deliverables or any component thereof to any third party;
- b. not reverse engineer, decompile, disassemble or otherwise attempt to discover the source code of the Adobe Deliverables or any component thereof provided to EFI in any form other than source code form;
- c. not translate the Adobe Deliverables into another computer language in whole or in part;
- d. not make copies of Adobe Deliverables, except as provided herein, or make media translations of Adobe Deliverables including, without limitation, the Documentation, in whole or in part, without Adobe's prior written approval;
- e. not permit any Adobe Deliverables to be accessible from any computer bulletin board, or over the Internet, or any other public or privately operated computer network unless such Adobe Deliverables are integrated into and inseparable from an EFI Product;
- f. protect Adobe's copyright and other ownership interests in all items in the Adobe Deliverables;
- g. reproduce on all copies of the Adobe Deliverables the same copyright, trademark, and other proprietary notices as appropriate and appear on or in the items delivered by Adobe.

Adobe and/or its suppliers retain all right, title and ownership throughout the world in the intellectual property embodied in the Adobe Deliverables. Except as stated herein, this Exhibit and the Agreement do not grant EFI any rights to patents, copyrights, trade secrets, trademarks, or any other rights in respect to the items in the Adobe Deliverables. EFI shall ensure that each copy of the Adobe Deliverables distributed by EFI or Remarketer Customer is accompanied by the appropriate End User Agreement, as described in Section 2.2 ("*End User Agreement*") of this Agreement and, in addition, with respect to U.S. Government and Foreign Government End Users an End User agreement in accordance with Section 6.2 ("*U.S. Government End Users*") and 6.3 ("*Foreign Government Agreements*"), respectively, of this Agreement. EFI products containing Adobe Deliverables will not be shipped, transferred, or exported into any country or used in any manner prohibited by the United States Export Administration Act or any other export laws, restrictions or regulations (collectively the "Export Laws"). In addition, if any part of the Adobe Deliverables is identified as export controlled items under the Export Laws, EFI represents and warrants that the End User is not a citizen, or otherwise located within, an embargoed nation (including without limitation Iran, Iraq, Syria, Sudan, Libya, Cuba, North Korea and Serbia) and is not otherwise prohibited under the Export Laws from receiving the Adobe Deliverables. All rights to use the Adobe Deliverables are granted on condition that such rights are forfeited if EFI fails to comply with the terms of this Paragraph. Nothing contained in this Agreement shall be interpreted so as to exclude or prejudice the rights (if any) of the EFI or any end user under the European Directive 91/250 on the Legal Protection of Computer Programs (14 May 1991, OJ 1991(122/42) as implemented in the relevant jurisdiction) with respect to the PDFL Technology.

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**EXHIBIT B**

**DEVELOPMENT AND REPRODUCTION SITES**

I. EFI identifies the following Primary Development Sites:

<b>Name of Development Sites</b>	<b>Address:</b>
Electronics for Imaging, Inc.	303 Velocity Way Foster City, CA 94404

II. EFI identifies the following Development Sites:

<b>Name of Development Sites</b>	<b>Address:</b>
Electronics for Imaging, Inc.	303 Velocity Way Foster City, CA 94404
Best GmbH	Mevissenstraße 65 D-47803 Krefeld
Electronics For Imaging	1340 Corporate Center Curve Egan, MN 55121
Electronics For Imaging	1499 SE Tech Center Place Suite 270 Vancouver, WA 98683
Electronics For Imaging	17250 N. Hartford Dr. Suite 101 Scottsdale, AZ 85255
Electronics for Imaging	1300 Oakbrook Dr. Norcross, GA 30093
Electronics for Imaging	4 Gatehall Dr. 2nd floor Parsippany, NJ 07054
Electronics for Imaging	40 24th Street Pittsburgh, PA 15222
Electronics for Imaging, PVT Ltd	# 32, 1st Floor Salarpuria Tower II Behind Big Bazaar Koramangala Industrial Layout Hosur Road, Bangalore 560 034
Electronics for Imaging-KK	Shinjuku Oak Tower 14 Fl. 6-8-1 Nishi Shinjuku Shinjuku-ku, Tokyo 163-6014, Japan

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III. EFI identifies the following Reproduction Sites:

Name of Reproduction Site:	Address:
Suzuka Fuji Xerox	1900 Ifuna, Suzuka, Mie 519-0393 Japan
Sanmina-SCI	702 Bandley Dr. Fountain, CO 80817
Meritronics	3020 Kenneth St. Santa Clara, CA 95054-3415
Bell Micro	1941 Ringwood Avenue San Jose, CA 95131
FinePitch Corp.	44300 Christy Street Fremont, CA 94538

Upon written request by Adobe at any time during the term of this Agreement, EFI shall promptly provide a list of all Reproduction Sites.

**EXHIBIT C-1**

**EXTENDED ROMAN FONT PROGRAM SET**

Provided that Adobe is validly licensed to do so, Adobe will provide the graphic characters specified in ISO 8859-1: 1987, Latin alphabet No. 1 and ISO 8859-2: 1987, Latin alphabet No. 2, and symbol characters, as applicable, for the following Roman Font Programs:

<b>Identifying Trademark</b>	<b>Typeface</b>	<b>Trademark Owner</b>
1. Albertus		Monotype Corporation
2. Albertus	Italic	Monotype Corporation
3. Albertus	Light	Monotype Corporation
4. AntiqueOlive	Roman	M. Olive
5. AntiqueOlive	Italic	M. Olive
6. AntiqueOlive	Bold	M. Olive
7. AntiqueOlive	Compact	M. Olive
8. Apple Chancery		Apple Computer, Inc.(1)
9. ITC AvantGarde Gothic	Book	International Typeface Corporation
10. ITC AvantGarde Gothic	Book Oblique	International Typeface Corporation
11. ITC AvantGarde Gothic	Demi	International Typeface Corporation
12. ITC AvantGarde Gothic	Demi Oblique	International Typeface Corporation
13. Bodoni		(Public Domain)
14. Bodoni	Italic	(Public Domain)
15. Bodoni	Bold	(Public Domain)
16. Bodoni	Bold Italic	(Public Domain)
17. Bodoni	Poster	(Public Domain)
18. Bodoni	Poster Compressed	(Public Domain)
19. ITC Bookman	Light	International Typeface Corporation
20. ITC Bookman	Light Italic	International Typeface Corporation
21. ITC Bookman	Demi	International Typeface Corporation
22. ITC Bookman	Demi Italic	International Typeface Corporation
23. Carta		Adobe Systems Incorporated
24. Chicago		Apple Computer, Inc. (1)
25. Clarendon		Linotype-Hell AG and/or its subsidiaries
26. Clarendon	Light	Linotype-Hell AG and/or its subsidiaries
27. Clarendon	Bold	Linotype-Hell AG and/or its subsidiaries
28. CooperBlack		(Public Domain)
29. CooperBlack	Italic	(Public Domain)
30. Copperplate Gothic	32BC	(Public Domain)
31. Copperplate Gothic	33BC	(Public Domain)
32. Coronet		Ludlow Type Foundry
33. Courier		(Public Domain)
34. Courier	Oblique	(Public Domain)
35. Courier	Bold	(Public Domain)

36. Courier	Bold Oblique	(Public Domain)
37. GillSans		Monotype Corporation
38. GillSans	Italic	Monotype Corporation
39. GillSans	Bold	Monotype Corporation
40. GillSans	Bold Italic	Monotype Corporation
41. GillSans	Condensed	Monotype Corporation
42. GillSans	Condensed Bold	Monotype Corporation
43. GillSans	Light	Monotype Corporation
44. GillSans	Light Italic	Monotype Corporation
45. GillSans	Extra Bold	Monotype Corporation
46. Eurostile		Nebiolo
47. Eurostile	Bold	Nebiolo
48. Eurostile	Extended Two	Nebiolo
49. Eurostile	Bold Extended Two	Nebiolo
50. Geneva		Apple Computer, Inc. (1)
51. Goudy	Oldstyle	(Public Domain)
52. Goudy	Oldstyle Italic	(Public Domain)
53. Goudy	Bold	(Public Domain)
54. Goudy	BoldItalic	(Public Domain)
55. Goudy	ExtraBold	(Public Domain)
56. Helvetica		Linotype–Hell AG and/or its subsidiaries
57. Helvetica	Oblique	Linotype–Hell AG and/or its subsidiaries
58. Helvetica	Bold	Linotype–Hell AG and/or its subsidiaries
59. Helvetica	Bold Oblique	Linotype–Hell AG and/or its subsidiaries
60. Helvetica	Condensed	Linotype–Hell AG and/or its subsidiaries
61. Helvetica	Condensed Oblique	Linotype–Hell AG and/or its subsidiaries
62. Helvetica	Condensed Bold	Linotype–Hell AG and/or its subsidiaries
63. Helvetica	Condensed Bold Oblique	Linotype–Hell AG and/or its subsidiaries
64. Helvetica	Narrow	Linotype–Hell AG and/or its subsidiaries
65. Helvetica	Narrow Oblique	Linotype–Hell AG and/or its subsidiaries
66. Helvetica	Narrow Bold	Linotype–Hell AG and/or its subsidiaries
67. Helvetica	Narrow Bold Oblique	Linotype–Hell AG and/or its subsidiaries
68. Hoefler Text		Apple Computer, Inc. (1)
69. Hoefler Text	Italic	Apple Computer, Inc. (1)
70. Hoefler Text	Black	Apple Computer, Inc. (1)
71. Hoefler Text	Black Italic	Apple Computer, Inc. (1)
72. Hoefler Text	Ornaments	Apple Computer, Inc. (1)
73. Joanna		Monotype Corporation
74. Joanna	Italic	Monotype Corporation
75. Joanna	Bold	Monotype Corporation
76. Joanna	Bold Italic	Monotype Corporation
77. LetterGothic		(Public Domain)
78. LetterGothic	Slanted	(Public Domain)
79. LetterGothic	Bold	(Public Domain)
80. LetterGothic	Bold Slanted	(Public Domain)
81. ITC Lubalin Graph	Book	International Typeface Corporation
82. ITC Lubalin Graph	Book Oblique	International Typeface Corporation
83. ITC Lubalin Graph	Demi	International Typeface Corporation

84.	ITC Lubalin Graph	Demi Oblique	International Typeface Corporation
85.	Marigold		AlphaOmega Typography
86.	Monaco		Apple Computer, Inc. (1)
87.	ITC Mona Lisa	Recut	International Typeface Corporation
88.	New Century Schoolbook	Roman	Linotype–Hell AG and/or its subsidiaries
89.	New Century Schoolbook	Italic	Linotype–Hell AG and/or its subsidiaries
90.	New Century Schoolbook	Bold	Linotype–Hell AG and/or its subsidiaries
91.	New Century Schoolbook	Bold Italic	Linotype–Hell AG and/or its subsidiaries
92.	New York		Apple Computer, Inc. (1)
93.	Optima		Linotype–Hell AG and/or its subsidiaries
94.	Optima	Italic	Linotype–Hell AG and/or its subsidiaries
95.	Optima	Bold	Linotype–Hell AG and/or its subsidiaries
96.	Optima	Bold Italic	Linotype–Hell AG and/or its subsidiaries
97.	Oxford		AlphaOmega Typography
98.	Palatino	Roman	Linotype–Hell AG and/or its subsidiaries
99.	Palatino	Italic	Linotype–Hell AG and/or its subsidiaries
100.	Palatino	Bold	Linotype–Hell AG and/or its subsidiaries
101.	Palatino	Bold Italic	Linotype–Hell AG and/or its subsidiaries
102.	Stempel Garamond	Roman	Linotype–Hell AG and/or its subsidiaries
103.	Stempel Garamond	Italic	Linotype–Hell AG and/or its subsidiaries
104.	Stempel Garamond	Bold	Linotype–Hell AG and/or its subsidiaries
105.	Stempel Garamond	Bold Italic	Linotype–Hell AG and/or its subsidiaries
106.	Symbol		(Public Domain)
107.	Tekton		Adobe Systems Incorporated
108.	Times	Roman	Linotype–Hell AG and/or its subsidiaries
109.	Times	Italic	Linotype–Hell AG and/or its subsidiaries
110.	Times	Bold	Linotype–Hell AG and/or its subsidiaries
111.	Times	Bold Italic	Linotype–Hell AG and/or its subsidiaries
112.	Univers		Linotype–Hell AG and/or its subsidiaries
113.	Univers	Oblique	Linotype–Hell AG and/or its subsidiaries
114.	Univers	Bold	Linotype–Hell AG and/or its subsidiaries
115.	Univers	Bold Oblique	Linotype–Hell AG and/or its subsidiaries
116.	Univers	Light	Linotype–Hell AG and/or its subsidiaries
117.	Univers	Light Oblique	Linotype–Hell AG and/or its subsidiaries
118.	UniversCondensed		Linotype–Hell AG and/or its subsidiaries
119.	UniversCondensed	Oblique	Linotype–Hell AG and/or its subsidiaries
120.	UniversCondensed	Bold	Linotype–Hell AG and/or its subsidiaries
121.	UniversCondensed	Bold Oblique	Linotype–Hell AG and/or its subsidiaries
122.	UniversExtended		Linotype–Hell AG and/or its subsidiaries
123.	UniversExtended	Oblique	Linotype–Hell AG and/or its subsidiaries
124.	UniversExtended	Bold	Linotype–Hell AG and/or its subsidiaries
125.	UniversExtended	Bold Oblique	Linotype–Hell AG and/or its subsidiaries
126.	Wingdings		Microsoft Corporation(1)(2)
127.	ITC ZapfChancery	Medium Italic	International Typeface Corporation
128.	ITC ZapfDingbats		International Typeface Corporation
129.	Arial		Monotype Corporation
130.	Arial	Italic	Monotype Corporation
131.	Arial	Bold	Monotype Corporation

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132.	Arial	Bold Italic	Monotype Corporation
133.	Times New Roman		Monotype Corporation
134.	Times New Roman	Italic	Monotype Corporation
135.	Times New Roman	Bold	Monotype Corporation
136.	Times New Roman	Bold Italic	Monotype Corporation

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- (1) Fonts marked with a (1) may only be used in connection with an EFI Product that contains PostScript Software. For example, use of the fonts marked with a (1) may not be used with Standalone Normalizer Application Software.
- (2) EFI agrees that it will reproduce (or have reproduced) and distribute the Font Program for the Wingdings<sup>®</sup> Typeface (the “Wingdings Font Program”) only in the Adobe Compact Font Format (CFF) or TrueType format and either (i) embedded in ROM or on a hard disk that is bundled with an EFI Product or End User Product, or (ii) as part of any other Adobe provided host-based component of an End User Product. In the event that the Wingdings Font Program is provided to EFI in CFF, EFI shall treat the fact as Confidential Information in accordance with *Paragraph 4 of EXHIBIT K-1 (“Secure Procedures for Handling Adobe Support Information”)* and shall not disclose such fact to its distributors, resellers or End Users, provided however that EFI may disclose or advertise that the Wingdings Font Program is in a compressed format, where applicable.

**FONT PROGRAMS FOR JAPANESE TYPEFACES**

**(a) Morisawa Japanese Typefaces.**

Adobe will provide the Adobe Standard Japanese Character Set which includes JIS, Shift-JIS, and EUC encodings of the JIS X 0208-1983 and JIS X 0208-1990 Level 1 and Level 2 characters plus other characters and encodings as defined in Adobe's Technical Note #5078 (Adobe-Japan1-2 Character Collection for CID-Keyed Fonts), dated October 4, 1994, for the Font Programs for Japanese Typefaces in CID-keyed font format listed below. Generic characters listed therein are not typeface specific. Special character set or encodings are not provided.

<u>Identifying Trademark</u>	<u>Character Collection</u>	<u>Trademark Owner</u>
1. Ryumin Light	Adobe-Japan1-2	Morisawa & Company, Ltd.
2. Gothic Medium BBB	Adobe-Japan1-2	Morisawa & Company, Ltd.
3. FutoGoB101-Bold	Adobe-Japan1-2	Morisawa & Company, Ltd.
4. FutoMinA101-Bold1	Adobe-Japan1-2	Morisawa & Company, Ltd.
5. Jun101-Light	Adobe-Japan1-2	Morisawa & Company, Ltd.
6. MidashiGo-MB31	Adobe-Japan1-2	Morisawa & Company, Ltd.
7. MidashiMin-MA31	Adobe-Japan1-2	Morisawa & Company, Ltd.
8. ShinGo-Bold	Adobe-Japan1-2	Morisawa & Company, Ltd.
9. ShinGo-Light	Adobe-Japan1-2	Morisawa & Company, Ltd.
10. ShinGo-Medium	Adobe-Japan1-2	Morisawa & Company, Ltd.
11. ShinGo-Ultra	Adobe-Japan1-2	Morisawa & Company, Ltd.
12. ShinseiKai	Adobe-Japan1-2	Morisawa & Company, Ltd.

Base 2 Morisawa Fonts are the first two fonts on this list.

Base 5 Morisawa Fonts are the first five fonts on this list.

EFI may not distribute or permit its Remarketer Customers to distribute additional Font Programs acquired from Adobe for Japanese Typefaces in an unbundled form for the purpose of upgrading an existing End User Product from one Japanese font configuration to another Japanese font configuration.

Media: The above Font Programs for Japanese Typefaces will be distributed to End Users on mutually agreeable distribution media and will be encrypted and copy-protected against unauthorized duplication in a manner to be specified by Adobe.

Upon written request from EFI, Adobe will provide the Macintosh compatible Bitmap Fonts for all of the Font Programs for Japanese Typefaces listed in this *Paragraph (a)* and EFI may distribute these Bitmap Fonts without additional charge provided that they are used only in conjunction with a Japanese Version of an EFI Product or End User Product.

**(b) Heisei Japanese Typefaces:** Adobe will provide the Adobe Standard Japanese Character Set which includes JIS, Shift-JIS, and EUC encodings of the JIS X 0208-1983 and JIS X 0208-1990 Level 1 and Level 2 characters plus other characters and encodings as defined in Adobe's Technical Note #5078 (Adobe-Japan1-2 Character Collection for CID-Keyed Fonts), dated October 4, 1994, for the Font Programs for Japanese Typefaces in CID-keyed font format listed below. Generic characters listed therein are not typeface specific. Special character set or encodings are not provided.

**(c) Japanese Font Bundle Requirements.**

If any Morisawa fonts are distributed by EFI, the Base 2 Fonts must be included in such distribution. If more than two Morisawa fonts are distributed by EFI, the Base 5 Fonts must be included in such distribution.

Identifying Trademark	Character Collection	Trademark Owner
1. HeiseiMin-W3	Adobe-Japan1-2	Japan Standards Association Font Design Center
2. HeiseiKakuGo-W5	Adobe-Japan1-2	Japan Standards Association Font Design Center
3. HeiseiMin-W5	Adobe-Japan1-1	Japan Standards Association Font Design Center
4. HeiseiMin-W7	Adobe-Japan1-1	Japan Standards Association Font Design Center
5. HeiseiMin-W9	Adobe-Japan1-1	Japan Standards Association Font Design Center
6. HeiseiMaruGo-W4	Adobe-Japan1-1	Japan Standards Association Font Design Center
7. HeiseiKakuGo-W3	Adobe-Japan1-1	Japan Standards Association Font Design Center
8. HeiseiKakuGo-W7	Adobe-Japan1-1	Japan Standards Association Font Design Center
9. HeiseiKakuGo-W9	Adobe-Japan1-1	Japan Standards Association Font Design Center
10. HeiseiMin-W3H	Adobe-Japan2-0	Japan Standards Association Font Design Center

Base 2 Heisei Fonts are the first two fonts on this list.

EFI shall include and shall require that its Remarketer Customers include the following notice in documentation and materials accompanying any product that refers to the Font Programs for Japanese Typefaces in *Paragraph (b)* ("Heisei Japanese Typefaces") above:

The Heisei Fonts (list the applicable fonts by name) have been licensed for use from the Japan Standards Association Font Design Center. Unauthorized reproduction as a font is prohibited.

If EFI and its Remarketer Customers are not members of the Japan Standards Association Font Design Center Adobe is required to notify the Font Design Center of a license grant to EFI and its Remarketer Customers prior to distribution of the Heisei Japanese Typefaces with an End User Product. EFI consents to such notification and shall obtain such consent from its Remarketer Customers. EFI Shall notify Adobe in its certification request of its intention to distribute Heisei Fonts as part of an End User Product.

**EXHIBIT C-3**

**FONT PROGRAMS FOR CHINESE TYPEFACES**

**FONT PROGRAMS FOR CHINESE TYPEFACES.** The following Font Programs shall be made available to EFI for bundling with EFI Products for use with End User Products. The distribution of such Font Programs is subject to delivery by Adobe of a Certification Letter for the applicable EFI Product and End User Product containing such Font Programs and payment of royalties as set forth in *Paragraph II.C* of **EXHIBIT L** (“Royalties”)

**(a) Simplified Chinese Typefaces:** Adobe will provide the Adobe Standard Simplified Chinese Character Set for the Simplified Chinese Typefaces in CID-keyed font format listed below. Generic characters listed therein are not typeface specific. Special character set or encodings are not provided.

<u>Identifying Trademark</u>	<u>Character Collection</u>	<u>Trademark Owner</u>
1. Adobe Song-Light	Adobe-GB1-1	Adobe

Distributed inclusively as a set.

**(b) Traditional Chinese Typefaces:** Adobe will provide the Adobe Standard Simplified Chinese Character Set for the Traditional Chinese Typefaces in CID-keyed font format listed below. Generic characters listed therein are not typeface specific. Special character set or encodings are not provided.

<u>Identifying Trademark</u>	<u>Trademark Owner</u>
1. Adobe-Ming	Adobe

Distributed inclusively as a set.

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**EXHIBIT C-4**

**FONT PROGRAMS FOR KOREAN TYPEFACES**

**FONT PROGRAMS FOR KOREAN TYPEFACES.** The following Font Programs shall be made available to EFI for bundling with EFI Products for use with End User Products. The distribution of such Font Programs is subject to delivery by Adobe of a Certification Letter for the applicable EFI Product and End User Product containing such Font Programs and payment of royalties as set forth in *Paragraph 11.D* of **EXHIBIT L** (“Royalties”)

**(a) HanYang Korean Typefaces:** Adobe will provide the Adobe Standard Korean Character Set for the Korean Typefaces in CID-keyed font format listed below. Generic characters listed therein are not typeface specific. Special character set or encodings are not provided.

<b><u>Identifying Trademark</u></b>	<b><u>Character Collection</u></b>	<b><u>Trademark Owner</u></b>
1. Adobe MyungJo-Medium	Adobe-Korea 1-1	Adobe

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**EXHIBIT D-1**

**Form of Certification Request and Approval**

[\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

POSTSCRIPT SOFTWARE DEVELOPMENT AND OEM DISTRIBUTION LICENSE AGREEMENT  
ELECTRONICS FOR IMAGING, INC.

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**EXHIBIT D-2**

**Form of Product Certification Checklist**

[\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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**EXHIBIT E**

**INTENTIONALLY OMITTED**

POSTSCRIPT SOFTWARE DEVELOPMENT AND OEM DISTRIBUTION LICENSE AGREEMENT  
ELECTRONICS FOR IMAGING, INC.

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**EXHIBIT F**

ADOBE DELIVERABLES APPENDIX NO. 1  
TO THE  
OEM DISTRIBUTION AND  
LICENSE AGREEMENT  
BETWEEN  
ADOBE SYSTEMS INCORPORATED  
AND  
ELECTRONICS FOR IMAGING, INC.

This Adobe Deliverables Appendix sets forth additional and different terms and conditions particular to the PostScript Software and other Adobe Support Information described below. Such different or additional terms are applicable only to the PostScript Software and other Adobe Support Information described below. All the terms used in this Appendix shall retain the same meaning as defined in the Agreement.

This Deliverables Appendix No. 1 sets forth the Adobe Deliverables that have been provided to EFI by Adobe prior to the Effective Date.

**A. POSTSCRIPT SOFTWARE DELIVERABLES.** Adobe is supplying the PostScript Software in source and/or object code form as well as other Adobe Support Information as identified below and in Schedule A attached hereto. The PostScript Software supplied to EFI hereunder when compiled and linked together will execute on the development environment specified herein ("Development Environment"). The PostScript Software and other Adobe Support Information is provided to EFI for use in developing EFI Products for distribution as part of End User Products. The actual configuration of an EFI Product will be described in an applicable Certification Letter or in **Exhibit N** to the Agreement.

1. **PostScript Software.** Adobe has supplied to EFI the PostScript Software on a Reference Port basis as described in the applicable section of *Schedule A*. The Core Source modules delivered to EFI are known as "Devpattern" and "Framemarker."

2. **Other Adobe Software**

*Source Code* – None

*Object Code*

- In-RIP Trapping Software
  
- Normalizer 5.04 and 6.0
  
- PDF Libraries 5.05 and 6.0
  
- PDF Trapper 1.5

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3. **Host Software.**

*Source Code* – None

*Object Code*

- Adobe Font Downloader
  
- Adobe Driver Software
  
- Acrobat Reader
  
- Adobe Type Manager
  
- Bitmap Fonts for use in conjunction with the Font Programs identified in *Paragraph A4* (“Font Programs”) below.

4. **Font Programs.**

Roman Fonts as identified in EXHIBIT C-1 (“Extended Roman Font Program Set”) of the Agreement.

Non-Roman Font Programs as identified in EXHIBIT C-2 (“Font Programs for Japanese Typefaces”), EXHIBIT C-3 (“Font Programs for Chinese Typefaces”) and EXHIBIT C-4 (“Font Programs for Korean Typefaces”) of the Agreement.

5. **Adobe Certification Test Suite.**

6. **Software Development Tools and Utilities.**

- CRD Maker to generate color rendering dictionaries
  
- PPD Tool to generate and test PPD Files
  
- EFI Plug-In Kit to allow EFI to customize the Adobe Driver Software
  
- EFI Localization Kit to allow EFI to localize the Adobe Driver Software
  
- PSCRYPT utility for eexec code encryption
  
- PostScript soft display executable

7. **Development Documentation.**

- Interface definition files
- Technical documentation
- Training materials

8. **Development Support.** Approximately forty (40) hours of development support (per Development Site) per year, as specified in **EXHIBIT G** (“Maintenance”) of the Agreement.

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**B. SCHEDULE.**

- |  |   |
|--|---|
| (1) EFI signs and returns an Adobe Deliverables Appendix and Adobe executes. | ASAP  |
| (2) Adobe provides EFI with the Adobe Information described herein.          | ASAP after step (1)   |
| (3) Acceptance of the Adobe Deliverables                                     | 60 days in accordance with <i>Paragraph 4.1</i> (“ <i>Adobe Deliverables</i> ”) |

**C. FEES.**

- |  |     |
|--|-----|
| Reference Port License Fee per Development Site identified below         | [*] |
| Maintenance fee per Development Site Reference through December 31, 2000 | [*] |
| Maintenance fees for subsequent years.                                   | [*] |

**D. DEVELOPMENT SITES.**

Address: Electronics for Imaging, Inc.  
303 Velocity Way  
Foster City, CA 94404  
Phone/ Fax: (650-357-3750) (650-357-3907)

Address: Electronics for Imaging, Inc.  
1340 Corporate Center Curve  
Eagan, MN 55121  
(651) 365-5200

Add EFI “Best”  
Address info unknown

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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**E. TECHNICAL COORDINATORS.**

**For Adobe:**  
[\*]

**For EFI:**  
[\*]

IN WITNESS WHEREOF, Adobe and EFI have caused this Adobe Deliverables Appendix to the Agreement to be executed by their duly authorized representatives.

**ADOBE SYSTEMS INCORPORATED**

**ELECTRONICS FOR IMAGING, INC.**

By:

By:

Print Name:

Print Name:

Title:

Title:

Date:

Date:

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**1. Reference Port No. 1:**

Adobe has previously delivered to EFI PostScript 3 software version 3015 based on Adobe's standard Camelot Reference Port that will execute on the following development environment: an Intel workstation containing a Pentium processor running with Microsoft Windows/NT OS Version 4.0, LINUX and Apple OSX. The compiler used by Adobe to compile the PostScript Software is as follows: Visual C ++ V 6.0 for 3015.102-2 (subject to change from time to time at Adobe's discretion).

***PostScript Software  
Source Code***

- Interface and data definitions to the PostScript Software provided in object form
- Camelot product code based on the PostScript Software provided in object form
- Additional interfaces to device-specific system components
- Adobe Extreme Normalizer product sources
- Adobe Extreme printer job ticket processors header files

***Object Code***

- Adobe PostScript Interpreter
- Compression routines to support Fast Image
- Initial PostScript VM
- Low-level graphics rendering system
- Memory management support
- Open architecture support for additional PDLs
- Output device manager for system and PDL-specific parameters
- Adobe Extreme Normalizer
- Adobe Extreme job ticket parser and player
- Adobe Extreme read PDF routines

- Job control component, including the Adobe IntelliSelect
- Software and I/O serializer
- Adobe PDM printing libraries

**2. Reference Port No. 2 :**

Adobe has previously delivered to EFI PostScript 3 software version 3010 based on Adobe's standard Camelot Reference Port that will execute on the following Deliverables Environment: an SGI workstation containing a MIPS 4000 or MIPS R5000 family processor running with the IRIX OS Version 6.2. The compiler used by Adobe to compile the PostScript Software is as follows: IRIX 6.2 bundled compiler (subject to change from time to time at Adobe's discretion).

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*PostScript Software  
Source Code*

- Interface and data definitions to the PostScript Software provided in object form.
- Camelot product code based on the PostScript Software provided in object form.
- Additional interfaces to device-specific system components
- Adobe Extreme Normalizer product sources
- Adobe Extreme printer job ticket processors header file

*Object Code*

- Adobe PostScript Interpreter
- Compression routines to support Fast Image
- Initial PostScript VM
- Low-level graphics rendering system
- Memory management support
- Open architecture support for additional PDLs
- Output device manager for system and PDL-specific parameters
- Adobe Extreme Normalizer
- Adobe Extreme job ticket parser and player
- Adobe Extreme read PDF routines
- Job control component, including the Adobe IntelliSelect Software and I/O serializer
- Adobe PDM printing libraries

**3. Reference Port No. 3 :**

Adobe has previously delivered PostScript 3 software version 3010 based on Adobe's standard Camelot Reference Port that will execute on the following Development Environment: a Digital workstation containing an Alpha 21164A processor running with the Digital UNIX OS Version 4.0. The compiler used by Adobe to compile the PostScript Software is as follows: DEC C V5.6-071 (subject to change from time to time at Adobe's discretion).

*PostScript Software  
Source Code*

- Interface and data definitions to the PostScript Software provided in object form
- Camelot product code based on the PostScript Software provided in object form
- Additional interfaces to device-specific system components
- Adobe Extreme Normalizer product sources
- Adobe Extreme printer job ticket processors header files

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### *Object Code*

- Adobe PostScript Interpreter
- Initial PostScript VM
- Low-level graphics rendering system
- Compression routines to support Fast Image
- Memory management support
- Open architecture support for additional PDLs
- Output device manager for system and PDL-specific parameters
- Job control component, including the Adobe IntelliSelect Software and I/O serializer.
- Adobe Extreme Normalizer
- Adobe Extreme job ticket parser and player
- Adobe Extreme read PDF routines
- Adobe PDM printing libraries

#### **4. Reference Port No. 4:**

Adobe has previously delivered PostScript 3 software version 3010.106 based on Adobe's standard Camelot Reference Port that will execute on the following Development Environment: a Macintosh workstation containing a Power PC processor running with Macintosh, OS Version 8.5. The compiler used by Adobe to compile the PostScript Software is as follows: Metrowerks Code Warrior Professional Release No. 1 (subject to change from time to time at Adobe's discretion).

### *PostScript Software Source Code*

- Interface and data definitions to the PostScript Software provided in object form
- Demonstration program that illustrates how to integrate the Adobe PostScript Interpreter software into an application program.

### *Object Code*

- Adobe PostScript Interpreter

- Initial PostScript VM
- Low-level graphics rendering system
- Memory management support
- Output device manager for system and PDL-specific Parameters

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## 5. Reference Port No. 5 :

Adobe has previously delivered PostScript 3 software version 3010.104 based on Adobe's standard Camelot Reference Port that will execute on the following Development Environment: an Intel workstation containing a Pentium processor with the LINUX OS Version 2.0. The compiler used by Adobe to compile the PostScript Software is as follows: LINUX Bundled GNU C Compiler 2.0 (subject to change from time to time at Adobe's discretion).

### *PostScript Software Source Code*

- Interface and data definitions to the PostScript Software provided in object form
- Demonstration program that demonstrates how to integrate the Adobe PostScript Interpreter software into an application program.

### *Object Code*

- Adobe PostScript Interpreter
- Initial PostScript VM.
- Low-level graphics rendering system
- Memory management support
- Output device manager for system and PDL-specific parameters

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## **EXHIBIT G**

### **MAINTENANCE**

**1. MAINTENANCE.** The Maintenance services offered by Adobe with respect to the Adobe Deliverables vary according to whether such deliverables are (a) the Reference Port (“Category A Deliverables”), (b) supported software other than the Reference Port (“Category B Deliverables”), or (c) unsupported software (“Support Category C”).

(a) **Category A Deliverables.** EFI shall purchase Maintenance for the applicable Reference Port specified in each Adobe Deliverables Appendix (on a per Development Site basis) and pay the applicable annual fee, if required in accordance with Section 8.1 (“*License and Maintenance Fees*”). In exchange, Adobe shall provide EFI with Maintenance for such Reference Port commencing upon the expiration of the Warranty Period for the PostScript Software, as set forth in Section 9.1 (“*Software Warranties*”) of the Agreement. “Maintenance” for Category A Deliverables means (a) the delivery of Updates for that particular Reference Port; (b) the Error resolution services described in Paragraph 2 (“*Description of Error Resolution Services Provided by Adobe*”) below for the current major version of the Reference Port and the immediately preceding major version (e.g., 3010 or 3011); and (c) development support (technical assistance via a support website regarding EFI’s use of the Reference Port for development of EFI Products and End User Products) in the amount specified in an Adobe Deliverables Appendix.

(b) **Category B Deliverables.** Category B Deliverables consist of the Certification Test Suite, tools and utilities, PDF Library, Normalizer, Host PDF Printing Library, and PDF Trapping Library. EFI shall purchase Maintenance for the Category B Deliverables (to the extent that Maintenance continues to be offered for such Adobe Deliverables) specified in each Adobe Deliverables Appendix (on a per Development Site basis) and pay the applicable annual fee, if required in accordance with Section 8.1 (“*License and Maintenance Fees*”). In exchange, Adobe shall provide EFI with Maintenance for the Category B Deliverables commencing upon the expiration of the Warranty Period for such deliverables, as set forth in Section 9.1 (“*Software Warranties*”) of the Agreement. Maintenance for Category B Deliverables means that EFI will receive Updates of such deliverables that are made generally available to other licensees. Adobe will provide EFI reasonable notice of any discontinuance of Maintenance for Category B Deliverables.

(c) **Category C Deliverables.** Category C Deliverables are provided “AS IS”, but Adobe may provide Updates in its sole discretion. Category C Deliverables include Fonts, software development tools and utilities, documentation, drivers and associated tools, Adobe font downloader, ATM, Adobe Reader and Revised Objects.

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## 2. DESCRIPTION OF ERROR RESOLUTION SERVICES PROVIDED BY ADOBE.

**2.1 Error Reports.** EFI shall identify for Adobe, via a support website, any Errors. An "Error" is a defect in an Adobe Deliverable which causes the Adobe Deliverable, when compiled and running in the development environment specified in an Adobe Deliverables Appendix, not to operate substantially in accordance with the PostScript Language Specification (if a Category A Deliverable) or other applicable documentation (if not a Category A Deliverable). Prior to contacting Adobe, EFI must reproduce all Errors. EFI will report the results of such testing in detail to Adobe.

**2.2 Classification of Errors.** EFI will use its reasonable business judgment to classify Errors in accordance with the classifications set forth below prior to submission to Adobe.

**2.2.1 Level 4 Severity.** A Level 4 Error causes the Adobe Deliverable to fail to operate in a material manner or to produce substantially incorrect results, and there is no workaround solution to the Error.

**2.2.2 Level 3 Severity.** A Level 3 Error causes the Adobe Deliverable to fail to operate in a material manner or to produce substantially incorrect results, and there is a difficult workaround or no workaround solution to the Error. Errors 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 Errors.

**2.2.3 Level 2 Severity.** A Level 2 Error produces an inconvenient situation in which the Adobe Deliverable is usable but does not provide a function in the most convenient or expeditious manner; and the use or value of the Adobe Deliverable suffers no significant impact.

**2.2.4 Level 1 Severity.** A Level 1 Error is minor or cosmetic in nature.

**2.2.5 Level 0 Severity.** This level will be used for new features in an Adobe Deliverable requested by EFI.

## 3. ADOBE'S RESPONSE TO ERROR REPORTS.

(a) **Category A Deliverables.** For Category A Deliverables, Adobe shall acknowledge receipt of an Error report within two (2) business days on the support website. Adobe's response may consist of, without limitation, a request for more information, provision of a Resolution, or confirmation of an Error. If, in Adobe's judgment, an Error report correctly identifies a Level 3 or 4 Severity Error, Adobe shall use reasonable commercial efforts to confirm to EFI that the reported Error can or cannot be reproduced by Adobe, and may, in its reasonable discretion, provide a Resolution to such Error in an Update that is made generally available to licensees of Adobe Deliverables or take such other corrective action as Adobe deems appropriate (which may include non-commercially available Error corrections). Notwithstanding the foregoing, Adobe acknowledges that prompt correction of the Error will

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be seriously evaluated as the preferred corrective action. Adobe will not be obligated to respond to any Level 0, 1 or 2 Severity Error, but such Errors shall be considered as candidates for inclusion in a future update or major version, at Adobe's sole discretion. In order to verify the existence of an Error for which Adobe is responsible, EFI shall demonstrate to Adobe's reasonable satisfaction that the Error occurs in the Adobe Deliverable when executing in a mutually agreed upon development environment. Adobe will have no obligation to provide such maintenance if (a) the Error cannot be verified in an agreed upon development environment, (b) EFI is unable to supply Adobe with a reasonable development environment on which to conduct the testing, (c) the Error only manifests itself in a Customized Version (as defined in Section 4.3 ("*Maintenance*") of the Adobe Deliverable, or (d) the Adobe Deliverable has been modified by any party other than Adobe.

(b) Category B Deliverables. Errors in the Category B Deliverables identified by EFI will be evaluated by Adobe and considered for correction in the next release of such deliverables made generally available by Adobe.

(c) Category C Deliverables. Adobe does not provide Error resolution services for Category C Deliverables.

**4. SERVICES OUTSIDE THE SCOPE OF MAINTENANCE.** The following services are not included in the Maintenance services: (a) Maintenance for products other than Adobe Deliverables licensed to EFI hereunder; (b) Maintenance for the portions of the Adobe Deliverables that are affected by modifications that have been made by EFI; (c) any Error that resulted from a modification by anyone other than Adobe; (d) Maintenance for other than the current version of the Adobe Deliverables and the immediately prior version; (e) Errors which have not been reproduced by EFI prior to reporting of the Error to Adobe; (f) Errors that Adobe is not able to reproduce using commercially reasonable efforts; (g) Maintenance which becomes necessary due to: 1) failure of, or changes to, hardware or software not supplied by Adobe under a Deliverables Appendix; or 2) catastrophe, negligence of EFI, operator error, improper use of hardware or software or attempted maintenance by unauthorized persons; and (h) on-site service, unless mutually agreed to and subject to Adobe's then-current on-site service fees. Notwithstanding subsection (d) above, Adobe will provide Maintenance services for versions of Reference Ports that are older than specified in subsection (d). If such services require substantial engineering efforts on the part of Adobe, a mutually negotiated fee may be imposed. In addition, EFI may make requests for Maintenance services that are excluded for the reasons provided above. Adobe shall consider such requests in good faith and discuss with EFI associated costs, impact on other deliverables and related issues.

Furthermore, in the event that EFI requests Maintenance services for versions of other Adobe Software that are older than the current version of the Other Adobe Software, as a result of defects, bugs or errors attributable to Other Adobe Software Adobe shall have the option to either (i) provide Maintenance services to correct such defects, bugs or errors or (ii) if an upgraded version of the Other Adobe Software corrects such defects, bugs or errors, Adobe shall grant EFI a reasonable number of free upgrades per year per Other Adobe Software application sufficient to correct the issue with EFI's customers.

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## 5. EFI RESPONSIBILITIES

(a) EFI shall be responsible for distributing, at EFI's expense, any applicable Updates to EFI customers in accordance with the terms and conditions of the Agreement.

(b) EFI and Adobe agree that all versions of the Adobe Deliverables (including Updates and Resolutions) provided by Adobe are subject to all the terms and conditions of the Agreement.

(c) EFI shall fully cooperate with Adobe in Adobe's efforts to provide Maintenance hereunder

**6. MAINTENANCE FEES.** Subject to the provisions of Section 8.1 ("*License and Maintenance Fees*") of this Agreement, EFI shall pay to Adobe Maintenance Fees in the amount equal to Adobe's then current standard fees for such services, to be charged on each Adobe Deliverable and each Development Site.

**7. SPECIAL SERVICES.** EFI may request that Adobe perform special support services not covered 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.

**8. ANNUAL FEES.** If EFI is required to pay annual maintenance fees pursuant to Section 8.1 ("*License and Maintenance Fees*") or Exhibit A ("*Licensing Categories and Terms*"), such fees shall be as follows:

**PostScript:**

[\*] per year for the first Reference Port

[\*] per year for each additional Reference Port

**PDFL**

[\*] per year for the use stated in Section 7(a)(vi)(b). Additional uses may require additional license fees.

**Normalizer**

[\*] per year per Platform\*

**PDF Trapper**

[\*] per year per Platform

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

\* Platform is defined as an industry standard operating system, such as Windows, Mac OS or UNIX.

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## **EXHIBIT H**

### **EFI END USER AGREEMENT**

#### **SOFTWARE LICENSE AGREEMENT**

PLEASE READ THIS SOFTWARE LICENSE AGREEMENT (“LICENSE AGREEMENT”) CAREFULLY. THIS LICENSE AGREEMENT IS A LEGAL AGREEMENT BETWEEN YOU AND ELECTRONICS FOR IMAGING, INC. (“EFI”) REGARDING THE EFI SOFTWARE (“SOFTWARE”). BY INSTALLING, COPYING OR OTHERWISE USING THE SOFTWARE, YOU AGREE TO BE BOUND BY THIS LICENSE AGREEMENT. IF YOU DO NOT AGREE, DO NOT INSTALL, COPY, OR OTHERWISE USE THE SOFTWARE AND YOU MAY RETURN THE UNUSED SOFTWARE, WITH PROOF OF PAYMENT, FOR A FULL REFUND TO THE PLACE OF PURCHASE WITHIN THIRTY (30) DAYS OF THE PURCHASE DATE.

#### **License**

EFI grants you a limited, non-exclusive license to use the Software solely in accordance with the terms and conditions of this License Agreement, solely as specified in the EFI product documentation, and solely with the product(s) specified in the EFI product documentation (“Product(s)”).

The term “Software” as used in this License Agreement shall mean the EFI software (including software provided by third party suppliers) and all documentation, downloads, on-line materials, bug fixes, patches, releases, release notes, updates, upgrades, technical support materials, and information regarding the EFI software. The terms and conditions of this License Agreement shall apply to and govern your use of all such items; however EFI may provide other written terms with an update, release or upgrade.

The Software is licensed, not sold. You may use the Software solely for the purposes described in the EFI product documentation. You may not rent, lease, sublicense, lend, or otherwise distribute the Software or use the Software in any time sharing, service bureau, or similar arrangement.

You may not make or have made, or permit to be made, any copies of the Software or portions thereof, except one (1) backup or archive copy for the purposes permitted in this License Agreement; provided, however, that under no circumstances may you make or have made, or permit to be made, any copies of any portion of the Software that is included on any portion of the controller board or hardware of a product. Any copies of the Software that you are permitted to make pursuant to this Agreement must contain the same copyright and other proprietary notices that appear on or in the Software. You agree not to localize, translate, disassemble, decompile, decrypt, reverse engineer, discover the source code of, modify, create derivative works of, or in any way change any part of the Software.

#### **Intellectual Property Rights**

You acknowledge and agree that all rights, title, and interest, including all intellectual property rights, in and relating to the Software, all EFI Products, and all copies, modifications, and derivative works thereof, are solely owned by and shall remain with EFI and its suppliers. Except for the express limited license granted in this License Agreement, no right or license of any kind is granted. You receive no rights or license under any patents, copyrights, trade secrets, trademarks (whether registered or unregistered), or other intellectual property. You agree not to adopt, register, or attempt to register any EFI trademark or trade name or any confusingly similar mark, URL, internet domain name, or symbol as your own name or the name of your affiliates or products, and agree not to take any other action which impairs or reduces the trademark rights of EFI or its suppliers.

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## Confidentiality

The Software is confidential, proprietary information of EFI and its suppliers and you may not distribute or disclose the Software. You may, however, permanently transfer all of your rights under this License Agreement to another person or legal entity provided that: (1) such a transfer is authorized under all applicable export laws and regulations, including the laws and regulations of the United States, including the United States Export Administration Regulations; (2) you transfer to the person or entity all of the Software (including all copies, updates, upgrades, media, printed documentation, and this License Agreement); (3) you retain no copies of the Software, including no backup, archival, or other copies, however stored; and (4) the recipient agrees to all of the terms and conditions of this License Agreement.

## Termination

Unauthorized use, copying, or disclosure of the Software, or any breach of this License Agreement will result in automatic termination of this license and will make available to EFI other legal remedies. In the event of termination, you must destroy all copies of the Software and all component parts thereof. All provisions of this License Agreement relating to confidentiality of the Software, disclaimers of warranties, limitation of liability, remedies, damages, governing law, jurisdiction, venue, EFI's intellectual property rights and Adobe Software shall survive any termination of this license.

## Limited Warranty and Disclaimer

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PRODUCT WILL BE UNINTERRUPTED, FAULT-TOLERANT, SECURE, OR ERROR-FREE. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, YOUR SOLE AND EXCLUSIVE REMEDY, AND THE ENTIRE LIABILITY OF EFI AND ITS SUPPLIERS, RELATING TO ANY AND ALL SOFTWARE, PRODUCTS, SERVICES, AND/OR APPLICABLE WARRANTIES SHALL BE, AT EFI'S OPTION, (1) TO REPAIR OR REPLACE THE SOFTWARE THAT DOES NOT MEET THE LIMITED WARRANTY; OR (2) PROVIDE A REFUND OF THE PRICE PAID (IF ANY) FOR THE SOFTWARE THAT DOES NOT MEET THE LIMITED WARRANTY. EXCEPT AS PROVIDED IN THIS SECTION, EFI AND ITS SUPPLIERS SHALL PROVIDE NO REFUNDS, RETURNS, EXCHANGES, OR REPLACEMENTS.

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#### **Export Restrictions**

The Software and EFI Products are subject to the export laws and regulations of the United States, including the United States Export Administration Regulations. The license granted to you herein is conditioned upon your compliance with all applicable export laws and regulations, including the export laws and regulations of the United States. You represent and agree that you will not use, disclose, distribute, transfer, export, or re-export any portion of the Software or any EFI Product in any form in violation of any applicable export laws and regulations, including the export laws and regulations of the United States.

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## Adobe Software

The Software may contain the following Adobe Systems Incorporated (“Adobe”) materials: (a) software included as part of the printing system, including PostScript® software, Font Programs (digitally–encoded machine–readable outline data encoded in special format and in encrypted form used to produce various typefaces) and other Adobe software (collectively, “Printing Software”), and (b) other software which runs on a computer system for use in conjunction with the Printing Software (“Host Software”). The following terms are applicable to the materials provided by Adobe:

**1. Printing Software.** You may use the Printing Software (in object code form only) (i) on a single output device that contains an embedded controller; OR (ii) for Printing Software residing on a host computer, on up to the authorized number of central processing units (“CPUs”) for which you are licensed, for imaging to the licensed output device(s), solely for your own internal business purposes. You may not change the name of any driver software file or driver software icon without consent of EFI. You may use Roman character Font Programs and Adobe Type Manager® to reproduce weights, styles, and versions of letters, numerals, characters and symbols (“Typefaces”) on up to five (5) computers for use with the Printing Software.

**2. Host Software.** You may install the Host Software in a single location on a hard disk or other storage device on one (or the authorized number of) computer(s) for which you are licensed (“Permitted No. of Computers”), and, provided that the Host Software is configured for network use, install and use the Host Software on a single file server for use on a single local area network for either (but not both) of the following purposes: (i) permanent installation onto a hard disk or other storage device on the Permitted No. of Computers; or (ii) use of the Host Software over such network, provided the use of the Host Software does not exceed the Permitted No. of Computers. You may make one backup copy of the Host Software (which shall not be installed or used).

You are hereby notified that Adobe Systems Incorporated, a Delaware corporation located at 345 Park Avenue, San Jose, CA 95110–2704 (“Adobe”) is a third–party beneficiary to this License Agreement to the extent that this License Agreement contains provisions which relate to your use of any software, font programs, typefaces, and/or trademarks licensed or supplied by Adobe. Such provisions are made expressly for the benefit of Adobe and are enforceable by Adobe in addition to EFI. ADOBE WILL HAVE NO LIABILITY WHATSOEVER TO YOU FOR ANY ADOBE SOFTWARE OR TECHNOLOGY LICENSED HEREUNDER.

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## U.S. Government Restricted Rights

Use, duplication, or disclosure of the Software by the United States Government is subject to restrictions as set forth in FAR 12.212 or DFARS 227.7202-3 -227.7202-4 and, to the extent required under U.S. federal law, the minimum restricted rights as set out in FAR 52.227-14, Restricted Rights Notice (June 1987) Alternate III(g)(3) (June 1987) or FAR 52.227-19 (June 1987). To the extent any technical data is provided pursuant to the Agreement, such data is protected per FAR 12.211 and DFARS 227.7102-2 and to the extent explicitly required by the U.S. Government, is subject to limited rights as set out in DFARS 252.227.7015 (November 1995) and DFARS 252.227-7037 (September 1999). In the event that any of the above referenced agency regulations are modified or superseded, the subsequent equivalent regulation shall apply. The name of the Contractor is Electronics for Imaging, Inc.

## Governing Law and Jurisdiction

The rights and obligations of the parties related to this License Agreement will be governed in all respects by the laws of the State of California exclusively, as such laws apply to contracts between California residents performed entirely within California. The United Nations Convention on Contracts for the International Sale of Goods and any other similar convention does not apply to this License Agreement. For all disputes related to the Software, Products, Services, and/or this License Agreement, you consent to the exclusive personal jurisdiction and venue of the state courts in San Mateo County, California and the federal court for the Northern District of California.

## General

This Agreement is the entire agreement held between us and supersedes any other communications or advertising with respect to the Software, Products, Services, and any other subject matter covered by this License Agreement. If any provision of the License Agreement is held invalid, such provision shall be deemed modified to the extent necessary to be enforceable and the other provisions in this License Agreement shall continue in full force and effect.

If you have any questions, see the EFI web site at [www.efi.com](http://www.efi.com).

Electronics for Imaging, Inc.

303 Velocity Way

Foster City, CA 94404

USA

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## EXHIBIT I

### USE OF ADOBE TRADEMARKS

**1. OWNERSHIP OF TRADEMARKS.** EFI acknowledges the ownership of the Adobe Trademarks listed herein in Adobe and Adobe's representation as to the ownership of the Typeface Trademarks in the entities identified as "Trademark Owner" in **EXHIBIT C-1** ("Extended Roman Font Program Set"), **EXHIBIT C-2** ("Font Programs for Japanese Typefaces"), **EXHIBIT C-3** ("Font Programs for Chinese Typefaces") or **EXHIBIT C-4** ("Font Programs for Korean Typefaces") of the Agreement. Adobe and such Typeface Trademark owners are referred to as the "Trademark Owners". EFI acknowledges that EFI's use of the Trademarks will not create any right, title or interest in or to such Trademarks. EFI agrees that all goodwill from the use of the Trademarks by EFI shall inure to the benefit of the Trademark Owners. 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 Trademarks listed herein. Any use of the Trademarks must identify the applicable "Trademark Owner" as the owner of such Trademarks. EFI agrees to notify or require notification of sublicensees who receive Font Programs that (a) Typeface Trademarks can only be used to identify printed output produced by the Font Programs, and (b) the Typeface Trademarks are the property of the Trademark Owners.

**2. QUALITY STANDARDS.** Adobe hereby appoints EFI as its representative for the limited purpose of controlling the quality of the Revised Object, Font Programs, and Host Software used in EFI Products and End User Products and any other products or services EFI or its Remarketer Customers supply in connection with the use of the Trademarks. EFI agrees to identify its current Remarketer Customers upon request by Adobe. EFI agrees that (a) the nature and quality of the Revised Object, Font Programs, and Host Software used in EFI Products and End User Products and any other products or services it or its Remarketer Customers supply in connection with use of the Trademarks shall conform to the standards set by Adobe, and (b) it will cooperate with Adobe in facilitating Adobe's monitoring and control of the nature and quality of such products and services. Such assistance shall include supplying Adobe, upon its request, with specimens of its or its Remarketer Customer's use of the Trademarks and Font Programs, including supplying samples of reprinted documentation, translations, product packaging and promotional materials that use the Trademarks in conjunction with EFI's or Remarketer Customer's marketing of EFI Products and End User Products. Adobe may conduct an inspection of such specimens at facilities of its choosing including at EFI's facilities to determine conformance with the standards. If requested, EFI shall assist Adobe in conducting such inspection and testing including, but not limited to, providing Adobe with applicable hardware if required. If Adobe determines that EFI or its Remarketer Customers fail to meet the Adobe quality standards, Adobe shall advise EFI in writing and EFI shall have sixty (60) days to improve the quality to the standard previously approved by Adobe, or to cease or require its Remarketer Customers to cease the use of all Trademarks. EFI shall comply with all applicable laws and regulations and obtain all appropriate government approvals pertaining to the use of the Trademarks and to the distribution and advertising of the Revised Object, Font Programs, Host Software, EFI Products and End User Products. In addition, EFI shall provide reasonable and timely assistance to Adobe to comply with the same.

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**3. INFRINGEMENT PROCEEDINGS.** EFI agrees to notify Adobe of any unauthorized or improper use of the Trademarks by other parties (including Subsidiaries or sublicensees) 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. EFI shall provide reasonable assistance upon Adobe's request and at Adobe's cost to investigate and/or prosecute trademark violations on behalf of Adobe.

**4. EFI'S USE OF TRADEMARKS.** EFI agrees that it and its Remarketer Customers will (a) prominently and permanently include the Adobe Trademarks, including the Adobe PostScript logo, on all copies of the Revised Object, including the splash screen and media, and on any EFI Products and End User Products distributed to End Users which contains the Revised Object, (b) use the Adobe Trademarks, including the Adobe PostScript logo, in any advertising or printed materials concerning the Revised Object, including point-of-sale and channel materials, (c) use all applicable Trademarks on all copies, advertisements, brochures, manuals, packaging and other appropriate uses made in the promotion, sale or use of the Revised Object, Font Programs, Host Software, EFI Products and End User Products, and (d) include the Adobe PostScript logo and other associated Trademarks in conjunction with the display of EFI Products and End User Products at tradeshow. EFI or its Remarketer Customer (as applicable) shall make specific reference to the Adobe Trademarks applicable to the software components included in the Revised Object in any advertisement concerning an EFI Product or an End User Product which also contains specific names of other software products. All such uses shall be in accordance with Adobe's then-current trademark manual available on the Adobe.com Web Site. Neither EFI nor its Remarketer Customers shall translate the Trademarks nor render or adapt a foreign language equivalent of the Trademarks.

**5. TRADEMARK REGISTRATIONS.** At Adobe's reasonable request and expense, EFI, shall (a) promptly provide Adobe with any specimens, (b) execute all applications for trademark registrations, assignments, cancellations or other applicable documents, and (c) perform any other act reasonably necessary for any Trademark Owner to secure or maintain any and all trademark rights related to the Trademarks in any country in which EFI or its Remarketer Customers are marketing the Revised Object, Font Programs, and Host Software in association with a Trademark.

**6. NO UNITARY OR COMPOSITE MARKS.** EFI agrees that it will not 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 (e.g., which may potentially give the public a misimpression of the relationship between EFI, its licensees and Adobe) without the prior written approval of Adobe. The foregoing restriction shall be included in EFI's agreements with its Remarketer Customers.

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## EXHIBIT J

### EFI PRODUCT TEST PROCEDURES

EFI shall test any Revised Object (including any previously–certified Revised Object subsequently modified by EFI) or proposed Designated Output Device for conformity with the Adobe Certification Test Suite in accordance with the following procedures, unless otherwise specified in an Adobe Deliverables Appendix.

**1. TEST PLAN.** Adobe shall provide EFI with a Certification Test Suite and may from time to time specify other testing procedures to be performed by EFI to meet Adobe’s certification criteria. If the EFI Product containing the Revised Object is designed to drive multiple Designated Output Devices with substantially similar functionality and features, Adobe may choose to identify a subset of these Designated Output Devices on which to perform testing for conformance with the acceptance criteria.

**2. EFI TESTING.** Prior to submission for certification, EFI shall test the End User Product for conformity with the Adobe Certification Test Suite in accordance with the test plan prepared by EFI and approved by Adobe. After successful completion of such testing, EFI shall provide Adobe with a comprehensive report of the test results and any other checklists or specification information requested by Adobe in the form of the attached **Exhibit D–2** (“*Form of Certification Request*”). Based on such information, EFI shall create a product information checklist, a log of test results, all printer output and notes explaining the test results and any errors. If requested by Adobe, a pre–production release of the End User Product that generated the test results will be provided by EFI. EFI shall supply Adobe with a declaration signed by an authorized representative of EFI certifying to the effect that it has run the Adobe Certification Test Suite in accordance with the test plan supplied by Adobe and that the results provided to Adobe for its review are accurate and complete.

**3. ADOBE CERTIFICATION.** Adobe shall have fifteen (15) business days or such other period as specified in writing by Adobe, following EFI’s delivery of the test results to Adobe, to review EFI’s test results and determine whether the output from the End User Product (a) conforms to the applicable Adobe Certification Test Suite and any other tests or procedures specified in the test plan, and (b) produces output meeting Adobe’s quality standards, as reasonably determined by Adobe from time to time. After conducting such review, Adobe shall (1) certify the End User Product and deliver to EFI a Certification Letter in the form of **Exhibit D–1** (“*Form of Certification Letter*”), or (2) not certify the product and deliver to EFI a report identifying why the test output fails to meet Adobe’s quality standards. EFI shall use reasonable efforts to promptly correct any nonconformity and resubmit the End User Product. This process shall continue until Adobe certifies the End User Product.

**4. LOANED EQUIPMENT.** Normally, Adobe will not conduct independent testing of an End User Product. However, in the event Adobe believes such independent testing is warranted, EFI shall make available to Adobe all necessary equipment reasonably requested by Adobe on a no cost basis and on terms to be mutually agreed upon by the parties.

**5. AUDIT RIGHT.** Adobe shall have the right, upon reasonable notice, to inspect and audit the quality assurance processes used by EFI.

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**EXHIBIT K-1**

**SECURE PROCEDURES FOR HANDLING ADOBE SUPPORT INFORMATION**

**1. AUTHORIZED EMPLOYEES AND CONTRACTORS.** EFI agrees that it will not disclose 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 an employee or contractor agreement in which such employee or contractor agrees to protect third party confidential information and (iii) have received a notice of confidentiality prior to access to Adobe Support Information. EFI employees or contractors fulfilling the immediately foregoing requirements shall be deemed “Authorized Employees” or “Authorized Contractors” respectively.

EFI agrees that any breach of obligations under such confidentiality agreements by any Authorized Employee while employed by EFI or Authorized Contractor while under contract by EFI shall constitute a breach by EFI of this Agreement.

**2. PRIOR APPROVAL OF CONTRACTORS.** Notwithstanding the provisions in this Exhibit 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 EFI 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.**

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

**3.2** 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.

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**3.3** EFI shall instruct Authorized Employees and Authorized Contractors not to copy Adobe Support Information on their own, and not to disclose Adobe Support Information to anyone not authorized to receive it.

**3.4** Adobe Support Information shall be handled, used, and stored solely at the Development Sites.

**4. TRADE SECRETS.** Adobe Support Information in object code, source code and hard copy printout form, including the techniques, algorithms, and processes contained in the Adobe Support Information which have been developed, acquired, or licensed by Adobe, or any modification or extraction thereof, may 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 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 reasonable steps to recover such items. EFI agrees that it will not attempt to reverse engineer any portion of the Adobe Support Information which is provided to EFI solely in object code form.

**5. NO COMMINGLING OF TECHNOLOGY.** The terms of this Paragraph 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 use of the Adobe Deliverables in the design and development of Clone Products. In furtherance of such requirement, EFI shall ensure there is no sharing with such Clone Product development any of the following: (i) design documents or schematics supplied by Adobe; (ii) Adobe Support Information; (iii) any computers on which Adobe Deliverables reside or to which individuals involved in Clone Development have access; or (iv) personnel with access to any of (i)–(iii) above. EFI shall ensure that all Authorized Employees and Authorized Contractors who have had previous access to Adobe Support Information will be precluded for a period of six (6) months after their latest access to such Adobe Support Information from being employed in any Clone Product development (either internally or externally) 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 Authorized Employee or Authorized Contractor shall not, concurrent with the commencement of work on such Clone Product development within EFI, (a) have either retained nor had access for a minimum period of six (6) months to any Adobe Support Information, and (b) utilize, or facilitate use of, any Adobe Support Information in such Clone Product development. Notwithstanding the foregoing, any Authorized Employee or Authorized Contractor who has only received access to (i) documentation (but not including the Adobe Certification Test Suite(s) or any source code documentation) or (ii) object code (but no source code) contained in the Adobe Support Information shall be exempted from the requirements in this *Paragraph 5*.

**6. CERTIFICATION.** At Adobe’s request, EFI will provide Adobe with written certification by an officer of EFI of EFI’s compliance (to the best knowledge of such officer based on reasonable due diligence and investigation) with its obligations under Paragraph 1 (“*Authorized Employees and Contractors*”) and Paragraph 5 (“*No Commingling of Technology*”) of this Exhibit and Section 7.2 (“*EFI’s Use of Adobe Trademarks*”) of the Agreement.

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**7. PROPRIETARY RIGHTS AUDIT.** During the term of the Agreement and for a period of eighteen (18) months thereafter, an independent auditor, mutually selected by Adobe and EFI, shall have access to such portion of EFI's records and premises to allow the auditor to determine whether EFI is substantially in compliance with this Exhibit and *Paragraph 6* ("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 there is a disagreement between the parties with regards to the conclusions of such an audit, the parties will in good faith discuss and negotiate a mutually acceptable resolution. If, however, a resolution is not reached, despite escalation of the matter within the management of both companies, the dispute may be referred to a mutually agreed to and independent auditor. If that auditor concludes 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 rights which it may have under the Agreement. EFI shall immediately correct any deficiencies discovered in the course of the audit.

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**EXHIBIT K-2**

**ADDITIONAL SECURE PROCEDURES FOR HANDLING ADOBE CORE SOURCE**

1. DEFINITION. The provisions of this Exhibit K-2 shall only apply to Adobe Core Source. The provisions of Exhibit K-1 (“Secure Procedures for Handling Adobe Support Information”) of the Agreement shall apply both to the Adobe Support Source and to Adobe Core Source.

2. ACCESS LIMITED TO AUTHORIZED EMPLOYEES. EFI shall ensure that only Authorized Employees have access to Adobe Core Source. Any Authorized Employee with access to the secured area within a Primary Development Site or to the Secure Computer System, as described below, is assumed to have had access to Adobe Core Source and therefore is subject to the requirements imposed under this Exhibit. In addition, such Authorized Employee is precluded from being employed in any Clone Product development for a period of twelve (12) months after such latest access to the secured area within a Primary Development Site or to the Secure Computer System, whether or not he/she actually had access to Adobe Core Source.

3. ADOBE CORE SOURCE.

3.1 Adobe will identify for EFI which portions of the Adobe Software are Adobe Core Source. Once identified by Adobe as containing Adobe Core Source, any information derived from such Adobe Core Source, whether in oral or written form, shall be treated by EFI as Adobe Core Source. EFI shall ensure that all such Adobe Core Source received from Adobe, and copies made thereof, will be properly marked or otherwise appropriately identified as Adobe Core Source before being made available to Authorized Employees hereunder.

3.2 EFI agrees that it will not (i) reproduce any portion of any documentation, source code or hard copy printouts thereof included in Adobe Core Source, in any form or medium, without Adobe’s prior written permission except as necessary for supporting EFI Products distributed by EFI under the Agreement; (ii) allow hard copy printouts of any portion of source code included in Adobe Core Source to exist except within the secured area as described in Paragraph 6.1 (“Physical Site Security Provisions”) below; (iii) store or otherwise use source code included in Adobe Core Source except as provided in Paragraph 6 (“Secure Computer System”) below; or (iv) handle, store and use Adobe Core Source except at a Primary Development Site and in accordance with the security requirements set forth in Paragraph 4 (“EFI Log”), Paragraph 5 (“Access to Written Adobe Core Source”), Paragraph 6 (“Secure Computer System”) and Paragraph 7 (“Primary Development Sites”) below.

3.3 EFI shall advise all Authorized Employees (i) of the restrictive nature of the Adobe Core Source, both at the time when such person has the initial access thereto and at the time when such access ceases, and (ii) of the requirements to protect the Adobe Core Source in accordance with the provisions set forth in this Exhibit.

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3.4 EFI shall ensure that all access to the Adobe Support Information including Adobe Core Source shall cease immediately for any Authorized Employee whose employment with EFI is terminated for any reason.

3.5 EFI shall ensure the Adobe Core Source is handled, used and stored only as specifically authorized in this Exhibit.

3.6 In addition to the security measures specified herein, EFI shall adopt other measures to protect the Adobe Core Source that are at least as stringent as it implements to protect such other proprietary information under its control.

4. VIOLATIONS OF CONFIDENTIALITY AGREEMENTS. If at any time Adobe shall have reason to believe that any Authorized Employee may have violated his or her obligations under the confidentiality agreement entered into with EFI, EFI agrees to comply with Adobe's request to provide Adobe with copies of all such confidentiality agreements entered into by EFI with its Authorized Employees and not previously provided to Adobe. Upon Adobe's reasonable request and notice, EFI shall provide Adobe with the names of Authorized Employees with current access as well as the names of former Authorized Employees with previous access to the Adobe Core Source.

5. ACCESS TO WRITTEN ADOBE CORE SOURCE. Access to any written or tangible Adobe Core Source shall be controlled in the following manner.

5.1 EFI shall maintain only one (1) master copy of the tangible Adobe Core Source. Such copy and each subsequent copy must be marked as "Adobe Core Source – Unauthorized Copying Prohibited."

5.2 Authorized Employee shall be instructed not to copy any Adobe Core Source on his/her own, and not to disclose the Adobe Core Source to anyone not authorized to receive it.

5.3 EFI shall ensure that all tangible copies of the Adobe Core Source, including source listings of the Adobe Software, are used, handled and stored solely within the secured area of a Primary Development Site with access limited to Authorized Employees at all time.

6. SECURE COMPUTER SYSTEM. "Secure Computer System" refers to a computer system on which EFI stores and uses the Adobe Core Source for the purpose of modifying, compiling and assembling source code and linking object code in conjunction with its developing and supporting EFI Products. It shall consist of a private network containing one or more computer workstations and personal computers contained in a single building or within a group of adjacent buildings with a Secure Network between them. The term "Secure Network" shall mean Secure Computer and network gateway or router, all housed within the secured area in a Primary Development Site, which allows for "end-to-end" encrypted communications between Primary Development Sites. The term "end-to-end" communications means that the path through which a communications packet passes remains encrypted and un-viewable until the packet reaches the Secure Network at another Primary Development Site. Each such Secure Computer System shall be fully implemented and administered by EFI in accordance with the provisions set forth below.

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## 6.1 Physical Site Security Provisions.

6.1.1 The entire Secure Computer System shall be located in a secured area accessible only to authorized personnel (see Paragraph 6.1.2 and Paragraph 6.1.3 below) at the Primary Development Site. EFI shall ensure that there is sufficient security at all entrances to and from the secured area to prevent unauthorized physical entry.

6.1.2 Regular access to the secured area shall be limited only to EFI's Authorized Employees and the EFI-designated security administrator ("SA") for the site.

6.1.3 Restricted access to the secured area by other individuals will be allowed, but such individuals will require the approval of the SA and shall be limited to maintenance, housekeeping, management, and similar activities.

## 6.2 Secure Computer System Security Provisions.

6.2.1 Access to Adobe Core Source which is installed on the Secure Computer System will be limited to (i) EFI's Authorized Employees, and (ii) the SA for the purpose of system maintenance and backups.

6.2.2 All such individuals included above shall have signed confidentiality agreements with EFI.

6.2.3 Access to the Secure Computer System shall be controlled by authentication technology, such as SecurID<sup>®</sup>, SafeWord<sup>®</sup> and public/private key technologies of comparable robustness. To satisfy the authentication requirement, an Authorized Employee must produce a unique ID, a password or PIN. Passwords and PINs will be issued and controlled by the SA. EFI will implement other protection as reasonably needed to ensure that access to the Adobe Core Source is limited to Authorized Employees and that no copies or portions thereof are made or maintained outside the Secure Computer System.

6.2.4 Backups of Adobe Core Source will be administered by the SA and will be securely archived within the secured area containing the Secure Computer System or at such other secure site as Adobe may approve in writing. All backup tapes containing Adobe Core Source shall be labeled "EFI Confidential" and shall be subject to EFI's maximum security measures. Network system maintenance shall be conducted under the supervision of the SA by Authorized Employees.

6.2.5 Adobe Core Source delivered to EFI will be transported to the SA at a Primary Development Site on CD-ROM or other mutually agreeable media by a mutually agreed upon carrier, or as otherwise agreed upon by the parties.

6.2.6 Revised Object will be made available to other Development Site(s) located outside of the secured area for the purpose of linking with other software related to development of an EFI Product. Transfer of such Revised Object will occur through physical transport on magnetic media and will be managed by the SA.

7. PRIMARY DEVELOPMENT SITES. If more than one (1) Primary Development Site is listed in EXHIBIT B ("Development and Reproduction Sites"), EFI shall maintain a separate Secure Computer System at each such site which has access to Adobe Core Source. Each site will have its own SA. The data transmission of Adobe Core Source between Primary Development Sites shall be conducted in accordance with Paragraph 6 and all such Adobe Core Source may be stored and used at each such location but only on Secure Computers within a Secure Computer System.

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**EXHIBIT L**

**ROYALTIES**

[\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

PostSCRIPT SOFTWARE DEVELOPMENT AND OEM DISTRIBUTION LICENSE AGREEMENT  
ELECTRONICS FOR IMAGING, INC.

33

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**EXHIBIT L-1**

**ROYALTY REPORT FORMAT**

[\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

PostScript Software Development and OEM Distribution License Agreement  
Electronics for Imaging, Inc.

34

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**EXHIBIT M**

**AUTHORIZED THIRD PARTY AGREEMENT MINIMUM TERMS AND CONDITIONS**

**1. LICENSE.** Licensor may provide to Licensee the Revised Object and/or Font Programs from Adobe (“Replacement Software”) as part of maintenance spares for EFI Product which Licensee may use solely for the purpose of replacing defective EFI Product. If Licensee is a Remarketer Customer, Licensee may provide the Replacement Software to its Authorized Third Parties to perform the activities described above so long as each such Authorized Third Party has executed a written agreement containing these minimum terms, and provided Electronics for Imaging, Inc. and Adobe Systems Incorporated are listed as third party beneficiaries of such written agreement.

**2. REPLACEMENT.** All defective copies of the Revised Object or Font Programs from Adobe shall be replaced with Replacement Software on a “like-for-like” basis. Licensee must destroy the replaced version of the Revised Object, Host Software and Font Programs or return them to EFI.

**3. RESTRICTIONS.** Licensee agrees it will not modify, reverse assemble, reverse compile or otherwise reverse engineer the Replacement Software in whole or in part or allow any other party to do so while Replacement Software is in its possession or under its control.

**4. THIRD PARTY BENEFICIARY.** Licensee is hereby notified and acknowledges that Adobe Systems Incorporated, 345 Park Avenue, San Jose, CA 95110-2704 (“Adobe”) is a third-party beneficiary of any agreement between Licensee and Licensor that pertains to the Replacement Software. The provisions of such agreements are made expressly for the benefit of Adobe and are enforceable by Adobe in addition to EFI. Licensee further acknowledges that if it fails to comply with the applicable terms and conditions of such agreement, Adobe shall have the right to terminate this Agreement under the terms of *Paragraph 5* (“Termination”) below and further, Adobe shall be entitled to seek equitable relief to protect its interests, including but not limited to injunctive relief, in addition to any other rights and remedies provided by law.

**5. TERMINATION.** Licensor may terminate this Agreement upon ten days notice for breach by Licensee provided that such breach is not cured within the ten day period. If the Agreement is terminated for an uncured breach, Licensee shall provide Licensee with a notice of termination, and upon receiving such notice Licensee shall immediately discontinue use of the Replacement Software. Within ten (10) days of such termination, Licensee shall have (i) returned to Licensor all copies of the Replacement Software in its possession or under its control; and (ii) presented to Licensor a certificate signed by a corporate officer of Licensee stating that all such copies of the Replacement Software have been returned or destroyed.

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**EXHIBIT N**

Certified EFI Products

EFI warrants that to its knowledge, all of its shipping products that contain Adobe Deliverables have been certified by Adobe.

PostScript Software Development and OEM Distribution License Agreement  
Electronics for Imaging, Inc.

36

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**Exhibit O**

**REMARKETER CUSTOMER AGREEMENT  
MINIMUM TERMS AND CONDITIONS**

EFI shall ensure that its Remarketer Customers comply with all the terms and conditions of a written agreement between EFI and any such Remarketer Customer (“Remarketer Customer Agreement”) which:

a. requires the Remarketer Customer to faithfully reproduce (a) the Distributable Software from the Golden Master versions supplied by EFI only at the Reproduction Sites specified in the Remarketer Customer Agreement; and (b) on the media containing the Distributable Software and within the code itself the applicable Trademarks and other proprietary notices, including copyright notices appearing on the Golden Master versions of the Distributable Software delivered to the Remarketer Customers and as otherwise as required by EFI or Adobe; and

b. requires the Remarketer Customer not to alter or replace any portion of, or alter the functionality of any portion of, the Distributable Software supplied by EFI to its Remarketer Customer; and

c. imposes the same obligations on the Remarketer Customer, as are imposed under Paragraph 10 (“*Trademark License*”) of EXHIBIT A (“*Licensing Categories and Terms*”), with respect to the Remarketer Customer’s use of Adobe Trademarks and Trademarks on Distributable Software, including acknowledging that Adobe and its suppliers retain exclusive ownership of all trademarks and copyright rights to the Adobe Trademarks and Adobe’s suppliers’ Trademarks, including logos and product names, and to all of the documentation and computer-recorded data related to the Distributable Software; and

d. provides that the Remarketer Customer will provide within thirty (30) days of a request specimens of the Distributable Software for inspection and testing purposes to determine that the Distributable Software are faithful reproductions of the Golden Master and otherwise conform to the Adobe quality standards; and

e. grants EFI rights to audit the records of the Remarketer Customer equivalent to those granted to Adobe in Section 8.8 (“*Right of Audit*”) of the Agreement; and

f. to the extent permitted by applicable law in a particular jurisdiction, expressly prohibits a Remarketer Customer from reverse compiling or reverse engineering the Revised Object or Font Programs supplied to it during the term of the Remarketer Customer Agreement; and

g. requires Remarketer Customer to acknowledge that Adobe is a third party beneficiary to the Remarketer Customer Agreement and is entitled to enforce and seek legal remedies for breach of the Remarketer Customer Agreement in the event it fails to comply with the terms and conditions stated therein; and

h.

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i. may allow a Remarketer Customer to distribute the Distributable Software as part of an End User Product accompanied by a copy of Remarketer Customer's End User Agreement in place of EFI's End User Agreement, provided that EFI ensures that all conditions set forth in Section 2.2 ("*End User Agreement*") apply equally to such Remarketer Customer. If an End User Product is to be distributed to a U.S. Government customer, Remarketer Customer shall be required to license the Distributable Software in accordance with Section 6.2 ("*U.S. Government End Users*") of the Agreement. If distribution is to another government, Remarketer Customer shall be required to ensure that the Distributable Software receive the maximum protection available from such government for commercial computer software and related documentation developed at private expense. EFI shall require the Remarketer to provide EFI with sample copies of Remarketer Customer's End User Agreement, upon Adobe's reasonable request, for review by Adobe; and

j.

k.

l. requires Remarketer Customer to employ protection mechanisms, in accordance with Section 2.3 ("*Protection Mechanisms*") herein, in conjunction with any copies of the Distributable Software it creates pursuant to its reproduction licenses hereunder; and

m. requires that the Remarketer Customer's agreements, or portions thereof, shall terminate upon termination of the EFI/Adobe Agreement or relevant portions thereof, respectively. However, while the Remarketer Customers' rights to distribute the Distributable Software will terminate, the Remarketer Customers' sublicensees shall be permitted the uninterrupted use of the Distributable Software for the balance of the term of their respective End User Agreement, provided that, and for so long as, they are not in default of such agreement; and Remarketer Customers' rights upon default of the applicable End User Agreements shall be automatically assigned to Adobe.

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**Exhibit P**

**PERMITTED COUNTRIES LIST**

Austria  
Australia  
Belgium  
Canada  
Denmark  
Finland  
France  
Germany  
Greece  
Ireland  
Italy  
Japan  
Luxembourg  
Netherlands  
Norway  
Portugal  
Spain  
Sweden  
Switzerland  
United Kingdom  
United States

PostScript SOFTWARE DEVELOPMENT AND OEM DISTRIBUTION LICENSE AGREEMENT  
ELECTRONICS FOR IMAGING, INC.

39

EXHIBIT Q

FORM OF ADOBE DELIVERABLES APPENDIX

ADOBE DELIVERABLES APPENDIX NO. \_\_\_\_  
TO THE  
OEM DISTRIBUTION AND LICENSE AGREEMENT  
DATED AS OF SEPTEMBER 19, 2005 (the "Agreement")

BY AND BETWEEN

ADOBE SYSTEMS INCORPORATED and  
ADOBE SYSTEMS SOFTWARE IRELAND LIMITED (collectively, "Adobe")

AND

ELECTRONICS FOR IMAGING, INC. ("EFI")

This Deliverables Appendix sets forth additional and different terms and conditions particular to the Adobe Deliverables described below and shall be incorporated by reference into the Agreement. Such different or additional terms are applicable only to the Adobe Deliverables described below and in no way alter the terms and conditions applicable to other deliverables incorporated into the Agreement by addition of an Adobe Deliverables 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. ADOBE DELIVERABLES.** The following is a list of the deliverables which will be provided by Adobe to EFI pursuant to this Appendix.

**1. Reference Port:** Adobe will deliver PostScript 3 software version \_\_\_\_\_ based on Adobe's standard Camelot Reference Port, that will execute on a \_\_\_\_\_ workstation containing a \_\_\_\_\_ processor running with \_\_\_\_\_ OS Version \_\_\_\_\_. The compiler used by Adobe to compile the Adobe Software is as follows:

*a. PostScript Software*

*b. Other Adobe Software*

- 
2. **Host Software.**
  
  3. **Font Programs.** The Extended Roman Font Program Set identified in EXHIBIT C-1 (“*Extended Roman Font Program Set*”) of the Agreement. Additional Font Programs as follows:
  
  4. **Adobe Certification Test Suite.**
  
  5. **Software Development Tools and Utilities.**
  
  6. **Documentation.**
  
  7. **Other Adobe Software**
  
  
  8. **Development Support.** \_\_\_\_\_ (\_\_\_\_) hours of development support (per Development Site) as specified in of EXHIBIT G (“*Maintenance*”) of the Agreement.  
The Adobe Deliverables described herein are in the following support categories:  
Category A Deliverables:  
Category B Deliverables:  
Category C Deliverables:
  
  9. **Warranty.** The Adobe Deliverables described herein are subject to the following warranties:  

<u>Adobe Deliverable</u>	<u>Warranty</u>
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**B. FEES.** The following fees set forth in the Agreement as associated with the Adobe Deliverables:

Reference Port License Fee per

U.S. Dollars

Development Site identified below. (US\$\_\_\_\_\_) upon signing this Appendix.

**Other Fees:**

**C. SPECIAL TERMS (if any).**

**D. DEVELOPMENT SITE(S).**

Address:

Address:

**E. TECHNICAL COORDINATORS.**

**1. For Adobe:**

Name/Title:

Address:

Phone/Fax:

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**2. For EFI:**

Name/Title:

Address:

Phone/Fax:

**F.** All other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, Adobe and EFI have caused this Appendix to the Agreement to be executed by their duly authorized representatives.

ADOBE:

EFI:

By: **SAMPLE / DO NOT SIGN**

By: **SAMPLE / DO NOT SIGN**

Print Name:

Print Name:

Title:

Title:

Date:

Date:

Any entries in Sections B or C above require the signature of the EFI Legal Department.

Reviewed and Approved:

By: **SAMPLE / DO NOT SIGN**

Print Name:

Title:

Date:

COPY VENDOR PROVISIONS

As a condition to the grant by Adobe to EFI and its Remarketer Customers to use a third party to make duplicate copies of the Distributable Software (EFI and Remarketer Customers, as applicable, hereinafter referred to as “**Copy Requestor**”) agrees to enter into a binding written agreement (hereinafter “**Reproduction Agreement**”) with a Copy Vendor with terms that are at least as restrictive as those set forth below. EFI will obtain samples of reproductions of Adobe logos upon request from Adobe.

1. Copy Vendor shall be permitted access to the master copy of the Distributable Software (the “Software”) solely for the purpose of making copies of such Software for Copy Requestor and for no other purpose. Copy Vendor shall make only so many copies of the Software as is required to supply Copy Requestor with the number of copies ordered by Copy Requestor, and all such copies shall be made at its facilities located in a country on the Permitted Countries List. Copy Vendor further agrees that it will return all such copies to Copy Requestor and will refrain from distributing copies of such Software to third parties or from retaining copies for any internal use which is not directly related to its being able to provide the copying services for the Software, as required by the Reproduction Agreement with Copy Requestor.

2. Copy Vendor is prohibited from modifying the Software or merging or combining the Software with other software or from making any other change or addition to the master copy of the Software received from Copy Requestor or to any copies of the Software which are made by Copy Vendor hereunder.

3. Copy Requestor is providing Copy Vendor with a master copy of the Software in object code form only, and Copy Vendor is prohibited from doing anything, including reverse engineering, reverse assembling and decompiling of the Software, to derive the source code from the Software.

4. Copy Vendor is hereby notified that Adobe Systems Incorporated, a Delaware corporation located at 345 Park Avenue, San Jose, CA 95110–2704 USA (“**Adobe Systems**”) and Adobe Systems Software Ireland Limited, a company incorporated in Ireland (“**Adobe Ireland**”), (both individually in their respective countries and collectively referred to as “**Adobe**”) are the suppliers of the Software (or components thereof) to Copy Requestor. Adobe has licensed to Copy Requestor the right to use a third party vendor to make and to supply copies of the Software, subject to minimum conditions imposed on Copy Vendor under the terms of the Reproduction Agreement. Such conditions are made expressly for the benefit of Adobe, and as a third-party beneficiary to the Reproduction Agreement, Adobe shall have the right to enforce any or all of such conditions, including, but not limited to the right to terminate the Reproduction Agreement upon giving Copy Vendor notice of its intention to terminate, if Copy Vendor shall fail to fulfill its obligations set forth in the Reproduction Agreement. In the event of such termination, Copy Vendor shall comply with the provisions set forth in Paragraph 10 below for return of all copies of Software in its possession or control.

5. In the event of Copy Vendor’s failure to comply with the terms of the Reproduction Agreement, Adobe Systems and Adobe Ireland, and/or Copy Requestor shall have the right to injunctive relief in addition to any other remedy available to it.

6. Any right granted to Copy Vendor hereunder is personal to Copy Vendor, and Copy Vendor may not assign or transfer any right or obligation that it may have under the Reproduction Agreement to any other party, and any attempt to do so shall be null and void.

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7. Copy Vendor agrees that those techniques, algorithms, and processes contained in the Software to be supplied to Copy Vendor by Copy Requestor hereunder constitute trade secret information of Adobe or Adobe's third party supplier and will be used by Copy Vendor only in accordance with the terms of the Reproduction Agreement. Copy Vendor agrees that it will disclose the Software only to employees with a need to know who have agreed in writing (i) not to disclose the Software, (ii) to use the Software for the sole benefit of Copy Requestor and only as permitted by the Reproduction Agreement, and (iii) to take all reasonable precautions to prevent disclosure to other parties. Copy Vendor will take all measures required to protect the proprietary rights of Adobe in such proprietary information. The obligations set forth in this paragraph shall survive termination of the Reproduction Agreement.

8. Copy Vendor shall affix, to each full or partial copy of the Software made by Copy Vendor, all copyright, restricted rights and other proprietary information notices identical to the notices appearing on the master copy of the Software supplied to Copy Vendor hereunder, or such other proprietary notices as Copy Requestor or Adobe may require from time to time. Copy Vendor shall exactly duplicate any "Adobe" logos which may appear on the master copy on every copy of the Software made from said master copy, and Copy Vendor shall provide Copy Requestor with samples of the reproductions upon request from Copy Requestor, to ensure that Copy Vendor's use of the Adobe trademarks does not impair the rights of Adobe Systems in its trademarks. In the event EFI notifies Copy Vendor that Copy Vendor is not meeting the Adobe quality standards with respect to its use of the Adobe trademarks, EFI may give notice to Copy Vendor to improve such quality or cease use of said trademarks and Copy Vendor shall begin immediately to comply with such request.

9. The Reproduction Agreement does not grant Copy Vendor any rights to patents, copyrights, trade secrets, trade names, trademarks, or any other rights, franchises, or licenses in respect of the Software. The Software has been supplied to Copy Requestor by Adobe, and title to the Software and any copies thereof shall remain with Adobe or with Adobe's third party supplier.

10. Copy Requestor may terminate the Reproduction Agreement at any time, with or without cause, upon providing Copy Vendor with a notice of termination, and upon receiving such notice, Copy Vendor shall immediately discontinue use or copying of the Software. Within ten (10) days of such termination, Copy Vendor shall have: (i) returned to Copy Requestor all copies of the Software, including, but not limited to, the master copy, in its possession or under its control; (ii) completely destroyed all copies of the Software stored in any storage apparatus or media owned or controlled by Copy Vendor; and, (iii) presented to Copy Requestor a certificate signed by a corporate officer of Copy Vendor stating that all such copies of the Software have been returned or destroyed.

11. Copy Vendor shall indemnify and hold Copy Requestor, Adobe Systems and Adobe Ireland harmless against any claim, loss, liability or damage, including attorneys' fees and other costs, including costs of litigation, arising out of Copy Vendor's transfer, use, disclosure or copying of the Software in violation of any provisions contained in the Reproduction Agreement.

12. Copy Vendor is prohibited from doing anything with the Software not expressly provided for in the Reproduction Agreement.

EXHIBIT S

Contacts

**EFI**

[\*]

**Adobe**

[\*]

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\* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

AMENDMENT NO. 1 TO  
OEM DISTRIBUTION AND LICENSE AGREEMENT

This amendment No. 1 (the "Amendment") is made to the OEM Distribution and License Agreement (the "License Agreement") entered into as of September 19, 2005 by and among Adobe Systems Incorporated, Adobe Systems Software Ireland Limited, and Electronics for Imaging, Inc.

This Amendment is effective as of October 1, 2005 (the "Amendment Effective Date").

The parties agree as follows:

1. The royalty rates, license and support fees and other payments owed to Adobe by EFI pursuant to the License Agreement (the "Fees") shall be effective as of October 1, 2005. The Fees prevailing prior to the execution of the License Agreement will be in effect through and including September 30, 2005.
2. The foregoing shall not be applicable to the Make-Up Payment described in Section IV of Exhibit L (Royalties).
3. All other terms of the License Agreement shall remain unaffected by this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized representative as of the Amendment Effective Date.

ADOBE SYSTEMS INCORPORATED

By: /s/ Christine M. Csubak

Print Name: Christine M. Csubak

Title:

ELECTRONICS FOR IMAGING, INC.

By: /s/ Joseph Cutts

Print Name: Joseph Cutts

Title: CFO & COO

ADOBE SYSTEMS SOFTWARE IRELAND LIMITED

By: /s/ Mark C. Higgins

Print Name: Mark C. Higgins

Title:



## Computation of Ratio of Earnings to Fixed Charges

	Year ended December 31,				
	2001	2002	2003	2004	2005
Income (loss) from continuing operations before income taxes	\$60,372	\$22,811	\$41,328	\$24,228	\$(3,244)
Fixed Charges:					
Interest expense (including capitalized interest)	1,229	22	2,886	5,632	5,010
Interest relating to rental expense (1)	3,644	2,853	2,141	2,584	4,079
Total fixed charges	4,873	2,875	5,027	8,216	9,089
Earnings available for fixed charges	\$65,245	\$25,686	\$46,355	\$32,444	\$ 5,845
Ratio of earnings to fixed charges	13.39	8.93	9.22	3.95	0.64

- (1) The representative interest portion of rental expense was deemed to be one-third of all rental expense, except for the rental expense related to the off-balance sheet financing leases, as described in the footnotes to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005 which was deemed to be all interest.

**EFI SUBSIDIARIES\***

Name, Address	Jurisdiction of Organization	Doing Business As**
<b>Electronics for Imaging Australia Pty Ltd</b> 26 Cunningham Street North Sydney NSW 2060 Australia	Australia	
<b>VUTEk Belgium BVBA</b> Ikaroslaan 20, B-1930 Zaventem, Belgium	Belgium	
<b>EFI Brazil LTDA</b> Av. Ayrton Senna 3000 Bloco2-Sala 412 Edifício via Purque Offices Barra da Tijuca Rio da Janiero RJ CEP 22775-001	Brazil	Electronics for Imaging do Brazil
<b>EFI (Canada), Inc.</b> Box 25 Commerce Court West Toronto, Ontario, Canada M5L 1A9	Canada	
<b>Electronics for Imaging, International</b> PW Corporate Services (Cayman) Ltd PO Box 258 First Home Tower British American Centre George Town Grand Cayman, Cayman Islands	Cayman Islands	
<b>Printcafe Software, Inc.</b> 40 24th Street Pittsburgh, PA 15222	Delaware	
<b>Electronics for Imaging France SARL</b> Immeuble Atria 5, Place des Marseillais 94227 Charenton-le-Pont Cedex	France	EPLI
<b>Electronics for Imaging GmbH</b> Kaiserswertherstr Strasse 115 D-40880 Ratingen Duesseldorf, Germany	Germany	EFI Deutschland

<b>Best GmbH</b> Kaiserswertherstr Strasse 115 D-40880 Ratingen Duesseldorf, Germany	Germany	
<b>Electronics for Imaging India Private Limited</b> 427, 16 Main, 3 Cross, 3 Block Koramangala, Bangalore, Karnataka 560 038	India	
<b>EFI Ireland Imaging Solutions Investment Company Ltd</b> Harcourt Centre Harcourt Street Dublin 2 Ireland	Ireland	
<b>EFI Israel Limited</b> 1 Carlebach Street Tel Aviv 97132, Israel	Israel	
<b>Electronics for Imaging Italia SRL</b> Centro Direzionale Milano Fiori Strada 6, Palazzo E3 20090 Assago (Milano) Italy	Italy	
<b>EFI KK</b> Shinjuku Island Wing 13F 3-1 Nishi-Shinjuku 6-chome Shinjuku-ku Tokyo 160-0023 Japan	Japan	Electronics for Imaging KK
<b>Electronics for Imaging Korea Co., Ltd.</b> 37th Floor, ASEM Tower 159-1 Samsung-dong, Gangnam-gu Seoul, Korea 135-798	Korea	
<b>EFI Luxembourg SARL</b> 2 Rue Hackin L-1746 Luxembourg	Luxembourg	
<b>Bestcolor Asia Sdn Bhd</b> 12 Ground Floor, Equatorial 1, Jalan Bukit Jambur, Gyan Lepas 11900, Penang, Malaysia	Malaysia	
<b>Electronics for Imaging, B.V.</b> 201-207 Boeing Avenue 1119 PD Schiphol-Rijk The Netherlands	Netherlands	

<b>Electronics for Imaging Investments S.à.r.l.</b> 2 Rue Hackin L-1746 Luxembourg	Netherlands	
<b>T/R Systems, Holland B.V.</b> Luchthavenweg 18 B 5657 EB Eindhoven The Netherlands	Netherlands	
<b>VUTEk, Inc.</b> One Vutek Place Meredith, NH, 03253	New Hampshire	
<b>Inkware LLC</b> One Vutek Place Meredith, NH, 03253	New Hampshire	
<b>Electronics for Imaging Singapore Pte Ltd</b> 5 Shenton Way #21-12 UIC Building Singapore 068808	Singapore	
<b>Electronics for Imaging España S.L.</b> Parque Impresarial San Fernando Edificio Francia 28883 L Madrid Spain	Spain	
<b>Electronics for Imaging AB</b> Frösundaviks Allé 15 4tr 169 70 Solna Sweden	Sweden	Electronics for Imaging Sweden
<b>Electronics for Imaging Holding GmbH</b> ATAG Ernst & Young AG Attn: Thomas Rast Bundesstrasse 3 CH – 6304 Zug	Switzerland	
<b>Electronics for Imaging (Europe) Limited</b> Stonebridge House Padbury Oaks Old Bath Road Longford, Middlesex UB7 0EW United Kingdom	UK	Electronics for Imaging UK
<b>Printcafe UK Limited</b> Stonebridge House Padbury Oaks, Old Bath Road Longford, Middlesex, UB7 0EW United Kingdom	UK	
<b>Vutek Offshore Limited</b>	Barbados	

\* All of the listed subsidiaries are 100% wholly-owned subsidiaries of EFI.

\*\* “Doing Business As” names above have been listed only where they differ from the name of the subsidiary.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-11685, 33-88135, 333-49298, 333-106422, 333-110245, 333-112011, 333-113629, 333-116548, 333-125081 and 333-130969) and the Registration Statement on Form S-3 (No. 333-108343) of Electronics for Imaging, Inc. of our report dated March 16, 2006 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting which appears in this Form 10-K.

**PricewaterhouseCoopers LLP**

San Jose, California  
March 16, 2006

CERTIFICATION

I, Guy Gecht, Chief Executive Officer, certify that:

1. I have reviewed this Annual report on Form 10-K of Electronics for Imaging, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 16, 2006

/s/ Guy Gecht  
Guy Gecht  
Chief Executive Officer

CERTIFICATION

I, Joseph Cutts, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Electronics for Imaging, Inc. (the registrant);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 16, 2006

/s/ Joseph Cutts  
Joseph Cutts  
Chief Financial Officer

**CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Electronics for Imaging, Inc. (the “Company”), on Form 10–K for the year ended December 31, 2005 (the “Report”), I, Guy Gecht, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 that: (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 16, 2006  
Date

/s/ Guy Gecht  
Guy Gecht  
Chief Executive Officer

**CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Electronics for Imaging, Inc. (the “Company”), on Form 10–K for the year ended December 31, 2005 (the “Report”), I, Joseph Cutts, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 that: (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 16, 2006  
Date

/s/ Joseph Cutts  
Joseph Cutts  
Chief Financial Officer

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