

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): December 7, 2005

AVID TECHNOLOGY, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware                            0-21174                            04-2977748  
(State or Other Jurisdiction of        (Commission File Number)        (I.R.S. Employer  
Incorporation)    Identification No.)

Avid Technology Park, One Park West, Tewksbury, MA 01876  
(Address of Principal Executive Offices)                            (zip code)

Registrant's telephone number, including area code: (978) 640-6789

(Former Name or Former Address, if Changed Since Last Report)

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

- / / Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- / / Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- / / Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- / / Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01. Entry into a Material Definitive Agreement.

2006 Bonus Plan

On December 7, 2005, the independent members of the Board of Directors of Avid Technology, Inc. (the "Company") approved the Avid Technology, Inc. 2006 Bonus Plan (the "Plan"). All employees (other than temporary employees, employees hired after September 30, 2006, certain employees hired as a result of acquisitions and employees who are covered by a sales compensation or commission-based plan) are eligible to participate in the Plan, including all of the Company's executive officers. Eligible employees must remain employed by the Company at the time awards are paid out under the Plan in order to receive their awards, if any. The Company may modify, amend, revoke or suspend the Plan at any time at its sole discretion.

The purpose of the Plan is to reward employees for helping the Company to achieve certain financial goals for 2006, as well as for individual performance and contributions. Under the terms of the Plan, the Company must achieve revenue and operating profit above a specified level in order for any bonuses to be paid under the Plan.

An individual participant's bonus payout under the Plan ("Bonus Payout") is based on three factors: the participant's "Target Award" (as defined below), the results of the participant's business unit ("Business Unit Performance"), and the participant's individual performance ("Individual Performance"). Mathematically, this can be represented as:

Bonus Payout = Target Award X Business Unit Performance X Individual Performance

Target Awards range from 5% to 140% of a participant's base salary, based on the organizational structure of the Company.

For purposes of the Plan, all participants are grouped into one of four business units: corporate, audio, consumer and video. For each of the business units, Business Unit Performance is measured by revenue and operating profit. As a threshold matter, for all business units, 2006 revenues must be greater than 2005 revenues (as may be adjusted by the Board for any acquisitions made by the Company) for any Bonus Payouts to be made to participants in that business unit.

Business Unit Performance is also measured by operating profit. Once a business unit meets an established minimum operating profit threshold ("Threshold Operating Profit"), participants in that business unit become eligible to receive a percentage of their Target Awards up to 100% if the target operating profit ("Target Operating Profit") is achieved, subject to their position within that business unit and further subject to their Individual Performance, each as described below. Specific Threshold and Target Operating Profits are set for each of the corporate, video, consumer and audio business units. The Target Operating Profit for the corporate business unit is the sum of the Target Operating Profits of the Company's audio, consumer and video business units. If the corporate business unit exceeds its Target Operating Profit, for every \$1.00 of incremental profit in excess of the corporate business unit's Target Operating Profit, an additional \$0.15 is distributed among all participants whose business units exceeded their Target Operating Profits.

The Business Unit Performance component of a participant's Bonus Payout is determined as follows: (1) for executive officers and other corporate vice presidents, 100% of the Business Unit Performance component is based on the results of the corporate business unit; (2) for vice presidents in the audio, consumer and video business units, 75% of the Business Unit Performance component is based on the results of their respective business unit and the remaining 25% is based on corporate business unit results; and (3) for participants below the vice president level, 100% of the Business Unit Performance component is based on the results of their business unit.

Finally, there is an Individual Performance component to the Bonus Payout. Based on the subjective evaluation (by the Board for all executive officers, and by management for all other participants) of the participant's overall performance and contributions to the Company, a multiplier ranging from 0 to 1.2 is applied to the participant's Target Award in order to determine the participant's Bonus Payout. Accordingly, this Individual Performance component may increase a participant's Bonus Payout by as much as 20% of such participant's Target Award or, in other circumstances, reduce the award to zero.

Bonus Payouts under the Plan will be determined after financial results for 2006 are publicly released, which is currently anticipated to be in February 2007. Bonus Payouts, if any, are expected to be paid in February 2007.

The full text of the Plan is attached as Exhibit 10.1 to this Current Report on Form 8-K.

#### Board of Director Compensation

On December 7, 2005, the Company's Board of Directors approved modifications to the annual cash compensation for non-employee members of the Board of Directors. Effective January 1, 2006, the annual cash compensation is as follows:

- o a \$25,000 annual retainer for each non-employee director;
- o a \$30,000 annual retainer for the Chair of the Board of Directors (in addition to the \$25,000 annual retainer paid to all non-employee directors);
- o a \$10,000 annual retainer for the Chair of each of the Audit, Nominating and Governance, Strategy and Compensation Committees of the Board of Directors (provided that the Chair of such committee is a non-employee director);
- o a payment of \$1,500 to each non-employee member of the Board of Directors for each meeting attended; and
- o a payment of \$1,500 to each non-employee member of the Audit, Nominating and Governance, Strategy and Compensation Committees for each meeting attended.

The equity compensation that each non-employee member of the Board of Directors receives has not changed. On the date of the Company's annual meeting of stockholders, each non-employee member of the Board of Directors receives a non-qualified stock option grant to purchase 10,000 shares of the Company's Common Stock, provided such Board member has served a minimum of six months on the Board of Directors. In addition, upon initial election to the Board of Directors, non-employee members of the Board of Directors receive a non-qualified stock option grant to purchase 10,000 shares of the Company's Common Stock. The stock options described above will be issued pursuant to the Company's 2005 Stock Incentive Plan, which was approved by the Company's Board of Directors on April 13, 2005 and by the Company's stockholders on July 27, 2005.

**Item 9.01. Financial Statements and Exhibits**

**(d) Exhibits**

See Exhibit Index attached hereto.

SIGNATURE

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

Date: December 13, 2005

AVID TECHNOLOGY, INC.  
(Registrant)

By: /s/ Ethan E. Jacks

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Ethan E. Jacks  
Vice President and  
Chief Legal Officer

EXHIBIT INDEX

Exhibit No	Description
#10.1	Avid Technology, Inc. 2006 Employee Bonus Plan
-	# Management contract or compensatory plan

AVID TECHNOLOGY, INC.  
Avid Technology Park  
One Park West  
Tewksbury, MA 01876

## 2006 EMPLOYEE BONUS PLAN

On December 7, 2005, the independent members of the Board of Directors (the "Board") of Avid Technology, Inc. (the "Company") adopted this 2006 Employee Bonus Plan (the "Plan").

### PURPOSE OF THE PLAN

The purpose of this Plan is: (1) to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate talented employees and (2) to reward employees for helping the Company to achieve certain financial goals for 2006, as well as for individual performance and contributions. Except where the context otherwise requires, the term "Company" includes any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board.

### ADMINISTRATION

The Plan is administered by the Board. The Board has the exclusive right to administer, interpret and decide any and all matters arising under or in connection with the Plan including, without limitation, the right to modify, amend, revoke or suspend the Plan at any time in its sole discretion. All decisions by the Board are made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan. No director or person acting pursuant to the authority delegated by the Board will be liable for any action or determination relating to or under the Plan made in good faith.

To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company such powers under the Plan as the Board may determine in its discretion, provided that the Board shall determine the Bonus Payout (as defined below) for each executive officer of the Company.

To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (each, a "Committee"). All references in the Plan to the "Board" means the Board or a Committee of the Board or the executive officer referred to in the immediately preceding paragraph to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or executive officer.

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### ELIGIBILITY

All Company employees (other than temporary employees, employees hired after September 30, 2006 and employees who are covered by a sales compensation or commission-based plan) are eligible to participate in the Plan, including all of the Company's executive officers. Eligible employees must be employed by the Company at the time awards are paid out under the Plan in order to receive their award, if any. Each such eligible employee is deemed a "Participant" in the Plan.

### BONUS PAYMENTS

A Participant's bonus payout under the 2006 Bonus Plan ("Bonus Payout") is based on three factors, each as defined below: (1) the Participant's Target Award; (2) the financial performance of the Participant's Business Unit ("Business Unit Performance"); and (3) the Participant's individual performance ("Individual Performance").

Target Award. A "Participant's Target Award" is an amount between 5% and 140% of a Participant's base salary, based on various factors (as determined by the Board for all executive officers, and by management for all other Participants), including the Participant's role and position within the organizational structure of the Company. The "Company Target Award" or a "Business Unit Target Award" is the sum of the Target Awards for all Participants in the Company or such business unit, as the case may be.

Business Unit Performance. The Business Unit Performance component of a Participant's Bonus Payout is an objective measurement of a business unit's financial results based on both revenue and operating profit, as further discussed below.

Individual Performance. Based on the subjective evaluation (by the Board for all executive officers, and by management for all other Participants) of the Participant's overall performance and contributions to the Company, a multiplier ranging from 0 to 1.2 is applied to the Participant's Target Award in order to determine the Participant's Bonus Payout. Accordingly, this Individual Performance component may increase a Participant's Bonus Payout by as much as 20% of such Participant's Target Award or, in other circumstances, reduce the award to zero.

#### PLAN GOALS AND MEASUREMENT

For purposes of the Plan, all Participants are grouped into one of four business units: Corporate, Audio, Consumer or Video. For each of the business units, Business Unit Performance is measured by both revenue and operating profit. In order for a Participant to receive a bonus, revenue and operating profit for the Company and the Participant's business unit must exceed minimum amounts established by the Board, as further described below.

As a threshold matter, for all business units, the Company's (1) 2006 revenues must exceed the Company's 2005 revenues (as may be adjusted by the Board for any acquisitions made by the Company) and (2) 2006 operating profit must exceed a minimum amount established by the Board for any Bonus Payout to be made to any Participant.

Business Unit Performance is measured by revenue and operating profit. Once a business unit meets a minimum revenue threshold and a minimum operating profit threshold ("Threshold Operating Profit"), each as established by the Board, Participants in that business unit become eligible to receive a percentage of their Target Awards (up to 100%) if the target operating profit ("Target Operating Profit") is achieved, subject to their Individual Performance. The Target Operating Profit is an amount set by the Board which exceeds the Threshold Operating Profit and is based on the Company's operating plan for 2006.

The Threshold Operating Profit and Target Operating Profit levels are set by the Board for the Video, Consumer, Audio and Corporate business units. The Target Operating Profit for the Corporate business unit is the sum of the Target Operating Profits for the Audio, Consumer and Video business units.

If the Corporate business unit exceeds its Target Operating Profit, 15% of such excess amount (the "Over-Achievement Pool") will be added to the total bonus pool available for all Participants whose business unit exceeds its Target Operating Profit (each, a "Qualifying Business Unit"). The Over-Achievement Pool will first be divided between the Corporate business unit and the other Qualifying Business Unit(s) in proportion to each unit's Target Award. The portion of the Over-Achievement Pool that is allocated to the non-Corporate Qualifying Business Unit(s) will then be divided proportionally based on each non-Corporate Qualifying Business Unit's contribution to operating profit in excess of the Target Operating Profit.

The Business Unit Performance component of a Participant's Bonus Payout is determined as follows: (1) for executive officers of the Company and vice presidents in the Corporate business unit, 100% of the Business Unit Performance component is based on the results of the Corporate business unit; (2) for vice presidents in the Audio, Consumer and Video business units, 75% of the Business Unit Performance component is based on the results of their respective business unit and the remaining 25% is based on the Corporate business unit results; and (3) for all Participants below the vice president level, 100% of the Business Unit Performance component is based on the results of their respective business unit.

#### PRO-RATED BONUS PAYOUTS

Bonus Payouts may be pro-rated under the following circumstances:

1. Any salary change occurring in the year will be automatically pro-rated, as Bonus Payouts are calculated on the actual base salary paid during 2006. For purposes of the Plan, actual base salary includes regular wages, vacation, sick time and holiday time, but not leave of absence pay, overtime, shift differential or other premium pay.

2. If a Participant is hired after January 1, 2006, the Participant's Bonus Payout will be pro-rated to include only that portion of the year for which the Participant was employed by the Company. For example, if the Participant is hired on July 1, 2006, the Participant's Bonus Payout will be based on a half year's base salary.
3. If a Participant transfers between business units during the year, the Participant's Bonus Payout will be pro-rated for the time spent in each business unit.
4. If an individual in a temporary position becomes an employee, the Participant's Bonus Payout will be calculated on the actual base salary paid after becoming an employee.
5. If a Participant is promoted after January 1, 2006 to a position with a higher Target Award, the Bonus Payout will be adjusted to account for the portion of the year spent at each position.
6. If a Participant is on an approved leave of absence for part of the year, the Participant's Bonus Payout will be calculated based on the actual base salary paid during the year. Employees who are on an approved leave of absence on the Bonus Payout date will be considered to be employed for purposes of this Plan.
7. If a Participant becomes disabled and qualifies for benefits under the Company's long-term disability plan, the Participant's Bonus Payout will be calculated on the actual base salary paid while on the Company payroll as an employee.
8. For employees that are hired during the year as a result of an acquisition, initial eligibility for participation in the Plan will be determined on a deal-by-deal basis.

#### TIMING OF PLAN PAYOUT

Bonus Payouts under the Plan will be determined after the Company's financial results for 2006 are publicly released, which is currently anticipated to be in February 2007. Bonus Payouts, if any, are expected to be paid in February 2007.

#### MISCELLANEOUS

Nothing in this Plan will be construed as creating an employment relationship between a Participant and the Company, nor is the Plan intended to be a guarantee of any kind of compensation or any other binding commitment of the Company. The Company may modify Bonus Payouts or establish separate procedures for Participants who are foreign nationals or who are employed outside the United States in order to comply with laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, currency, employee benefits or other matters. The provisions of this Plan and all awards made hereunder shall be governed by, and interpreted in accordance with, the laws of The Commonwealth of Massachusetts, without regard to the rules governing conflicts of law.