
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

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

For the transition period from _____ to _____

Commission File Number: 0-21174

Avid Technology, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

04-2977748

(I.R.S. Employer
Identification No.)

**Avid Technology Park, One Park West
Tewksbury, Massachusetts 01876**

(Address of Principal Executive Offices, Including Zip Code)

(978) 640-6789

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock as of November 3, 2008 was 37,098,933.

AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED September 30, 2008

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This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained herein regarding our strategy, future plans or operations, financial position, future revenues, projected costs, prospects and objectives of management, other than statements of historical facts, may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations expressed or implied in forward-looking statements. There are a number of factors that could cause actual events or results to differ materially from those indicated or implied by such forward-looking statements, many of which are beyond our control, including the factors discussed in Part I - Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007, and as referenced in Part II - Item 1A of this report. In addition, the forward-looking statements contained herein represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net revenues:				
Products	\$183,686	\$198,817	\$540,977	\$ 583,630
Services	33,380	28,009	97,218	87,420
Total net revenues	<u>217,066</u>	<u>226,826</u>	<u>638,195</u>	<u>671,050</u>
Cost of revenues:				
Products	94,303	93,397	272,004	279,100
Services	18,744	16,054	55,760	49,487
Amortization of intangible assets	1,249	4,096	6,773	13,329
Restructuring costs	—	2,797	—	2,797
Total cost of revenues	<u>114,296</u>	<u>116,344</u>	<u>334,537</u>	<u>344,713</u>
Gross profit	<u>102,770</u>	<u>110,482</u>	<u>303,658</u>	<u>326,337</u>
Operating expenses:				
Research and development	37,825	36,471	115,307	112,657
Marketing and selling	53,638	48,832	159,224	157,031
General and administrative	19,734	20,514	61,169	56,064
Amortization of intangible assets	3,307	3,432	10,017	10,295
Impairment of goodwill and intangible asset	51,257	—	51,257	—
Restructuring costs, net	2,107	6,297	4,107	8,072
Total operating expenses	<u>167,868</u>	<u>115,546</u>	<u>401,081</u>	<u>344,119</u>
Operating loss	<u>(65,098)</u>	<u>(5,064)</u>	<u>(97,423)</u>	<u>(17,782)</u>
Interest income	621	2,100	2,930	6,126
Interest expense	(134)	(226)	(413)	(448)
Other income (expense), net	20	106	88	220
Loss before income taxes	<u>(64,591)</u>	<u>(3,084)</u>	<u>(94,818)</u>	<u>(11,884)</u>
Provision for (benefit from) income taxes, net	1,800	2,769	3,106	(52)
Net loss	<u>\$ (66,391)</u>	<u>\$ (5,853)</u>	<u>\$ (97,924)</u>	<u>\$ (11,832)</u>
Net loss per common share – basic and diluted	<u>\$ (1.80)</u>	<u>\$ (0.14)</u>	<u>\$ (2.59)</u>	<u>\$ (0.29)</u>
Weighted-average common shares outstanding – basic and diluted	36,960	40,798	37,739	40,963

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,762	\$ 208,619
Marketable securities	26,672	15,841
Accounts receivable, net of allowances of \$20,390 and \$20,784 at September 30, 2008 and December 31, 2007, respectively	112,144	138,692
Inventories	122,867	117,324
Deferred tax assets, net	1,740	1,873
Prepaid expenses	10,467	9,967
Other current assets	23,476	24,948
Total current assets	393,128	517,264
Property and equipment, net	41,734	46,160
Intangible assets, net	49,980	71,427
Goodwill	313,924	360,584
Other assets	10,801	10,518
Total assets	\$ 809,567	\$ 1,005,953
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 29,471	\$ 34,992
Accrued compensation and benefits	36,237	30,724
Accrued expenses and other current liabilities	41,502	49,319
Income taxes payable	11,264	13,869
Deferred revenues	79,963	79,771
Total current liabilities	198,437	208,675
Long-term liabilities	16,197	17,495
Total liabilities	214,634	226,170
Contingencies (Note 11)		
Stockholders' equity:		
Common stock	423	423
Additional paid-in capital	977,735	968,339
Accumulated deficit	(264,024)	(155,722)
Treasury stock at cost, net of reissuances	(126,327)	(45,823)
Accumulated other comprehensive income	7,126	12,566
Total stockholders' equity	594,933	779,783
Total liabilities and stockholders' equity	\$ 809,567	\$ 1,005,953

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (97,924)	\$ (11,832)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	34,005	40,200
Impairment of goodwill and intangible asset	51,257	—
Provision for doubtful accounts	1,407	742
Non-cash provision for restructuring	16	2,857
Loss (gain) on disposal of fixed assets	19	(109)
Compensation expense from stock grants and options	10,829	12,091
Changes in deferred tax assets and liabilities	(561)	(2,854)
Changes in operating assets and liabilities:		
Accounts receivable	21,878	643
Inventories	(5,583)	8,409
Prepaid expenses and other current assets	715	(3,484)
Accounts payable	(5,472)	1,066
Accrued expenses, compensation and benefits and other liabilities	(3,941)	4,895
Income taxes payable	(2,281)	(2,333)
Deferred revenues	225	8,695
Net cash provided by operating activities	4,589	58,986
Cash flows from investing activities:		
Purchases of property and equipment	(12,449)	(20,253)
Payments for other long-term assets	(1,215)	(1,467)
Payments for business acquisitions	—	(529)
Purchases of marketable securities	(42,707)	(6,351)
Proceeds from sales of marketable securities	31,772	40,789
Net cash (used in) provided by investing activities	(24,599)	12,189
Cash flows from financing activities:		
Payments on capital lease obligations	—	(51)
Purchases of common stock for treasury	(93,187)	(23,687)
Proceeds from issuance of common stock under employee stock plans	2,102	10,139
Net cash used in financing activities	(91,085)	(13,599)
Effect of exchange rate changes on cash and cash equivalents	(1,762)	(1,766)
Net (decrease) increase in cash and cash equivalents	(112,857)	55,810
Cash and cash equivalents at beginning of period	208,619	96,279
Cash and cash equivalents at end of period	\$ 95,762	\$ 152,089

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Avid Technology, Inc. and its wholly owned subsidiaries (collectively, "Avid" or the "Company"). These financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of only normal, recurring adjustments, necessary for their fair statement. Interim results are not necessarily indicative of results expected for a full year. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and footnotes necessary for a complete presentation of operations, financial position and cash flows of the Company in conformity with generally accepted accounting principles. The accompanying condensed consolidated balance sheet as of December 31, 2007 was derived from Avid's audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 2007 in its 2007 Annual Report on Form 10-K, which included all information and footnotes necessary for such presentation. The financial statements contained in this Form 10-Q should be read in conjunction with the audited consolidated financial statements in the Form 10-K.

The Company's preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates reflected in these financial statements include asset impairments, restructuring costs, accounts receivable and sales allowances, stock-based compensation, inventory valuation, income tax asset valuation allowances and purchase accounting. Actual results could differ from the Company's estimates.

2. NET INCOME (LOSS) PER COMMON SHARE

Basic and diluted net income (loss) per common share are as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss	\$ (66,391)	\$ (5,853)	\$ (97,924)	\$ (11,832)
Weighted-average common shares outstanding – basic and diluted	36,960	40,798	37,739	40,963
Net loss per common share – basic and diluted	\$ (1.80)	\$ (0.14)	\$ (2.59)	\$ (0.29)

The following table sets forth (in thousands) potential common shares, on a weighted-average basis, that are considered anti-dilutive securities and are excluded from the diluted net loss per share calculations because the sum of the exercise price per share and the unrecognized compensation cost per share is greater than the average market price of the Company's common stock for the relevant period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Options	2,823	2,855	2,787	2,818
Warrant (a)	424	1,155	906	1,155
Non-vested restricted stock and restricted stock units	460	107	646	29
Anti-dilutive potential common shares	<u>3,707</u>	<u>4,117</u>	<u>4,339</u>	<u>4,002</u>

(a) In connection with the acquisition of Softimage Inc. in 1998, the Company issued a ten-year warrant to purchase 1,155,235 shares of the Company's common stock at a price of \$47.65 per share. Weighted-average potential common share amounts for the three and nine months ended September 30, 2008 reflect expiration of the warrant on August 3, 2008.

Certain stock options and restricted stock units granted to executive officers include shares that vest based on performance and market conditions and are considered contingently issuable. The following table sets forth (in thousands) potential common shares, on a weighted-average basis, that are related to such contingently-issuable stock options and restricted stock units and were excluded from the calculation of diluted net loss for the three and nine months ended September 30, 2008.

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Performance-based options	1,326	1,115
Performance-based restricted stock units	21	19
Potential common shares from performance-based grants	<u>1,347</u>	<u>1,134</u>

The following table sets forth (in thousands) common stock equivalents that were excluded from the calculation of diluted net loss per share because the effect would be anti-dilutive due to the net loss for the relevant period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Options	141	397	159	520
Non-vested restricted stock and restricted stock units	57	38	19	38
Anti-dilutive common stock equivalents	<u>198</u>	<u>435</u>	<u>178</u>	<u>558</u>

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but its provisions apply to all other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 is effective for the Company's fiscal year beginning January 1, 2008 and for interim periods within that year. In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, *Effective Date of FASB Statement No. 157*, which delayed for one year the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 for the Company's financial assets and liabilities on January 1, 2008 did not have a material impact on the Company's financial position or results of operations. In accordance with FSP No. 157-2, the Company has not applied the provisions of SFAS No. 157 to the goodwill and intangible assets tested for impairment and measured at fair value during the three months ended September 30, 2008 (see Note 4). The Company has not yet determined the impact on its financial statements of the January 1, 2009 adoption of SFAS No. 157 as it pertains to non-financial assets and non-financial liabilities.

SFAS No. 157 establishes a fair value hierarchy that requires the use of observable market data, when available, and prioritizes the inputs to valuation techniques used to measure fair value in the following categories:

- Level 1 – Quoted unadjusted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all observable inputs and significant value drivers are observable in active markets.
- Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable, including assumptions developed by the Company.

The following table summarizes the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2008 (in thousands):

	September 30, 2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Available for sale securities	\$ 65,483	\$ 15,615	\$ 49,868	\$ —
Deferred compensation plan investments	750	750	—	—
Foreign currency forward contracts	36	—	36	—
Financial Liabilities:				
Deferred compensation plan	\$ 750	\$ 750	\$ —	\$ —

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As part of the purchase accounting allocation for the August 2005 acquisition of Pinnacle, goodwill of approximately \$131.1 million was allocated to the Company's Consumer Video segment. In December 2006, the Company recorded a \$53.0 million goodwill impairment charge, and the remaining goodwill balance allocated to the Consumer Video segment was \$78.1 million. In September 2008, as a result of a decrease in market value for, and the expected sale of, the Company's TV-over-PC viewing products (see Note 16), which have historically accounted for a significant portion of Consumer Video segment revenues, the Company tested the goodwill assigned to its Consumer Video segment for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. An estimate of the fair value of the Consumer Video business unit was calculated based on a multiple-of-revenues technique similar to that used in valuing the 2005 acquisition of Pinnacle and updated for current revenue projections. The fair value was then allocated among the Consumer Video tangible and intangible assets and liabilities to determine the implied fair value of the goodwill. Because the book value of the Consumer Video goodwill exceeded the implied fair value by \$46.6 million, the Company recorded this amount as an impairment loss, reducing the Consumer Video goodwill to \$31.6 million at September 30, 2008. As a result of the Company's annual goodwill testing in the fourth quarter and the expected sale of the Company's TV-over-PC viewing and Softimage products, additional goodwill impairment testing will take place during the three months ending December 31, 2008, which could result in the recording of additional impairment charges.

Changes in the carrying amount of the Company's goodwill consisted of the following for the nine months ended September 30, 2008 (in thousands):

	<u>Total</u>
Goodwill balance at December 31, 2007	\$ 360,584
Consumer Video impairment	(46,600)
Revised restructuring estimates	(342)
Deferred tax liability adjustments, net	<u>282</u>
Goodwill balance at September 30, 2008	<u>\$ 313,924</u>

Amortizable Identifiable Intangible Assets

As part of the purchase accounting allocation for the August 2005 acquisition of Pinnacle, the Company recorded \$123.1 million for identifiable intangible assets, including developed technology, customer relationships, trade names and in-process research and development, of which \$59.4 million was related to the Company's Consumer Video segment. In September 2008, as a result of a decrease in market value for, and the expected sale of, the Company's TV-over-PC viewing products (see Note 16), which have historically accounted for a significant portion of Consumer Video segment revenues, the Company tested the Consumer Video identifiable intangible assets for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This analysis included grouping the intangible assets with other operating assets and liabilities in the Consumer Video business that would not otherwise be subject to impairment testing because the grouped assets and liabilities represent the lowest level for which cash flows are largely independent of the cash flows of other groups of assets and liabilities within the Company. This analysis determined that the undiscounted cash flows of the Consumer Video net asset groups were less than the carrying value, indicating that a possible impairment loss had occurred. The current fair values of the identifiable intangible assets were then determined using the income approach based on revised cash flows discounted to present value. As a result, the Company determined that the trade name intangible asset was impaired and recorded a charge of \$4.7 million to write this asset down to its current fair value. As a result of the expected sale of the Company's TV-over-PC viewing and Softimage products, additional identifiable intangible asset impairment testing may take place during the three months ending December 31, 2008, which could result in the recording of additional impairment charges.

Amortizable identifiable intangible assets resulting from the Company's acquisitions consisted of the following at September 30, 2008 and December 31, 2007 (in thousands):

	<u>September 30, 2008</u>			<u>December 31, 2007</u>		
	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Completed technologies and patents	\$ 65,727	\$ (61,316)	\$ 4,411	\$ 65,727	\$ (54,099)	\$ 11,628
Customer relationships	71,701	(32,210)	39,491	71,701	(25,205)	46,496
Trade names (a)	16,659	(10,677)	5,982	21,316	(8,284)	13,032
Non-compete covenants	—	—	—	1,704	(1,637)	67
License agreements	560	(464)	96	560	(356)	204
	<u>\$154,647</u>	<u>\$ (104,667)</u>	<u>\$ 49,980</u>	<u>\$161,008</u>	<u>\$ (89,581)</u>	<u>\$ 71,427</u>

(a) A \$4.7 million trade name impairment charge recorded during the three months ended September 30, 2008 has been deducted from the September 30, 2008 gross amount.

Amortization expense related to all intangible assets in the aggregate was \$4.6 million and \$7.5 million, respectively, for the three-month periods ended September 30, 2008 and 2007, and \$16.8 million and \$23.6 million, respectively, for the nine-month periods ended September 30, 2008 and 2007. The Company expects amortization of these intangible assets to be approximately \$4 million for the remainder of 2008, \$15 million in 2009, \$10 million in 2010, \$9 million in 2011, \$4 million in 2012, \$2 million in 2013 and \$6 million thereafter.

5. ACCOUNTS RECEIVABLE

Accounts receivable, net of allowances, consisted of the following at September 30, 2008 and December 31, 2007 (in thousands):

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Accounts receivable	\$ 132,534	\$ 159,476
Less:		
Allowance for doubtful accounts	(2,604)	(2,160)
Allowance for sales returns and rebates	(17,786)	(18,624)
	<u>\$ 112,144</u>	<u>\$ 138,692</u>

The accounts receivable balances at September 30, 2008 and December 31, 2007 excluded approximately \$25.6 million and \$24.6 million, respectively, for large solution sales and certain distributor sales that were invoiced, but for which revenues had not been recognized and payments were not then due.

6. INVENTORIES

Inventories consisted of the following at September 30, 2008 and December 31, 2007 (in thousands):

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Raw materials	\$ 27,450	\$ 31,316
Work in process	9,214	6,179
Finished goods	86,203	79,829
	<u>\$ 122,867</u>	<u>\$ 117,324</u>

At September 30, 2008 and December 31, 2007, the finished goods inventory included inventory at customer locations of \$19.6 million and \$22.8 million, respectively, associated with products shipped to customers for which revenues had not yet been recognized.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following at September 30, 2008 and December 31, 2007 (in thousands):

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Computer and video equipment and software	\$ 120,255	\$ 116,413
Manufacturing tooling and testbeds	6,899	7,748
Office equipment	3,417	3,741
Furniture and fixtures	11,639	13,314
Leasehold improvements	30,890	30,762
	173,100	171,978
Less accumulated depreciation and amortization	(131,366)	(125,818)
	<u>\$ 41,734</u>	<u>\$ 46,160</u>

8. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at September 30, 2008 and December 31, 2007 (in thousands):

	September 30, 2008	December 31, 2007
Long-term deferred tax liabilities	\$ 7,492	\$ 7,430
Long-term deferred revenue	4,609	4,581
Long-term deferred rent	2,552	3,008
Long-term accrued restructuring	1,544	2,476
	<u>\$ 16,197</u>	<u>\$ 17,495</u>

9. ACCOUNTING FOR STOCK-BASED COMPENSATION

Stock Incentive Plan

At the Company's 2008 Annual Stockholder Meeting held on May 21, 2008, the Company's stockholders approved the Company's Amended and Restated 2005 Stock Incentive Plan (the "Plan"). Under the Plan, the Company is authorized to issue, subject to adjustment in the event of stock splits and other similar events, up to 8,000,000 shares of the Company's common stock plus:

- an aggregate of 168,143 shares that remained available for issuance as of May 21, 2008 under the Company's 1993 Director Stock Option Plan, as amended; the Company's 1998 Stock Option Plan; the Company's Amended and Restated 1999 Stock Option Plan; and the Company's Midiman, Inc. 2002 Stock Option/Stock Issuance Plan (the "Existing Plans"); and
- any shares subject to awards granted under the Existing Plans, which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right.

No further awards will be granted under the Existing Plans from and after May 21, 2008. Under the Plan, the Company may grant stock awards or options to purchase the Company's common stock to employees, officers, directors (subject to certain restrictions) and consultants, generally at the market price on the date of grant. The options become exercisable over various periods, typically four years for employees and one year for non-employee directors, and have a maximum term of seven years. Restricted stock and restricted stock unit awards typically vest over four years. As of September 30, 2008, 5,345,827 shares were available for issuance under the Plan, including 971,626 shares that may alternatively be issued as awards of restricted stock or restricted stock units.

The Company records stock-based compensation expense in accordance with SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. The following table sets forth the weighted-average key assumptions and fair value results for stock options with time-based vesting granted during the three- and nine-month periods ended September 30, 2008 and 2007:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	2.87%	4.63%	2.57%	4.77%
Expected volatility	41.9%	30.0%	40.0%	32.4%
Expected life (in years)	4.55	4.27	4.46	4.35
Weighted-average fair value of options granted	\$7.63	\$10.49	\$8.22	\$11.56

In December 2007, the Company issued a stock option to purchase 625,000 shares of Avid common stock to the Company's new chief executive officer that has vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for this option were recorded based on a Monte Carlo valuation with an assumed volatility of 32.80% and a risk-free interest rate of 3.93%. The weighted-average fair value of this grant is \$6.60 and the expected lives range from 3.25 to 4.98 years with a weighted average of 4.44 years.

During the three months ended March 31, 2008, the Company issued stock options to purchase 490,000 shares of Avid common stock to newly hired officers of the Company that have vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for these options were recorded based on a Monte Carlo valuation with a weighted-average volatility of 38.44% and a risk-free interest rate of 3.42%. The weighted-average fair value of these grants is \$7.11 and the expected lives range from 2.81 to 4.97 years with a weighted average of 4.26 years.

Also during the three months ended March 31, 2008, the Company issued 27,200 restricted stock units to executives as part of the Company's annual grant program that have vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for these restricted stock units were estimated using the Monte Carlo valuation method using a volatility of 38.95% and a risk-free interest rate of 3.29%. For restricted stock units with vesting based on a combination of performance and market conditions, compensation costs were also estimated using the intrinsic value on the date of grant factored for probability. Compensation costs for each vesting tranche were recorded based on the higher estimate. The weighted-average fair value of these restricted stock units is \$18.61 and the derived service periods range from 3.04 to 4.75 years with a weighted average of 4.17 years.

During the three months ended September 30, 2008, the Company issued stock options to purchase 252,000 shares of Avid common stock to newly hired officers of the Company that have vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for these options were recorded based on a Monte Carlo valuation with a weighted-average volatility of 41.69% and a risk-free interest rate of 3.69%. The weighted-average fair value of these grants is \$5.53 and the expected lives range from 2.96 to 5.09 years with a weighted average of 4.46 years.

In accordance with SFAS 123(R), the Company estimates forfeiture rates at the time awards are made based on historical turnover rates and applies these rates in the calculation of estimated compensation cost. For all stock-based awards for the year ended December 31, 2006 and for most of the stock-based awards for the year ended December 31, 2007, the Company applied a 6.5% estimated forfeiture rate. In the fourth quarter of 2007, based on historical turnover rates, the Company segregated non-employee directors into a separate class and applied a 0% estimated forfeiture rate to the calculation of estimated compensation cost for this class. In the first quarter of 2008, based on an updated review of historical turnover rates, the Company determined that the executive management staff should be segregated into a separate class for the calculation of stock-based compensation, and it applied annualized estimated forfeiture rates of 0% for non-employee director awards, 7% for executive management staff awards and 8.75% for all other employee awards made in that quarter. Based on similar reviews of updated historical turnover rates during the second and third quarters of 2008, annualized estimated forfeiture rates of 0% for non-employee director awards, 8% for executive management staff awards and 8.75% for all other employee awards were applied to grants made during the second quarter of 2008, and annualized estimated forfeiture rates of 0% for non-employee director awards and 9% for both executive management staff and all other employee awards were applied to grants made during the third quarter of 2008.

During the first, second and third quarters of 2008, the Company also revised its estimated forfeiture rates for, and began applying the then current revised forfeiture rates to, all outstanding stock options and non-vested restricted stock awards, resulting in a revised estimate of compensation costs related to these stock-based grants. As a result of the application of the changes in forfeiture rates, the Company recorded in its results of operations cumulative adjustments that reduced previously recorded stock-based compensation expense of approximately \$1.4 million during the first nine months of 2008.

The following table summarizes changes in the Company's stock option plans during the nine-month period ended September 30, 2008:

	Stock Options			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2007	3,825,180	\$35.83		
Granted	1,430,380	\$22.09		
Exercised	(85,387)	\$13.54		
Forfeited or expired	(569,839)	\$43.46		
Options outstanding at September 30, 2008	<u>4,600,334</u>	\$31.03	6.22	\$7,220
Options vested at September 30, 2008 or expected to vest	<u>4,073,727</u>	\$31.93	6.09	\$6,411
Options exercisable at September 30, 2008	<u>2,067,612</u>	\$37.56	4.70	\$3,833

The aggregate intrinsic value of stock options exercised during the nine-month periods ended September 30, 2008 and 2007 was approximately \$0.8 million and \$7.7 million, respectively. Cash received from the exercise of stock options was \$1.2 million and \$9.9 million for the nine-month periods ended September 30, 2008 and 2007, respectively. The Company did not realize any actual tax benefit from the tax deductions for stock option exercises during the nine-month periods ended September 30, 2008 and 2007 due to the full valuation allowance on the Company's U.S. deferred tax assets.

The following tables summarize changes in the Company's non-vested restricted stock units and non-vested restricted stock during the nine-month period ended September 30, 2008:

	Non-Vested Restricted Stock Units			
	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Non-vested at December 31, 2007	647,501	\$35.39		
Granted	784,254	\$22.96		
Vested	(179,143)	\$34.91		
Forfeited	(121,118)	\$31.10		
Non-vested at September 30, 2008	<u>1,131,494</u>	\$27.42	1.70	\$27,212

	Non-Vested Restricted Stock			
	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Non-vested at December 31, 2007	106,463	\$26.72		
Granted	—	—		
Vested	(2,155)	\$47.01		
Forfeited	—	—		
Non-vested at September 30, 2008	<u>104,308</u>	\$26.30	3.15	\$2,510

Employee Stock Purchase Plan

On February 27, 2008, the Company's board of directors approved the Company's Second Amended and Restated 1996 Employee Stock Purchase Plan (the "ESPP"). The amended plan became effective May 1, 2008, the first day of the next offering period under the plan, and offers shares for purchase at a price equal to 85% of the closing price on the applicable offering period termination date. Shares issued under the ESPP are considered compensatory under SFAS 123(R). Accordingly, the Company is required to assign fair value to, and record compensation expense for, shares issued from the ESPP starting May 1, 2008. Prior to May 1, 2008, shares were authorized for issuance at a price equal to 95% of the closing price on the applicable offering period termination date, and shares offered under this arrangement were considered noncompensatory under SFAS 123(R).

The following table sets forth the weighted-average key assumptions and fair value results for shares issued under the ESPP starting May 1, 2008:

	Three Months Ended September 30, 2008	Five Months Ended September 30, 2008
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	2.25%	2.36%
Expected volatility	41.5%	41.2%
Expected life (in years)	0.25	0.25
Weighted-average fair value of shares issued	\$3.68	\$3.56

At the 2008 Annual Stockholder Meeting held on May 21, 2008, the Company's stockholders authorized an additional 800,000 shares for issuance under the ESPP. As of September 30, 2008, 1,004,414 shares remained available for issuance under the ESPP.

Stock-Based Compensation Expense

Stock-based compensation was included in the following captions in the Company's condensed consolidated statements of operations for the three- and nine-month periods ended September 30, 2008 and 2007 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Cost of products revenues	\$ 177	\$ 182	\$ 480	\$ 505
Cost of services revenues	144	248	408	696
Research and development expense	763	1,018	2,215	3,415
Marketing and selling expense	1,470	1,092	3,108	3,228
General and administrative expense	1,803	1,448	4,879	4,247
Total stock-based compensation expense	<u>\$4,357</u>	<u>\$3,988</u>	<u>\$11,090</u>	<u>\$12,091</u>

As of September 30, 2008, the Company had \$53.8 million of unrecognized compensation cost before forfeitures related to non-vested stock-based compensation awards granted under its stock-based compensation plans. This cost will be recognized over the next five years.

10. STOCK REPURCHASES

A stock repurchase program was approved by the Company's board of directors and publicly announced on April 26, 2007. Under this program, the Company was authorized to repurchase up to \$100 million of the Company's common stock through transactions on the open market, in block trades or otherwise. The stock repurchase program has no expiration date. On February 27, 2008, the Company announced its board of directors' approval of a \$100 million increase in the authorized funds for the repurchase of the Company's common stock, which increased the total authorized funds for stock repurchases under the program to \$200 million. During 2007, the Company repurchased 809,236 shares of the Company's common stock for a total purchase price, including commissions, of

\$26.6 million, or \$32.92 per share. During the three months ended March 31, 2008, the Company repurchased an additional 4,254,397 shares of the Company's common stock for a total purchase price, including commissions, of \$93.2 million. The average price per share paid for the shares repurchased during the first quarter of 2008, including commissions, was \$21.90. No shares were repurchased during the second and third quarters of 2008 to conserve cash for restructuring and transformational activities. As of September 30, 2008, \$80.3 million remained available for future stock repurchases under the program. This stock repurchase program is being funded using the Company's working capital.

At September 30, 2008 and December 31, 2007, treasury shares held by the Company totaled 5.2 million shares and 1.2 million shares, respectively.

11. CONTINGENCIES

Avid receives inquiries from time to time claiming possible patent infringement by the Company. If any infringement is determined to exist, the Company may seek licenses or settlements. In addition, as a normal incidence of the nature of the Company's business, various claims, charges and litigation have been asserted or commenced from time to time against the Company arising from or related to contractual or employee relations, intellectual property rights or product performance. Settlements related to any such claims are generally included in the "general and administrative expenses" caption in the Company's consolidated statements of operations. Management does not believe these claims will have a material adverse effect on the financial position or results of operations of the Company.

On May 24, 2007, David Engelke and Bryan Engelke filed a complaint against the Company's Pinnacle subsidiary in Pinellas County (Florida) Circuit Court, claiming that Pinnacle breached certain contracts among them and that the Engelkes are entitled to indemnification for damages (and attorneys' fees) awarded against them in litigation with a third party. The complaint, which seeks damages of approximately \$17.7 million, was served on September 4, 2007. On September 28, 2007, the Florida appellate court reversed the damages award for which the Engelkes seek indemnification and, on June 16, 2008, remanded the case for a new damages trial with instructions that would limit the potential award to a sum significantly lower than the amount demanded in the Engelkes' complaint against Pinnacle. Because the Company cannot predict the outcome of this action at this time, no costs have been accrued for any loss contingency; however, the Company does not expect this matter to have a material effect on the Company's financial position or results of operations.

From time to time, the Company provides indemnification provisions in agreements with customers covering potential claims by third parties of intellectual property infringement. These agreements generally provide that the Company will indemnify customers for losses incurred in connection with an infringement claim brought by a third party with respect to the Company's products. These indemnification provisions generally offer perpetual coverage for infringement claims based upon the products covered by the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is theoretically unlimited; however, to date, the Company has not incurred material costs related to these indemnification provisions. As a result, the Company believes the estimated fair value of these indemnification provisions is minimal.

As permitted under Delaware law and pursuant to Avid's Third Amended and Restated Certificate of Incorporation, as amended, the Company is obligated to indemnify its current and former officers and directors for certain events that occur or occurred while the officer or director is or was serving in such capacity. The term of the indemnification period is for each respective officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification obligations is unlimited; however, Avid has mitigated the exposure through the purchase of directors and officers insurance, which is intended to limit the risk and, in most cases, enable the Company to recover all or a portion of any future amounts paid. As a result of this insurance coverage, the Company believes the estimated fair value of these indemnification obligations is minimal.

The Company, through a third party, provides lease financing options to its customers, including end users and, on a limited basis, resellers. During the terms of these leases, which are generally three years, the Company remains

liable for any unpaid principal balance upon default by the customer, but such liability is limited in the aggregate based on a percentage of initial amounts funded or, in certain cases, amounts of unpaid balances. At September 30, 2008 and December 31, 2007, Avid's maximum recourse exposure totaled approximately \$8.6 million and \$8.8 million, respectively. The Company records revenues from these transactions upon the shipment of products, provided that all other revenue recognition criteria, including collectibility being reasonably assured, are met. Because the Company has been providing these financing options to its customers for many years, the Company has a substantial history of collecting under these arrangements without providing significant refunds or concessions to the end user, reseller or financing party. To date, the payment default rate has consistently been between 2% and 4% per year of the original funded amount. This low default rate results because the third-party leasing company diligently screens applicants and collects amounts due, and because Avid actively monitors its exposures under the financing program and participates in the approval process for any lessees outside of agreed-upon credit-worthiness metrics. The Company maintains a reserve for estimated losses under this recourse lease program based on the historical default rates applied to the funded amount outstanding at period end. At both September 30, 2008 and December 31, 2007, the Company's accrual for estimated losses was \$0.8 million.

Avid provides warranties on externally sourced and internally developed hardware. For internally developed hardware and in cases where the warranty granted to customers for externally sourced hardware is greater than that provided by the manufacturer, the Company records an accrual for the related liability based on historical trends and actual material and labor costs. The warranty period for all of the Company's products is generally 90 days to one year, but can extend up to five years depending on the manufacturer's warranty or local law.

The following table sets forth activity for the Company's product warranty accrual (in thousands):

	Nine Months Ended September 30,	
	2008	2007
Accrual balance at beginning of period	\$ 5,803	\$ 6,072
Accruals for product warranties	6,293	6,105
Cost of warranty claims	(5,975)	(6,335)
Accrual balance at end of period	<u>\$ 6,121</u>	<u>\$ 5,842</u>

12. COMPREHENSIVE LOSS

Total comprehensive loss, net of taxes, consists of net loss and the net changes in foreign currency translation adjustment and net unrealized gains and losses on available-for-sale securities and other investments. The following is a summary of the Company's comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss	\$ (66,391)	\$ (5,853)	\$ (97,924)	\$ (11,832)
Net changes in:				
Foreign currency translation adjustment	(7,769)	4,006	(5,110)	6,423
Unrealized gains (losses)	(344)	(22)	(330)	4
Total comprehensive loss	<u>\$ (74,504)</u>	<u>\$ (1,869)</u>	<u>\$ (103,364)</u>	<u>\$ (5,405)</u>

13. SEGMENT INFORMATION

The Company has been organized into three strategic business units, Professional Video, Audio, and Consumer Video, each of which is a reportable segment. During the first quarter of 2008, the Company changed the way it reviews and manages its business by excluding certain corporate infrastructure costs and expenses, including finance, human resources, legal and some information technology expenses, when evaluating segment performance and measuring the profitability of each operating segment. Such expenses, which were previously allocated to the

operating segments, are managed outside the segments and are not controllable at the segment level. The Company believes that excluding these costs provides a better measure of each segment's performance. The Company also continues to exclude certain other costs and expenses when evaluating segment performance and profitability, including the amortization and impairment of acquired intangible assets, the write-off of acquired in-process research and development, stock-based compensation expenses, restructuring expenses and legal settlements. The Company now reports a contribution margin for each business unit that excludes these costs and has revised the prior period segment disclosures to conform to the current presentation. The change to the current presentation did not affect the Company's consolidated operating results.

The following is a summary of the Company's revenues and contribution margin by reportable segment for the three- and nine-month periods ended September 30, 2008 and 2007 and a reconciliation of segment contribution margin to total consolidated operating loss for each period (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Professional Video	\$ 117,202	\$ 118,855	\$ 327,190	\$ 351,844
Audio	72,231	77,320	220,785	233,006
Consumer Video	27,633	30,651	90,220	86,200
Total revenues	\$ 217,066	\$ 226,826	\$ 638,195	\$ 671,050
Contribution Margin:				
Professional Video	\$ 14,852	\$ 20,747	\$ 24,095	\$ 44,484
Audio	8,119	14,327	29,615	39,589
Consumer Video	(4,761)	1,218	(4,231)	3,753
Segment contribution margin	18,210	36,292	49,479	87,826
Less unallocated costs and expenses:				
Common costs and operating expenses	(21,031)	(20,396)	(63,658)	(57,649)
Amortization of acquisition-related intangible assets	(4,556)	(7,528)	(16,790)	(23,624)
Impairment of goodwill and intangible asset	(51,257)	—	(51,257)	—
Stock-based compensation	(4,357)	(3,988)	(11,090)	(12,091)
Restructuring costs, net	(2,107)	(9,094)	(4,107)	(10,869)
Other costs	—	(350)	—	(1,375)
Consolidated operating loss	\$ (65,098)	\$ (5,064)	\$ (97,423)	\$ (17,782)

In July 2008, the Company announced several changes to its previous business unit structure, including the combination of the Company's Professional Video and Consumer Video business units into a single Video segment. The Company is taking actions necessary to transition to this new business structure during 2008. The new business unit structure will be used to evaluate segment performance and measure segment profitability beginning January 1, 2009.

14. RESTRUCTURING COSTS AND ACCRUALS

On October 23, 2008, the Company announced its commitment to a restructuring plan that includes a reduction in force of approximately 500 positions, including employees related to the Company's recently announced divestitures (see Note 16). The restructuring plan is intended to improve operational efficiencies. In connection with this restructuring, the Company expects to incur total expenses relating to termination benefits of \$21 million to \$24 million, which primarily represent cash expenditures. The Company expects to record the majority of these restructuring charges during the three months ending December 31, 2008.

During the quarter ended March 31, 2008, the Company initiated restructuring plans within the Company's Professional Video business unit and corporate operations to eliminate duplicative business functions and improve operational efficiencies. During the quarter ended March 31, 2008, the Company recorded restructuring charges of \$1.2 million under these plans related to employee termination costs for 20 employees, primarily in the marketing and selling teams and general and administrative teams. During the quarter ended June 30, 2008, the Company recorded restructuring charges of \$1.0 million under these plans related to employee termination costs for 26 employees, primarily in the research and development teams and marketing and selling teams. During the quarter ended September 30, 2008, the Company recorded restructuring charges of \$2.0 million under these plans primarily related to employee termination costs for 45 employees in the research and development teams and general and administrative teams. The Company expects to incur additional expenditures under these restructuring plans of \$0.1 million during the quarter ending December 31, 2008 and anticipates that it will complete the actions under the plans by December 31, 2008.

During 2007, the Company implemented restructuring plans within the Professional Video and Consumer Video business units, as well as corporate operations, that resulted in restructuring charges of \$12.2 million. In connection with these actions, the Company terminated the employment of approximately 125 employees, primarily from the research and development teams and marketing and selling teams. The purpose of these plans was to eliminate duplicative business functions, improve operational efficiencies and align business skills with future opportunities. The charges for the estimated costs for the employee terminations totaled \$5.2 million. Actions under these restructuring plans also included the closure of facilities in Munich, Germany and Chicago, Illinois and portions of facilities in Tewksbury, Massachusetts; Montreal, Canada; and Mountain View, California, and the Company's exit from the transmission server product line. The costs for the facility closures totaled \$2.6 million. As a result of exiting the transmission server product line, the Company recorded non-cash charges totaling \$4.3 million in cost of revenues for the write-down of inventory. The Company also recorded a non-cash restructuring charge of \$0.1 million related to the disposal of fixed assets. During the three months ended September 30, 2008, the Company revised its previous estimated liability for the 2007 restructuring for its Tewksbury, Massachusetts facility and recorded a \$0.1 million restructuring charge. This charge was offset by restructuring recoveries of \$0.1 million recorded during the first two quarters of 2008, resulting primarily from the Company's revision of the estimated liability for employee terminations under its 2007 restructuring plans.

The Company recorded or will record these charges in accordance with the guidance of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. These restructuring charges and accruals require significant estimates and assumptions, including sub-lease income assumptions. These estimates and assumptions are monitored on at least a quarterly basis for changes in circumstances and any corresponding adjustments to the accrual are recorded in the Company's statement of operations in the period when such changes are known.

In connection with the August 2005 Pinnacle acquisition and the January 2006 Medea acquisition, the Company recorded accruals of \$14.4 million and \$1.1 million, respectively, related to severance agreements and lease or other contract terminations in accordance with Emerging Issues Task Force ("EITF") Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. During the third quarter of 2007, the Company recorded a \$0.7 million increase in the estimate for the Pinnacle restructuring and a corresponding restructuring charge in the Company's statement of operations. Similarly, in the first quarter of 2007, the Company recorded a \$0.1 million increase in the estimate for the Medea restructuring and a corresponding restructuring charge. During the second quarter of 2008, the Company recorded a \$0.1 million decrease in the estimate for the Medea restructuring and a corresponding decrease in goodwill.

The following table sets forth the activity in the restructuring costs and accruals for the nine-month period ended September 30, 2008 (in thousands):

	Non-Acquisition-Related Restructuring Liabilities		Acquisition-Related Restructuring Liabilities		Total
	Employee- Related	Facilities- Related	Employee- Related	Facilities- Related	
Accrual balance at December 31, 2007	\$ 1,186	\$ 3,256	\$ 2	\$ 2,041	\$ 6,485
New restructuring charges – operating expenses	4,027	137	—	—	4,164
Revisions of estimated liabilities	(78)	58	(2)	(167)	(189)
Accretion	—	72	—	39	111
Cash payments for employee-related charges	(2,893)	—	—	—	(2,893)
Cash payments for facilities, net of sublease income	—	(1,687)	—	(632)	(2,319)
Foreign exchange impact on ending balance	(13)	(85)	—	(130)	(228)
Accrual balance at September 30, 2008	<u>\$ 2,229</u>	<u>\$ 1,751</u>	<u>\$ —</u>	<u>\$ 1,151</u>	<u>\$ 5,131</u>

The employee-related accruals at September 30, 2008 represent severance and outplacement costs to former employees that will be paid within the next 12 months and are, therefore, included in the caption “accrued expenses and other current liabilities” in the condensed consolidated balance sheet at September 30, 2008.

The facilities-related accruals at September 30, 2008 represent estimated losses on subleases of space vacated as part of the Company’s restructuring actions. The leases, and payments against the amounts accrued, will extend through 2011 unless the Company is able to negotiate earlier terminations. Of the total facilities-related accruals, \$1.4 million is included in the caption “accrued expenses and other current liabilities” and \$1.5 million is included in the caption “long-term liabilities” in the condensed consolidated balance sheet at September 30, 2008.

15. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 requires companies with derivative instruments to disclose information that should enable financial-statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect a company’s financial position, financial performance and cash flows. SFAS No 161 is effective for the Company’s fiscal year beginning January 1, 2009. Adoption of SFAS No. 161 is not expected to have a material impact on the Company’s financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (“SFAS 141(R)”), *Business Combinations*. SFAS 141(R) makes significant changes to the accounting and reporting standards for business acquisitions. SFAS 141(R) establishes principles and requirements for an acquirer’s financial statement recognition and measurement of the assets acquired, the liabilities assumed (including those arising from contractual contingencies), any contingent consideration and any noncontrolling interest in the acquiree at the acquisition date. SFAS 141(R) amends SFAS No. 109, *Accounting for Income Taxes*, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable as a result of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. The statement also amends SFAS No. 142, *Goodwill and Other Intangible Assets*, to, among other things, provide guidance for the impairment testing of acquired research and development intangible assets and assets that the acquirer intends not to use. SFAS 141(R) is effective for the Company’s fiscal year beginning January 1, 2009 and may not be adopted early or applied retrospectively. The adoption of SFAS 141(R) will have an impact on the accounting for, and the effect will depend upon the nature of, business combinations occurring on or after the adoption date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires that a noncontrolling interest, or minority interest, be recognized as equity in the consolidated financial statements and that it be presented separately from the parent's equity. Also, the amounts of net income attributable to the parent and to the noncontrolling interest must be included in consolidated net income on the face of the income statement. SFAS No. 160 clarifies that changes in a parent's ownership interest in a subsidiary are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated, with such gain or loss measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS No. 160 is effective for the Company's fiscal year beginning January 1, 2009 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests; all other requirements may only be applied prospectively. Adoption of SFAS No. 160 is not expected to have a material impact on the Company's financial position or results of operations.

16. SUBSEQUENT EVENTS

On October 23, 2008, the Company announced plans to divest its Softimage 3D animation product line, which is part of its Professional Video segment. The Company has signed a definitive agreement to sell the product line to Autodesk, Inc. for approximately \$35 million, with the proceeds subject to certain closing adjustments. The Company determined that the assets and liabilities being sold met the held-for-sale criteria of SFAS No. 144 in October 2008. As of September 30, 2008, the total assets and liabilities that will be classified as held-for-sale were approximately \$2 million and (\$5) million, respectively. The sale is expected to close prior to December 31, 2008, and the Company expects to realize a gain on disposal of approximately \$30 million to \$35 million in the fourth quarter.

On October 27, 2008, the Company announced plans to divest its TV-over-PC viewing product line, which is part of its Consumer Video segment. The Company has signed a definitive agreement to sell the product line to Hauppauge Digital, Inc. for approximately \$5 million in cash, plus contingent payments based on the sell through of consigned inventory. The Company determined that the assets and liabilities being sold met the held-for-sale criteria of SFAS No. 144 in October 2008. As of September 30, 2008, the total assets and liabilities that will be classified as held-for-sale were approximately \$17 million and (\$2) million, respectively, including approximately \$12 million of consigned inventory. The sale is expected to close prior to December 31, 2008, and the Company does not expect to realize a material gain or loss on disposal of the product line.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Our Markets and Strategy

We develop, market, sell and support a wide range of software and hardware products for the production, management and distribution of digital media content. Our products empower users, from the home hobbyist to film studios and media-production companies, to realize their creative vision, whether they aspire to edit blockbuster feature films, write and record hit songs, or create and distribute home videos. Our technology also improves customer workflows by enabling collaboration, streamlining processes and securely managing digital assets and allows users to distribute media over multiple platforms, including airwaves, cable and the Internet.

We have been organized into business units that focus on products and services sold to the following markets: Professional Video, Audio and Consumer Video. These business units also reflect our reportable segments and collectively encompass seven brands: Avid Video, Digidesign, M-Audio, Pinnacle, Sibelius, Softimage and Sundance Digital. The following is an overview of the business units and the markets they serve.

Professional Video. This business unit offers innovative solutions including video- and film-editing systems, integrated storage, workflow and asset management tools, 3D and special-effects software, and a comprehensive range of services, from product support and training to consultancy and managed services. We currently market these solutions under the brand names Avid Video, Softimage and Sundance Digital to a broad range of professional users, broadcast and cable companies, corporations, governmental entities and educational institutions. Professional users include production and post-production companies that produce feature films, music videos, commercials, entertainment programs, documentaries, and industrial videos. Our broadcast and cable customers include national and international broadcasters, as well as network affiliates, local independent television stations, web news providers and local and regional cable operators.

Audio. Under the Digidesign, M-Audio and Sibelius brand names, this business unit offers solutions for audio creation, mixing, post-production, collaboration, distribution and scoring to a range of users from home studio novices to award-winning, multi-platinum recording artists. We also sell our solutions to professional music studios, project studios, film and television production and post-production facilities, television and radio broadcasters, "new media" production studios (for example, creators of DVD and web content), performance venues, corporations, governmental entities and educational institutions. Customers use our audio products and solutions for a wide variety of tasks in both studio and live environments, including recording, editing, mixing, processing, mastering, composing and performing.

Consumer Video. This business unit markets, under the Pinnacle brand name, video-editing and digital-lifestyle products to the home user who wants to create, edit, share, publish and view video content easily, creatively and effectively. Historically, this segment's two vertical markets consisted of home video editing and TV-over-PC viewing. The home video-editing market includes novice and advanced home video editors, as well as corporations, governmental entities and educational institutions, who want to edit, enhance and preserve their videos and share those videos on DVD or over the Internet. The TV-over-PC viewing market includes virtually any consumer who wants to watch and record television programming on a personal computer.

In July 2008, we announced several changes to our previous business unit structure, including the combination of our Professional Video and Consumer Video business units into a single Video segment. We are taking actions necessary to transition to this new business structure during 2008. The new business unit structure will be used to evaluate segment performance and measure segment profitability beginning January 1, 2009.

On October 23, 2008, we announced plans to divest our Softimage 3D animation product line, which is part of our Professional Video segment. We have signed a definitive agreement to sell the product line to Autodesk, Inc. for approximately \$35 million, with the proceeds subject to certain closing adjustments. We determined that the assets and liabilities being sold met the held-for-sale criteria of SFAS No. 144 in October 2008. As of September 30, 2008, the total assets and liabilities that will be classified as held-for-sale were approximately \$2 million and (\$5) million, respectively. The sale is expected to close prior to December 31, 2008, and we expect to realize a gain on disposal of approximately \$30 million to \$35 million in the fourth quarter.

On October 27, 2008, we announced plans to divest our TV-over-PC viewing product line, which is part of our Consumer Video segment. We have signed a definitive agreement to sell the product line to Hauppauge Digital, Inc. for approximately \$5 million, plus contingent payments based on the sell through of consigned inventory. We determined that the assets and liabilities being sold met the held-for-sale criteria of SFAS No. 144 in October 2008. As of September 30, 2008, the total assets and liabilities that will be classified as held-for-sale were approximately \$17 million and (\$2) million, respectively, including approximately \$12 million of consigned inventory. The sale is expected to close prior to December 31, 2008, and we do not expect to realize a material gain or loss on disposal of the product line.

We continue to focus on strategically enhancing our existing products and broadening our product offerings to satisfy customer demand for new technology across the spectrum of educational to consumer to professional markets. We also continue to position ourselves and deliver new products and services to benefit from a number of important industry trends, including the move to HD television production, the switch to all-digital broadcast production, the growth of home audio studios, the move to digital audio mixing and the growth of consumer video editing.

Financial Summary

Our revenues for the three months ended September 30, 2008 were \$217.1 million, a decrease of 4% compared to the same period last year. By business unit, compared to the third quarter last year, Professional Video revenues decreased 1%, Audio revenues decreased 7% and Consumer Video revenues decreased 10%. Our revenues for the nine months ended September 30, 2008 were \$638.2 million, a decrease of 5% compared to the same period last year. By business unit, compared to the first nine months of last year, Professional Video revenues decreased 7%, Audio revenues decreased 5% and Consumer Video revenues increased 5%. The revenues of each business unit are discussed in further detail in the section titled "Results of Operations" below.

For both the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007, decreases in our revenues and gross margins, coupled with increased operating expenses, resulted in an overall decline in operating income. Excluding goodwill and intangible asset impairment charges of \$51.3 million recorded during the third quarter of 2008, the remaining increase in operating expenses in the first nine months of 2008, compared to the same period in 2007, included increased expenses of approximately \$3.9 million related to investments in strategic consultants hired to assist management in the transformation of our business and management transition expenses.

On October 23, 2008, we announced our commitment to a restructuring plan that includes a reduction in force of approximately 500 positions, including employees related to our recently announced divestitures. The restructuring plan is intended to improve operational efficiencies. In connection with this restructuring, we expect to incur total expenses relating to termination benefits of \$21 million to \$24 million, which primarily represent cash expenditures. These cash expenditures are expected to be more than offset by the proceeds from our recently announced divestitures. We expect to record the majority of these restructuring charges during the three months ending December 31, 2008.

During the first quarter of 2008, we used \$93.2 million in cash to repurchase 4,254,397 shares of our common stock. No additional shares of our common stock were repurchased during the second or third quarters of 2008. At September 30, 2008, we had authorization from our board of directors for additional repurchases of up to \$80.3 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. However, actual results may differ from these estimates.

We believe that our critical accounting policies are those related to revenue recognition and allowances for product returns and exchanges, stock-based compensation, allowances for bad debts and reserves for recourse under financing transactions, inventories, business combinations, goodwill and intangible assets, and income tax assets. We believe these policies are critical because they are important to the portrayal of our financial condition and results of operations, and they require us to make judgments and estimates about matters that are inherently uncertain. Additional information about our critical accounting policies may be found in our 2007 Annual Report on Form 10-K in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Critical Accounting Policies and Estimates." During the three-month periods ended March 31, 2008, June 30, 2008 and September 30, 2008, primarily due to the changes in the types of stock-based awards being granted, we revised our estimates of future forfeitures used in the calculation of estimated compensation costs for these awards. As a result, we have revised our critical accounting policy for "Stock-Based Compensation." The revised policy is provided below.

Stock-Based Compensation

On January 1, 2006, we adopted the provisions of, and started to account for stock-based compensation in accordance with, Statement of Financial Accounting Standards, or SFAS, No. 123 (revised 2004), or SFAS 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS 123(R) requires employee stock-based compensation awards to be accounted for under the fair value method and eliminates the ability to account for these instruments under the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. We adopted SFAS 123(R) using the modified prospective application method as permitted under SFAS 123(R). Under this method, we are required to record compensation cost, based on the fair value estimated in accordance with SFAS 123(R), for stock-based awards granted after the date of adoption over the requisite service periods for the individual awards, which generally equals the vesting period. We are also required to record compensation cost for the non-vested portion of previously granted stock-based awards outstanding at the date of adoption over the requisite service periods for the individual awards based on the fair value estimated in accordance with the original provisions of SFAS No. 123 adjusted for forfeitures as required by SFAS 123(R).

During 2008 and 2007, we granted both restricted stock units and stock options as part of our key performer stock-based compensation program, as well as stock options, restricted stock units and restricted stock to newly hired employees. The vesting of stock option grants may be based on time, performance or market conditions. In the future, we may grant stock awards, options, or other equity-based instruments allowed by our stock-based compensation plans, or a combination thereof, as part of our overall compensation strategy.

The fair values of restricted stock awards with time-based vesting, including restricted stock and restricted stock units, are generally based on the intrinsic value of the award at the date of grant. As permitted under SFAS No. 123 and SFAS 123(R), we generally use the Black-Scholes option pricing model to estimate the fair value of stock option grants. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. Our assumed dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends. Since adoption of SFAS 123(R) on January 1, 2006, the expected stock-price volatility assumption used by us has been based on recent (six-month trailing) implied volatility calculations. These calculations are performed on exchange traded options of our common stock. We believe that using a forward-looking market-driven volatility assumption will result in the best estimate of expected volatility. The assumed risk-free interest rate is the U.S. Treasury security rate with a term equal to the expected life of the option. The assumed expected life is based on company-specific historical experience. With regard to the estimate of the expected life, we consider the exercise behavior of past grants and model the pattern of aggregate exercises.

In accordance with SFAS 123(R), we estimate forfeiture rates at the time awards are made based on historical turnover rates and apply these rates in the calculation of estimated compensation cost. For all stock-based awards for the year ended December 31, 2006 and for most stock-based awards for the year ended December 31, 2007, we applied a 6.5% estimated forfeiture rate. In the fourth quarter of 2007, based on historical turnover rates, we segregated our non-employee directors into a separate class and applied a 0% estimated forfeiture rate to the calculation of estimated compensation cost for this class. In the first quarter of 2008, based on an updated review of historical turnover rates, we determined that the executive management staff should be segregated from the rest of our employees into a separate class for the calculation of stock-based compensation, and we applied annualized estimated forfeiture rates of 0% for non-employee director awards, 7% for executive management staff awards and 8.75% for all other employee awards made in that quarter. Based on a similar review of updated historical turnover rates during the second and third quarters of 2008, annualized estimated forfeiture rates of 0% for non-employee director awards, 8% for executive management staff awards and 8.75% for all other employee awards were applied to grants made in the second quarter, and annualized estimated forfeiture rates of 0% for non-employee director awards and 9% for both executive management staff and all other employee awards were applied to grants made in the third quarter.

During the first, second and third quarters of 2008, we also revised our estimated forfeiture rates for, and began applying the then current revised forfeiture rates to, all outstanding stock options and non-vested restricted stock awards, resulting in a revised estimate of compensation costs related to these stock-based grants. As a result of the application of the changes in forfeiture rates, we recorded in our results of operations cumulative adjustments that reduced previously recorded stock-based compensation expense of approximately \$1.4 million during the first nine months of 2008.

In December 2007, we granted a stock option to purchase 625,000 shares of our common stock to our new chief executive officer that has vesting based on market conditions or a combination of performance and market conditions. During the three months ended March 31, 2008, we issued stock options to purchase 490,000 shares of common stock to newly hired executive officers, as well as 27,200 restricted stock units to other executives, as part of our annual grant program, that also have vesting based on market conditions or a combination of performance and market conditions. During the three months ended September 30, 2008, we issued stock options to purchase 252,000 shares of common stock to newly hired executive officers that also have vesting based on market conditions or a combination of performance and market conditions. The compensation costs and derived service periods for all grants with vesting based on market conditions or a combination of performance and market conditions were estimated using the Monte Carlo valuation method. For stock option grants with vesting based on a combination of performance and market conditions, the compensation costs were also estimated using the Black-Scholes valuation method. For restricted stock grants with vesting based on a combination of performance and market conditions, the compensation costs were also estimated using the intrinsic value on the date of grant factored for probability. Compensation costs for these stock option and restricted stock grants were recorded based on the higher estimate for each vesting tranche.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods, or if we decide to use a different valuation model, the stock-based compensation expense we recognize in future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and earnings per share. It may also result in a lack of comparability with other companies that use different models, methods and assumptions. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. These characteristics are not present in our option grants. Existing valuation models, including the Black-Scholes and Monte Carlo models, may not provide reliable measures of the fair values of our stock-based compensation. See Note 9 of the unaudited condensed consolidated financial statements in Item 1 of this report for further information regarding stock-based compensation.

RESULTS OF OPERATIONS

Net Revenues

Our net revenues are derived mainly from sales of computer-based digital, nonlinear, media-editing and finishing systems and related peripherals, including shared-storage systems, software licenses, and related professional services and software maintenance contracts.

Three Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008 Net Revenues	% of Consolidated Net Revenues	2007 Net Revenues	% of Consolidated Net Revenues	Change	% Change in Revenues
Professional Video:						
Product revenues	\$ 84,522	38.9%	\$ 91,474	40.3%	(\$6,952)	(7.6%)
Services revenues	32,680	15.1%	27,381	12.1%	5,299	19.4%
Total	<u>117,202</u>	<u>54.0%</u>	<u>118,855</u>	<u>52.4%</u>	<u>(1,653)</u>	<u>(1.4%)</u>
Audio:						
Product revenues	71,531	33.0%	76,692	33.8%	(5,161)	(6.7%)
Services revenues	700	0.3%	628	0.3%	72	11.5%
Total	<u>72,231</u>	<u>33.3%</u>	<u>77,320</u>	<u>34.1%</u>	<u>(5,089)</u>	<u>(6.6%)</u>
Consumer Video:						
Product revenues	27,633	12.7%	30,651	13.5%	(3,018)	(9.8%)
Total	<u>27,633</u>	<u>12.7%</u>	<u>30,651</u>	<u>13.5%</u>	<u>(3,018)</u>	<u>(9.8%)</u>
Total net revenues:	<u>\$217,066</u>	<u>100.0%</u>	<u>\$226,826</u>	<u>100.0%</u>	<u>(\$9,760)</u>	<u>(4.3%)</u>

Nine Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008 Net Revenues	% of Consolidated Net Revenues	2007 Net Revenues	% of Consolidated Net Revenues	Change	% Change in Revenues
Professional Video:						
Product revenues	\$232,201	36.4%	\$265,943	39.6%	(\$33,742)	(12.7%)
Services revenues	94,989	14.9%	85,901	12.8%	9,088	10.6%
Total	<u>327,190</u>	<u>51.3%</u>	<u>351,844</u>	<u>52.4%</u>	<u>(24,654)</u>	<u>(7.0%)</u>
Audio:						
Product revenues	218,556	34.2%	231,487	34.5%	(12,931)	(5.6%)
Services revenues	2,229	0.4%	1,519	0.2%	710	46.7%
Total	<u>220,785</u>	<u>34.6%</u>	<u>233,006</u>	<u>34.7%</u>	<u>(12,221)</u>	<u>(5.2%)</u>
Consumer Video:						
Product revenues	90,220	14.1%	86,200	12.9%	4,020	4.7%
Total	<u>90,220</u>	<u>14.1%</u>	<u>86,200</u>	<u>12.9%</u>	<u>4,020</u>	<u>4.7%</u>
Total net revenues:	<u>\$638,195</u>	<u>100.0%</u>	<u>\$671,050</u>	<u>100.0%</u>	<u>(\$32,855)</u>	<u>(4.9%)</u>

The decreases in Professional Video product revenues for both the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007, were primarily due to lower revenues from our video-editing products and, to a lesser extent, decreased revenues from large broadcast deals. We believe the decrease in video-editing revenues for the three-month period was the result of price reductions announced in the first quarter of 2008 in response to competitive pressures. We believe the decrease in video-editing revenues for the nine-month period was the result of both the slowdown in sales in early 2008 in anticipation of our new editor product set, which was released in June 2008, and the price reductions announced in the first quarter of 2008. The effect of the price reductions was partially offset by higher unit volumes for these products. The decrease in revenues from large broadcast deals was due to the timing of customer acceptance and revenue recognition.

Professional Video services revenues are derived primarily from maintenance contracts, professional and installation services, and training. The increases in services revenues for the three- and nine-month period ended September 30, 2008, compared to the same periods in 2007, were due to increased revenues generated from maintenance contracts sold in connection with our products, as well as increased revenues from professional and installation services. Maintenance revenues increased starting in the second quarter of 2007 due to an increase in new large deals that included maintenance contracts.

The decreases in Audio product revenues for the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007, were primarily the result of decreased revenues from our Digidesign home-studio products, as well as a slowdown in sales of our professional integrated mixing console products. The decreases in revenues from our Digidesign home-studio products were due to increased competitive pressure for both periods and, for the nine-month period only, temporary delays in the release of products compatible with a new version of Apple's Mac OS X Leopard operating system. The products compatible with the new version of the Mac OS X Leopard operating system were released late in the second quarter of 2008. We believe the slowdown in sales of our professional integrated mixing console products was due to unfavorable macroeconomic conditions.

The decrease in Consumer Video product revenues for the three-month period ended September 30, 2008, compared to the same period in 2007, was primarily the result of decreased revenues from our TV-over-PC viewing products, which was the result of changes in product mix. The increase in Consumer Video product revenues for the nine-month period ended September 30, 2008, compared to the same period in 2007, was primarily the result of revenues from new product introductions.

Net revenues derived through indirect channels were 71% of our net revenues for both the three- and nine-month periods ended September 30, 2008, compared to 72% and 70% of our net revenues, respectively, for the three- and nine-month periods in 2007.

International sales accounted for 60% of our net revenues for both the three- and nine-month periods ended September 30, 2008, compared to 57% and 58% of our net revenues for the three- and nine-month periods in 2007.

Gross Profit

Cost of revenues consists primarily of costs associated with:

- the procurement of components;
- the assembly, testing and distribution of finished products;
- warehousing;
- customer support costs related to maintenance contract revenues and other services; and
- royalties for third-party software and hardware included in our products.

Cost of revenues also includes amortization of technology, which represents the amortization of developed technology assets acquired in the August 2005 acquisition of Pinnacle and, to a lesser extent, other acquisitions we have made since August 2004. Amortization of technology is described further in the "Amortization of Intangible Assets" section below. Cost of revenues for the three- and nine-month periods ended September 30, 2007 include a charge of \$2.8 million for the write-down of inventory related to our decision to exit the transmission server product line.

Gross margin fluctuates based on factors such as the mix of products and services sold, the cost and proportion of third-party hardware and software included in the products sold, the offering of product upgrades, price discounts and other sales promotion programs, the distribution channels through which products are sold, the timing of new product introductions and currency exchange rate fluctuations.

Three Months Ended September 30, 2008 and 2007					
(dollars in thousands)					
	2008	Gross Margin	2007	Gross Margin	Gross Margin % Change
Cost of products revenues	\$ 94,303	48.7%	\$ 93,397	53.0%	(4.3%)
Cost of services revenues	18,744	43.8%	16,054	42.7%	1.1%
Amortization of intangible assets	1,249	—	4,096	—	—
Restructuring costs	—	—	2,797	—	—
Total	\$114,296	47.3%	\$116,344	48.7%	(1.4%)

Nine Months Ended September 30, 2008 and 2007					
(dollars in thousands)					
	2008	Gross Margin	2007	Gross Margin	Gross Margin % Change
Cost of products revenues	\$ 272,004	49.7%	\$279,100	52.2%	(2.5%)
Cost of services revenues	55,760	42.6%	49,487	43.4%	(0.8%)
Amortization of intangible assets	6,773	—	13,329	—	—
Restructuring costs	—	—	2,797	—	—
Total	\$334,537	47.6%	\$344,713	48.6%	(1.0%)

Significant contributing factors for our decreased product gross margin percentages for both the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007, were the accrual of \$1.2 million resulting from the expected settlement of a royalty dispute and \$2.2 million of inventory write-downs both related to our Consumer Video products and a \$2.5 million increase in revenues reserves related to a planned increase in our Pro Tools upgrade pricing. Additionally, a \$1.2 million increase in inventory write-downs during the second quarter of 2008, due primarily to new product transitions, was a significant contributing factor in the decreased gross margin percentage for the nine-month period ended September 30, 2008, compared to the same period in 2007. In addition to these factors, price reductions in response to competitive pressures also contributed to the decreased product gross margin percentages for both the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007.

The increase in services gross margin for the three-month period ended September 30, 2008, compared to the same period in 2007, primarily resulted from an overall increase in services revenues on relatively fixed costs. The decrease in services gross margin for the nine-month period ended September 30, 2008, compared to the same period in 2007, reflected increased services infrastructure costs, partially offset by the effect of an overall increase in services revenues.

Research and Development

Research and development expenses include costs associated with the development of new products and the enhancement of existing products, and consist primarily of employee salaries and benefits, facilities costs, depreciation, costs for consulting and temporary employees, and prototype and other development expenses.

Three Months Ended September 30, 2008 and 2007				
(dollars in thousands)				
	2008	2007	Change	% Change
Research and development	\$37,825	\$36,471	\$1,354	3.7%
As a percentage of net revenues	17.4%	16.1%	1.3%	

Nine Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008	2007	Change	% Change
	Expenses	Expenses		
Research and development	\$115,307	\$112,657	\$2,650	2.4%
As a percentage of net revenues	18.1%	16.8%	1.3%	

The increase in research and development expenses for the three-month period ended September 30, 2008, compared to the same period in 2007, was due to increased costs for outside services and consulting, increased information systems and facilities infrastructure costs, and increased expenses due to less capitalization of research and development costs, partially offset by decreased expenses for hardware development and computer equipment. Outside services and consulting costs increased \$0.8 million, information systems and facilities infrastructure costs increased \$0.5 million, and the increase in expenses due to less capitalization of research and development costs was \$0.4 million for the three-month period ended September 30, 2008, compared to the same period in 2007. Hardware development and computer equipment costs decreased \$0.6 million for the three-month period ended September 30, 2008, compared to the same period in 2007, primarily as a result of expenses for the development of high-end video-editing products during 2007. The increase in research and development expenses as a percentage of revenues for the three-month period ended September 30, 2008 was the result of both the increase in expenses and the decrease in revenues for the period compared to the same period in 2007.

The increase in research and development expenses for the nine-month period ended September 30, 2008, compared to the same period in 2007, was due to higher personnel-related costs and increased information systems and facilities infrastructure costs, partially offset by a decrease in hardware development and computer equipment costs. The higher personnel-related costs were primarily the result of our increased emphasis on the development of new products and increased accruals for our company bonus plan, partially offset by decreased stock-based compensation expenses. Personnel-related costs increased \$2.5 million and information systems and facilities infrastructure costs increased \$1.6 million for the nine-month period ended September 30, 2008, compared to the same period in 2007. Hardware development and computer equipment costs decreased \$1.0 million for the nine-month period ended September 30, 2008, compared to the same period in 2007, primarily as a result of expenses for the development of high-end video-editing products during 2007. The increase in research and development expenses as a percentage of revenues for the nine-month period ended September 30, 2008 was the result of both the increase in expenses and the decrease in revenues for the period compared to the same period in 2007.

Marketing and Selling

Marketing and selling expenses consist primarily of employee salaries and benefits for selling, marketing and pre-sales customer support personnel; commissions; travel expenses; advertising and promotional expenses; and facilities costs.

Three Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008	2007	Change	% Change
	Expenses	Expenses		
Marketing and selling	\$53,638	\$48,832	\$4,806	9.8%
As a percentage of net revenues	24.7%	21.5%	3.2%	

Nine Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008	2007	Change	% Change
	Expenses	Expenses		
Marketing and selling	\$159,224	\$157,031	\$2,193	1.4%
As a percentage of net revenues	24.9%	23.4%	1.5%	

The increase in marketing and selling expenses for the three-month period ended September 30, 2008, compared to the same period in 2007, was largely due to higher personnel-related costs; increased advertising, tradeshow and other promotional expenses; and increased expenses for outside services and consulting, as well as unfavorable foreign exchange translations. Personnel-related costs increased \$2.0 million, primarily due to increases in salaries and stock-based compensation, for the three-month period ended September 30, 2008, compared to the same period in 2007, and advertising, tradeshow and other promotional expenses and expenses for outside services and consulting increased \$1.1 million and \$0.7 million, respectively. Also in the three-month period ended September 30, 2008, net foreign exchange losses (specifically, remeasurement gains and losses on net monetary assets denominated in foreign currencies, offset by hedging gains and losses), which are included in marketing and selling expenses, were \$0.1 million, compared to net foreign exchange gains of \$0.8 million in the comparable 2007 period. The increase in marketing and selling expenses as a percentage of revenues for the three-month period ended September 30, 2008 was the result of both the increase in expenses and the decrease in revenues for the period compared to the same period in 2007.

The increase in marketing and selling expenses for the nine-month period ended September 30, 2008, compared to the same period in 2007, was largely due to higher personnel-related costs, as well as increased expenses for outside services and consulting. These increases were partially offset by decreased advertising, tradeshow and other promotional expenses, as well as favorable foreign exchange translations. Personnel-related costs increased \$4.7 million, primarily due to increased salaries and bonus accruals, for the nine-month period ended September 30, 2008, compared to the same period in 2007, and expenses for outside services and consulting increased \$1.3 million. The decrease in advertising, tradeshow and other promotional expenses was \$2.0 million, largely the result of decreased trade show expenses. Also in the first nine months of 2008, net foreign exchange gains (specifically, remeasurement gains and losses on net monetary assets denominated in foreign currencies, offset by hedging gains and losses), which are included in marketing and selling expenses, were \$1.6 million, compared to net foreign exchange gains of \$0.5 million in the first nine months of 2007. The increase in marketing and selling expenses as a percentage of revenues for the nine-month period ended September 30, 2008 was the result of both the increase in expenses and the decrease in revenues for the period compared to the same period in 2007.

General and Administrative

General and administrative expenses consist primarily of employee salaries and benefits for administrative, executive, finance and legal personnel; audit, legal and strategic consulting fees; and insurance, information systems and facilities costs. Information systems and facilities costs reported within general and administrative expenses are net of allocations to other expenses categories.

Three Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008	2007	Change	% Change
	Expenses	Expenses		
General and administrative	\$19,734	\$20,514	(\$780)	(3.8%)
As a percentage of net revenues	9.1%	9.0%	0.1%	

Nine Months Ended September 30, 2008 and 2007

(dollars in thousands)

	2008	2007	Change	% Change
	Expenses	Expenses		
General and administrative	\$61,169	\$56,064	5,105	9.1%
As a percentage of net revenues	9.6%	8.4%	1.2%	

The decrease in general and administrative expenses for the three-month period ended September 30, 2008, compared to the same period in 2007, was primarily due to lower personnel-related costs of \$0.3 million and decreased consulting and outside services costs of \$0.2 million. The slight increase in general and administrative expenses as a percentage of revenues for the three-month period ended September 30, 2008 was the result of the decrease in revenues for the period compared to the same period in 2007.

The increase in general and administrative expenses for the nine-month period ended September 30, 2008, compared to the same period in 2007, was primarily due to increased consulting and outside services costs and higher personnel-related costs, partially offset by decreased legal settlements. Consulting and outside services costs increased \$3.6 million for the nine-month period ended September 30, 2008, compared to the same period in 2007, largely as a result of consulting costs related to the strategic review and transformation of our business. Personnel-related costs increased \$2.3 million for the nine-month period ended September 30, 2008, compared to the same period in 2007, primarily due to management transition expenses, including executive severance, and increased accruals for our company bonus plan in the first nine months of 2008. Legal settlements decreased \$0.8 million for the nine-month period ended September 30, 2008, compared to the same period in 2007. The increase in general and administrative expenses as a percentage of revenues for the nine-month period ended September 30, 2008 was largely the result of both the increase in expenses and the decrease in revenues for the period compared to the same period in 2007.

Amortization of Intangible Assets

Intangible assets result from acquisitions and include developed technology, customer-related intangibles, trade names and other identifiable intangible assets with finite lives. With the exception of developed technology, these intangible assets are amortized using the straight-line method. Developed technology is amortized over the greater of (1) the amount calculated using the ratio of current quarter revenues to the total of current quarter and anticipated future revenues over the estimated useful life of the developed technology, and (2) the straight-line method over each developed technology's remaining useful life. Amortization of developed technology is recorded within cost of revenues. Amortization of customer-related intangibles, trade names and other identifiable intangible assets is recorded within operating expenses.

	Three Months Ended September 30, 2008 and 2007			
	(dollars in thousands)			
	2008	2007	Change	% Change
Amortization of intangible assets recorded in cost of revenues	\$1,249	\$4,096	(\$2,847)	(69.5%)
Amortization of intangible assets recorded in operating expenses	3,307	3,432	(125)	(3.6%)
Total amortization of intangible assets	\$4,556	\$7,528	(\$2,972)	(39.5%)
Total amortization of intangible assets as a percentage of net revenues	2.1%	3.3%	(1.2%)	

	Nine Months Ended September 30, 2008 and 2007			
	(dollars in thousands)			
	2008	2007	Change	% Change
Amortization of intangible assets recorded in cost of revenues	\$ 6,773	\$13,329	(\$6,556)	(49.2%)
Amortization of intangible assets recorded in operating expenses	10,017	10,295	(278)	(2.7%)
Total amortization of intangible assets	\$16,790	\$23,624	(\$6,834)	(28.9%)
Total amortization of intangible assets as a percentage of net revenues	2.6%	3.5%	(0.9%)	

The decreases in amortization of intangible assets for the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007, were primarily the result of the completion during 2007 and 2008 of the amortization of certain developed technologies related to our acquisition of Pinnacle in 2005, and to a lesser extent the completion during 2008 of the amortization of the developed technologies related to our acquisitions of M-Audio in 2004 and Medea in 2006.

Impairment of Goodwill and Intangible Asset

As part of the purchase accounting allocation for our August 2005 acquisition of Pinnacle, goodwill of approximately \$131.1 million was allocated to our Consumer Video segment. In December 2006, we recorded a \$53.0 million goodwill impairment charge, and the remaining goodwill balance allocated to the Consumer Video segment was \$78.1 million. As a result of a decrease in market value for, and the expected sale of, our TV-over-PC viewing products, which have historically accounted for a significant portion of Consumer Video segment revenue, we tested the goodwill assigned to our Consumer Video segment for impairment in accordance with SFAS No. 142 and recorded an additional goodwill impairment of \$46.6 million during the three months ended September 30, 2008. Also as part of the purchase accounting allocation for our August 2005 acquisition of Pinnacle, we recorded \$59.4 million for identifiable intangible assets, including developed technology, customer relationships, trade names, and in-process research and development related to our Consumer Video segment. During the three months ended September 30, 2008, we tested our Consumer Video identifiable intangible assets for impairment in accordance with SFAS No. 144 and determined that the trade names intangible asset was impaired. As a result, we recorded an impairment charge of \$4.7 million to write this intangible asset down to its current fair value. As a result of our annual goodwill testing in the fourth quarter and the expected sale of our TV-over-PC viewing and Softimage product lines, additional goodwill impairment testing and possible identifiable intangible asset testing will take place during the three months ending December 31, 2008, which could result in the recording of additional impairment charges. See Note 4 to our unaudited condensed consolidated financial statements included in Item 1 of this report for further information regarding our goodwill and identifiable intangible assets.

Restructuring Costs, Net

On October 23, 2008, we announced our commitment to a restructuring plan that includes a reduction in force of approximately 500 positions, including employees related to our recently announced divestitures. The restructuring plan is intended to improve operational efficiencies. In connection with this plan, we expect to incur total expenses, representing cash expenditures, of \$21 million to \$24 million, with the majority of these restructuring charges recorded during the three months ending December 31, 2008. We expect annual cost savings of approximately \$50 million to result from actions taken under this restructuring plan.

During the quarter ended March 31, 2008, we initiated restructuring plans within our Professional Video business unit and corporate operations to eliminate duplicative business functions and improve operational efficiencies. During the quarter ended March 31, 2008, we recorded restructuring charges of \$1.2 million under these plans related to employee termination costs for 20 employees, primarily in the marketing and selling teams and general and administrative teams. During the quarter ended June 30, 2008, we recorded restructuring charges of \$1.0 million under these plans primarily related to employee termination costs for 26 employees, primarily in the research and development teams and sales and marketing teams. During the quarter ended September 30, 2008, we recorded restructuring charges of \$2.0 million under these plans primarily related to employee termination costs for 45 employees, primarily in the research and development teams and general and administrative teams. We expect to incur additional total expenses, representing cash expenditures, related to these restructurings of \$0.1 million during the fourth quarter of 2008 and anticipate that we will complete the restructurings by December 31, 2008. We expect annual cost savings of approximately \$5 million to result from actions taken under these restructuring plans.

During 2007, we implemented restructuring plans within our Professional Video and Consumer Video business units, as well as corporate operations, that resulted in restructuring charges of \$12.2 million. The purpose of these restructuring plans was to eliminate duplicative business functions, improve operational efficiencies and align key business skill sets with future opportunities. During the three months ended September 30, 2008, we revised our previous estimated liability for the 2007 restructuring of part of a Tewksbury, Massachusetts facility and recorded in our statement of operations a \$0.1 million restructuring charge. This charge was offset by restructuring recoveries of \$0.1 million recorded during the first two quarters of 2008, which resulted primarily from our revision of the estimated liability for employee terminations under our 2007 restructuring plans.

Interest and Other Income (Expense), Net

Interest and other income (expense), net, generally consists of interest income, interest expense and equity in income of a non-consolidated company.

Three Months Ended September 30, 2008 and 2007				
(dollars in thousands)				
	2008	2007	Change	% Change
Interest and other income (expense), net	\$507	\$1,980	(\$1,473)	(74.4%)
As a percentage of net revenues	0.2%	0.9%	(0.7%)	

Nine Months Ended September 30, 2008 and 2007				
(dollars in thousands)				
	2008	2007	Change	% Change
Interest and other income (expense), net	\$2,605	\$5,898	(\$3,293)	(55.8%)
As a percentage of net revenues	0.4%	0.9%	(0.5%)	

The decreases in other income and expense for the three- and nine-month periods ended September 30, 2008, compared to the same periods in 2007, were primarily the result of decreased interest income due to lower average cash balances, as well as lower interest rates paid on the cash balances.

Provision for (Benefit from) Income Taxes, Net

Three Months Ended September 30, 2008 and 2007			
(dollars in thousands)			
	2008	2007	Change
Provision for income taxes, net	1,800	2,769	(\$969)
As a percentage of net revenues	0.8%	1.2%	(0.4%)

Nine Months Ended September 30, 2008 and 2007			
(dollars in thousands)			
	2008	2007	Change
Provision for (benefit from) income taxes, net	3,106	(\$52)	\$3,158
As a percentage of net revenues	0.5%	(0.0%)	0.5%

Our effective tax rate, which represents our tax provision as a percentage of loss before income taxes, was (3%) for the nine-month period ended September 30, 2008. Our effective tax rate, which represents our tax benefit as a percentage of loss before income taxes, was 0% for the nine-month period ended September 30, 2007. The primary reasons for the change from a tax benefit to a tax provision were a discrete tax benefit of \$3.0 million from the favorable settlement of a Canadian research and development credit audit and a discrete tax benefit of \$0.5 million from the release of a deferred tax liability in our German entity, both occurring in the first quarter of 2007, and other net discrete tax provisions of \$0.6 million for tax return provision differences identified in the second quarter of 2008. These amounts were partially offset by a discrete tax benefit of approximately \$0.5 million from the favorable settlement of a United Kingdom tax audit occurring in the first quarter of 2008. Our tax provision for the nine-month period ended September 30, 2008 is substantially composed of taxes payable by our foreign subsidiaries. No tax benefit is provided for the losses generated in the United States due to the full valuation allowance on our U.S. deferred tax assets.

Excluding the impact of our valuation allowance, our effective tax rates would have been 16% and 1%, respectively, for the nine-month periods ended September 30, 2008 and 2007. These rates may differ from the federal statutory rate of 35% due to the net benefits recorded for discrete tax items, the impact of permanent differences in the United States and the mix of income and losses in foreign jurisdictions, which have tax rates that differ from the statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

Current Cash Flows and Commitments

We have funded our operations in recent years through cash flows from operations and stock option exercises. As of September 30, 2008, our principal sources of liquidity included cash, cash equivalents and marketable securities totaling \$122.4 million.

Net cash provided by operating activities was \$4.6 million for the nine months ended September 30, 2008, compared to \$59.0 million for the same period in 2007. For the nine months ended September 30, 2008, net cash provided by operating activities primarily reflected our net loss adjusted for depreciation and amortization, goodwill and intangible asset impairment charges, and stock-based compensation expense, as well as changes in working capital items, in particular a decrease in accounts receivable, partially offset by an increase in inventories and decreases in accounts payable and accrued liabilities. For the nine months ended September 30, 2007, net cash provided by operating activities primarily reflected our net loss adjusted for depreciation and amortization and stock-based compensation, as well as changes in working capital items, in particular a decrease in inventories and an increase in deferred revenues.

Accounts receivable decreased by \$26.6 million to \$112.1 million at September 30, 2008 from \$138.7 million at December 31, 2007. These balances are net of allowances for sales returns, bad debts and customer rebates, all of which we estimate and record based primarily on historical experience. Accounts receivable decreased as a result of a decrease in revenues, as well as improved collections in the third quarter of 2008, compared to the fourth quarter of 2007. Days sales outstanding in accounts receivable decreased from 48 days at December 31, 2007 to 46 days at September 30, 2008.

At September 30, 2008 and December 31, 2007, we held inventory in the amounts of \$122.9 million and \$117.3 million, respectively. These balances include stockroom, spares and demonstration equipment inventories at various locations, as well as inventory at customer sites related to shipments for which we had not yet recognized revenue. The increase of approximately \$5.6 million primarily resulted from changes in product mix from that forecasted for the third quarter of 2008. We review all inventory balances regularly for excess quantities or potential obsolescence and make appropriate adjustments as needed to write down the inventories to reflect their estimated realizable value. We source inventory products and components pursuant to purchase orders placed from time to time.

Net cash flow used in investing activities was \$24.6 million for the nine months ended September 30, 2008, compared to \$12.2 million provided by investing activities for the same period in 2007. The net cash flow used in investing activities for the nine months ended September 30, 2008 primarily reflected \$12.4 million used for the purchase of property and equipment and net purchases of \$10.9 million resulting from the timing of the sale and purchase of marketable securities. The net cash flow provided by investing activities for the nine months ended September 30, 2007 primarily reflected net proceeds of \$34.4 million resulting from the timing of the sale and purchase of marketable securities, partially offset by \$20.3 million used for the purchase of property and equipment. Property and equipment purchases in both periods consisted primarily of computer hardware and software to support our research and development activities and information systems.

During the nine months ended September 30, 2008, cash used in financing activities was \$91.1 million, compared to \$13.6 million for the same period in 2007. The cash used in financing activities in 2008 was the result of \$93.2 million used for our stock repurchase program in the first quarter of 2008, slightly offset by proceeds from the exercise of stock options and purchases under our employee stock purchase plan. During the nine months ended September 30, 2007, the cash used in financing activities was the result of \$23.7 million used for our stock repurchase program, partially offset by proceeds from the exercise of stock options and purchases under our employee stock purchase plan.

A stock repurchase program was approved by our board of directors and publicly announced on April 26, 2007. Under this program, we were authorized to repurchase up to \$100 million of our common stock through transactions on the open market, in block trades or otherwise. The program has no expiration date. On February 27, 2008, we announced our board of directors' approval of a \$100 million increase in authorized funds for the repurchase of our common stock under this

program. During 2007, we repurchased 809,236 shares of our common stock under the program for a total purchase price, including commissions, of \$26.6 million. During the three months ended March 31, 2008, we repurchased an additional 4,254,397 shares of our common stock for a total purchase price, including commissions, of \$93.2 million, leaving \$80.3 million authorized for future repurchases. There were no additional repurchases of our common stock during the second and third quarters of 2008. The stock repurchase program is being funded through working capital.

On October 23, 2008, we announced plans to divest our Softimage 3D animation product line. We have signed a definitive agreement to sell the product line to Autodesk, Inc. for approximately \$35 million, with the proceeds subject to certain closing adjustments. The sale is expected to close prior to December 31, 2008. Additionally, on October 27, 2008, we announced that we signed a definitive agreement to sell certain assets and liabilities related to our TV-over-PC viewing product line to Hauppauge Digital, Inc. for approximately \$5 million. This sale is also expected to close prior to December 31, 2008.

On October 23, 2008, we also announced our commitment to a restructuring plan that includes a reduction in force of approximately 500 positions, including employees related to our recently announced divestitures, and is intended to improve operational efficiencies. In connection with this restructuring, we expect to incur total expenses relating to termination benefits of \$21 million to \$24 million, which primarily represent cash expenditures. These cash expenditures are expected to be more than offset by the proceeds from our recently announced divestitures. We expect to record the majority of these restructuring charges during the three months ending December 31, 2008.

In connection with non-acquisition-related restructuring activities during 2008 and prior periods, as of September 30, 2008, we had restructuring accruals of \$2.2 million and \$1.8 million related to severance and lease obligations, respectively. Our future cash obligations for leases for which we have vacated the underlying facilities total approximately \$6.2 million. The lease accrual represents the excess of our lease commitments on the vacated space over expected payments to be received on subleases of those facilities. The lease payments will be made over the remaining terms of the leases, which have varying expiration dates through 2011, unless we are able to negotiate earlier terminations. The severance payments will be made during the next 12 months. All payments related to restructuring actions are expected to be funded through working capital. See Note 14 of the unaudited condensed consolidated financial statements in Item 1 of this report for the restructuring costs and accruals activity for the nine months ended September 30, 2008.

In connection with our Pinnacle acquisition in 2005, we recorded restructuring accruals totaling \$14.4 million related to severance (\$10.0 million) and lease or other contract terminations (\$4.4 million). As of September 30, 2008, we had future cash obligations of approximately \$0.6 million under a lease for which we had vacated the underlying facility and a restructuring accrual of \$1.2 million related to this acquisition-related lease obligation. The lease payments will be made over the remaining term of the lease, which expires in 2010.

Our cash requirements vary depending upon factors such as our growth, capital expenditures, acquisitions of businesses or technologies and obligations under restructuring plans. We believe that our existing cash, cash equivalents, marketable securities and funds generated from operations will be sufficient to meet our operating cash requirements for at least the next twelve months. In the event that we require additional financing, we believe that we will be able to obtain such financing; however, there can be no assurance that we would be successful in doing so or that we could do so on favorable terms.

Fair Value Inputs

On January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements*, for our financial instruments and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. We elected not to measure any additional financial instruments or other items at fair value.

We value our cash and investment instruments using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. See Note 3 to our unaudited condensed consolidated financial statements included in Item 1 of this report for disclosure of the fair values and the inputs used to determine the fair values of our financial assets and financial liabilities.

RECENT ACCOUNTING PRONOUNCEMENTS

See Notes 3 and 15 to our unaudited condensed consolidated financial statements included in Item 1 of this report for disclosure of the impact that recent accounting pronouncements have had or may have on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have significant international operations and, therefore, our revenues, earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated receivables, payables, sales transactions and net investments in foreign operations.

We derive more than half of our revenues from customers outside the United States. This business is, for the most part, transacted through international subsidiaries and generally in the currency of the end-user customers. Therefore, we are exposed to the risks that changes in foreign currency could adversely impact our revenues, net income and cash flow. To hedge against the foreign exchange exposure of certain forecasted receivables, payables and cash balances, we enter into short-term foreign currency forward contracts. There are two objectives of our foreign currency forward-contract program: (1) to offset any foreign exchange currency risk associated with cash receipts expected to be received from our customers over the next 30-day period and (2) to offset the impact of foreign currency exchange on our net monetary assets denominated in currencies other than the functional currency of the legal entity. These forward contracts typically mature within 30 days of execution. We record gains and losses associated with currency rate changes on these contracts in results of operations, offsetting gains and losses on the related assets and liabilities. The success of this hedging program depends on forecasts of transaction activity in the various currencies and contract rates versus financial statement rates. To the extent these forecasts are overstated or understated during periods of currency volatility, we could experience unanticipated currency gains or losses.

At September 30, 2008, we had foreign currency forward contracts outstanding with an aggregate notional value of \$31.0 million, denominated in the euro, British pound and Canadian dollar, as a hedge against actual and forecasted foreign currency denominated receivables, payables and cash balances. The mark-to-market effect associated with these contracts was a net unrealized gain of \$36 thousand at September 30, 2008. For the three months ended September 30, 2008, net gains of \$3.3 million resulting from the forward contracts were included in results of operations, offset by \$3.4 million of net transaction and remeasurement losses on the related assets and liabilities.

A hypothetical 10% change in foreign currency rates would not have a material impact on our results of operations, assuming the above-mentioned forecast of foreign currency exposure is accurate, because the impact on the forward contracts as a result of a 10% change would at least partially offset the impact on the asset and liability positions of our foreign subsidiaries.

Interest Rate Risk

At September 30, 2008, we held \$122.4 million in cash, cash equivalents and marketable securities, including short-term corporate obligations, asset-backed securities and government-agency obligations. Marketable securities are classified as "available for sale" and are recorded on the balance sheet at market value, with any unrealized gain or loss recorded in other comprehensive income (loss). A hypothetical 10% increase or decrease in interest rates would not have a material impact on the fair market value of these instruments due to their short maturities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2008. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Security and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2008, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings from time to time arising from the normal course of business activities, including claims of alleged infringement of intellectual property rights and commercial, employment, piracy prosecution and other matters. We do not believe these matters will have a material adverse effect on our financial position or results of operations. However, our financial position or results of operations may be negatively impacted by the unfavorable resolution of one or more of these proceedings.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in Part I - Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007 in addition to the other information included or incorporated by reference in this quarterly report before making an investment decision regarding our common stock. If any of these risks actually occurs, our business, financial condition or operating results would likely suffer, possibly materially, the trading price of our common stock could decline, and you could lose part or all of your investment.

During the three months ended September 30, 2008, there were no material changes to the risk factors that were disclosed in Part I - Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 6. EXHIBITS

The list of exhibits, which are filed or furnished with this report or which are incorporated herein by reference, is set forth in the Exhibit Index immediately preceding the exhibits and is incorporated herein by reference.

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 thereunto duly authorized.

Date: November 7, 2008

By: /s/ Ken Sexton
Ken Sexton
Executive Vice President, Chief Financial Officer
and Chief Administrative Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form or Schedule	SEC Filing Date	SEC File Number
#10.1	Form of Incentive Stock Option Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.2	Form of Nonstatutory Stock Option Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.3	Form of Nonstatutory Stock Option Agreement for Outside Directors under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.4	Form of Restricted Stock Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.5	Form of Restricted Stock Agreement for Outside Directors under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.6	Form of Restricted Stock Unit Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.7	Form of Restricted Stock Unit Agreement for Outside Directors under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.8	Form of Stock Option Agreement for UK Employees under the HM Revenue and Customs Approved Sub-Plan for UK Employees under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 7, 2008	000-21174
#10.9	Second Amended and Restated 1996 Employee Stock Purchase Plan, as amended	X			
#10.10	Executive Employment Agreement dated July 7, 2008 between the Registrant and Paul Lypaczewski	X			

#10.11	Executive Employment Agreement dated July 8, 2008 between the Registrant and Gerard Schenkkan	X
#10.12	Executive Employment Agreement dated August 22, 2008 between the Registrant and Glover Lawrence	X
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X

Management contract or compensatory plan identified pursuant to Item 15(a)3.



AVID TECHNOLOGY, INC.

**SECOND AMENDED AND RESTATED
1996 EMPLOYEE STOCK PURCHASE PLAN**

The purpose of this Second Amended and Restated 1996 Employee Stock Purchase Plan (the "Plan") is to provide eligible employees of Avid Technology, Inc. (the "Company") and certain of its subsidiaries with opportunities to purchase shares of the Company's common stock, \$0.01 par value per share (the "Common Stock"), commencing on August 1, 1996. An aggregate of Two Million Five Hundred Thousand (2,500,000) shares of Common Stock have been approved for this purpose. This Plan is intended to qualify as an "employee stock purchase plan" as defined in Section 423 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"), and shall be interpreted consistent therewith.

1. Administration. The Plan will be administered by the Company's Board of Directors (the "Board") or by a Committee appointed by the Board (the "Committee"). The Board or the Committee has authority to make rules and regulations for the administration of the Plan and its interpretation and decisions with regard thereto shall be final and conclusive.

2. Eligibility. Participation in the Plan will neither be permitted nor denied contrary to the requirements of Section 423 of the Code. All employees of the Company, including members of the Board who are employees, and all employees of any subsidiary of the Company (as defined in Section 424(f) of the Code) unless the Board or the Committee specifies otherwise (each subsidiary participating in the Plan is referred to herein as a "Participating Subsidiary"), are eligible to participate in any one or more of the offerings of Options (as defined in Section 9) to purchase Common Stock under the Plan provided that:

- (a) they are regularly employed by the Company or a Participating Subsidiary for more than twenty (20) hours per week and for more than five (5) months in a calendar year; and
- (b) they have been employed by the Company or a Participating Subsidiary for at least two (2) weeks prior to enrolling in the Plan; and
- (c) they are employees of the Company or a Participating Subsidiary on the first day of the applicable Plan Period (as defined below).

No employee may be granted an Option hereunder if such employee, immediately after the Option is granted, would own five percent (5%) or more of the total combined voting power or value of the stock of the Company or any subsidiary. For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of an employee, and all stock which the employee has a contractual right to purchase shall be treated as stock owned by the employee.

3. Offerings. The Company will make offerings ("Offerings") to employees to purchase Common Stock under this Plan. Offerings will begin each February 1, May 1, August 1 and November 1, or the first business day thereafter (the "Offering Commencement Dates"). Each Offering Commencement Date will begin a three (3) month period (a "Plan Period") during which payroll deductions will be made and held for the purchase of Common Stock at the end of the Plan Period. The Board or the Committee may, at its discretion, choose a different Plan Period of twelve (12) months or fewer.

4. Participation. An employee eligible on the Offering Commencement Date of any Offering may participate in such Offering by completing and forwarding a payroll deduction authorization form to the employee's appropriate payroll office at least seven (7) days prior to the applicable Offering Commencement Date. The form will authorize a regular payroll deduction from the Compensation (as defined below) received by the employee during the Plan Period. Unless an employee files a new form or withdraws from the Plan, his or her deductions and purchases will continue at the same rate for future Offerings under the Plan as long as the Plan remains in effect. The term "Compensation" means the amount of money reportable on the employee's Federal Income Tax Withholding Statement, excluding overtime, shift premium, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances for travel expenses, income or gains on the exercise of Company stock options or stock appreciation rights, and similar items, whether or not shown on the employee's Federal Income Tax Withholding Statement, but including, in the case of salespersons, sales commissions to the extent determined by the Board or the Committee.

5. Deductions. The Company will maintain payroll deduction accounts for all participating employees. With respect to any Offering made under this Plan, an employee may authorize a payroll deduction in any dollar amount up to a maximum of ten percent (10%) of the Compensation he or she receives during the Plan Period or such shorter period during which deductions from payroll are made. However, the maximum contribution during any Plan Period cannot exceed \$2,500. The Board or the Committee may set a minimum payroll deduction requirement.

6. Deduction Changes. An employee may discontinue his or her payroll deduction once during any Plan Period, by filing a new payroll deduction authorization form. However, an employee may not decrease or increase his or her payroll deduction during a Plan Period. If an employee elects to discontinue his or her payroll deductions during a Plan Period, but does not elect to withdraw his or her funds pursuant to Section 8 hereof, funds deducted prior to his or her election to discontinue will be applied to the purchase of Common Stock on the Exercise Date (as defined in Section 9).

7. Interest. Interest will not be paid on any employee accounts, except to the extent that the Board or the Committee, in its sole discretion, elects to credit employee accounts with interest at such per annum rate as it may from time to time determine.

8. Withdrawal of Funds. An employee may at any time prior to the close of business on the date fourteen (14) days prior to the last business day in the then current Plan Period and for any reason permanently draw out the balance accumulated in the employee's account and thereby withdraw from participation in an Offering. Partial withdrawals are not permitted. The employee may not begin participation again during the remainder of the Plan Period. The employee may participate in any subsequent Offering in accordance with terms and conditions established by the Board or the Committee.

9. Purchase of Shares. On the Offering Commencement Date of each Plan Period, the Company will grant to each eligible employee who is then a participant in the Plan an option ("Option") to purchase on the last business day of such Plan Period (the "Exercise Date") at the applicable Option Price (as defined below) the largest number of whole shares of Common Stock resulting from the employee's accumulated payroll deductions as of the Exercise Date divided by the Option Price for such Plan Period; provided, however, that no employee may be granted an Option which permits his or her rights to purchase Common Stock under this Plan and any other employee stock purchase plan (as defined in Section 423(b) of the Code) of the Company and its subsidiaries, to accrue at a rate which exceeds \$25,000 of the fair market value of such Common Stock for each calendar year in which the Option is outstanding at any time.

The purchase price for each share purchased will be 85% of the closing price of the Common Stock on the Exercise Date (the "Option Price"). Such closing price shall be (a) the closing price on the NASDAQ Global Select Market or other national securities exchange on which the Common Stock is listed, or (b) the average of the closing bid and asked prices in the over-the-counter market, whichever is applicable. If no sales of Common Stock were made on such a day, the price of the Common Stock for purposes of clause (a) above shall be the reported price for the next preceding day on which sales were made.

Each employee who continues to be a participant in the Plan on the Exercise Date shall be deemed to have exercised his or her Option at the Option Price on such date and shall be deemed to have purchased from the Company the number of whole shares of Common Stock reserved for the purpose of the Plan that his or her accumulated payroll deductions on such date will pay for (but not in excess of the maximum number determined in the manner set forth above).

Any balance remaining in an employee's payroll deduction account at the end of a Plan Period will be automatically refunded to the employee, except that any balance which is less than the purchase price of one share of Common Stock will be carried forward into the employee's payroll deduction account for the following Offering, unless the employee elects not to participate in the following Offering under the Plan, in which case the balance in the employee's account shall be refunded.

10. Holding Period. Any shares of Common Stock issued to a participating employee pursuant to this Plan may not be sold, assigned, pledged, encumbered or otherwise transferred by such employee for a period of three (3) months after the applicable Exercise Date. By exercising an Option, the employee shall be deemed to have agreed to these restrictions on the transferability of such shares.

11. Issuance of Shares. Promptly following the end of each Offering, the number of shares of Common Stock purchased under the Plan shall, subject to the holding period requirement set forth above, be deposited into an account established in the name of the employee at a stock brokerage or other financial services firm designated by the Company (the "ESPP Broker").

The employee may direct, by written notice to the Company at the time during his or her enrollment in the Plan, that his or her ESPP broker account be established in the name of the employee and another person of legal age as joint tenants with rights of survivorship or (in the Company's sole discretion) in the street name of a brokerage firm, bank or other nominee holder designated by the employee.

12. Rights on Retirement, Death or Termination of Employment. In the event of a participating employee's termination of employment prior to the last business day of a Plan Period, no payroll deduction shall be taken from any pay due and owing to an employee following the effective date of such termination. The balance in the employee's account shall be paid to the employee or, in the event of the employee's death, (a) to a beneficiary previously designated in a revocable notice signed by the employee (with any spousal consent required under state law), (b) in the absence of such a designated beneficiary, to the executor or administrator of the employee's estate, or (c) if no such executor or administrator has been appointed to the knowledge of the Company, to such other person(s) as the Company may, in its discretion, designate. If, prior to the last business day of the Plan Period, the Participating Subsidiary by which an employee is employed shall cease to be a subsidiary of the Company, or if the employee is transferred to a subsidiary of the Company that is not a Participating Subsidiary, the employee shall be deemed to have terminated employment for the purposes of this Plan.

13. Optionees Not Stockholders. Neither the granting of an Option to an employee nor the deductions from his or her pay shall constitute such employee a stockholder of the shares of Common Stock covered by an Option under this Plan until such shares have been purchased by and issued to him or her.

14. Rights Not Transferable. Rights under this Plan are not transferable by a participating employee other than by will or the laws of descent and distribution, and are exercisable during the employee's lifetime only by the employee.

15. Application of Funds. All funds received or held by the Company under this Plan may be combined with other corporate funds and may be used for any corporate purpose.

16. Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the share limitations set forth in Section 9, and (iii) the Option Price shall be appropriately adjusted to the extent determined by the Board or the Committee.

17. Reorganization Events. A "Reorganization Event" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (c) any liquidation or dissolution of the Company.

In connection with a Reorganization Event, the Board or the Committee shall take any one or more of the following actions as to outstanding Options on such terms as the Board or the Committee determines: (i) provide that Options shall be assumed, or substantially equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to employees, provide that all outstanding Options will be terminated as of the effective date of the Reorganization Event and that all such outstanding Options will become exercisable to the extent of accumulated payroll deductions as of a date specified by the Board or the Committee in such notice, which date shall not be less than ten (10) days preceding the effective date of the Reorganization Event, (iii) upon written notice to employees, provide that all outstanding Options will be cancelled as of a date prior to the effective date of the Reorganization Event and that all accumulated payroll deductions will be returned to participating employees on such date, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to an employee equal to (A) the Acquisition Price times the number of shares of Common Stock subject to the employee's Option (to the extent the Option Price does not exceed the Acquisition Price) minus (B) the aggregate Option Price of such Option, in exchange for the termination of such Option, (v) provide that, in connection with a liquidation or dissolution of the Company, Options shall convert into the right to receive liquidation proceeds (net of the Option Price thereof) and (vi) any combination of the foregoing.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or

succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

18. Amendment of the Plan. The Board may at any time, and from time to time, amend this Plan in any respect, except that (a) if the approval of any such amendment by the shareholders of the Company is required by Section 423 of the Code, such amendment shall not be effected without such approval, and (b) in no event may any amendment be made which would cause the Plan to fail to comply with Section 423 of the Code.

19. Insufficient Shares. In the event that the total number of shares of Common Stock specified in elections to be purchased under any Offering plus the number of shares purchased under previous Offerings under this Plan exceeds the maximum number of shares issuable under this Plan, the Board or the Committee will allot the shares then available on a pro rata basis.

20. Termination of the Plan. This Plan may be terminated at any time by the Board. Upon termination of this Plan all amounts in the accounts of participating employees shall be promptly refunded.

21. Governmental Regulations. The Company's obligation to sell and deliver Common Stock under this Plan is subject to the listing requirements of the NASDAQ Global Select Market or other applicable national stock exchange and the approval of all governmental authorities required in connection with the authorization, issuance or sale of such stock. The Plan shall be governed by Delaware law except to the extent that such law is preempted by federal law.

22. Issuance of Shares. Shares may be issued upon exercise of an Option from authorized but unissued Common Stock, from shares of Common Stock held in the treasury of the Company, or from any other proper source.

23. Notification upon Sale of Shares. Each employee agrees, by enrolling in the Plan, to promptly give the Company notice of any disposition of shares purchased under the Plan where such disposition occurs within two years after the date of grant of the Option pursuant to which such shares were purchased.

24. Effective Date and Approval of Shareholders. The Company's 1996 Employee Stock Purchase Plan took effect on February 12, 1996 subject to approval by the stockholders of the Company as required by Section 423 of the Code, which approval was obtained on June 5, 1996. This Second Amended and Restated 1996 Employee Stock Purchase shall be effective on May 1, 2008, subject to the number of authorized shares of Common Stock (1,700,000) previously approved by the Company's stockholders until such date as the greater number of authorized shares set forth in the introductory paragraph of this Plan (2,500,000) shall be approved by the stockholders of the Company as required by Section 423 of the Code. The Company shall submit the increase in the number of authorized shares under the Plan for stockholder approval at the Company's 2008 Annual Meeting of Stockholders on May 21, 2008.

AVID TECHNOLOGY, INC.

Amendment No. 1 to the Avid Technology, Inc. Second Amended and Restated 1996 Employee Stock Purchase Plan

That Section 2(a) of the Avid Technology, Inc. Second Amended and Restated 1996 Employee Stock Purchase Plan is hereby deleted in its entirety.

Approved by the Board of Directors of Avid Technology, Inc. on August 12, 2008

EXECUTIVE EMPLOYMENT AGREEMENT

AVID TECHNOLOGY, INC.

This Executive Employment Agreement (this "Agreement") is entered into as of July 7, 2008, by and between Avid Technology, Inc., a Delaware corporation with its principal executive offices at Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876 (the "Company"), and Paul Lypaczewski ("Executive").

Article 1. Services

1.1. Service. Commencing on July 7, 2008 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Vice President and General Manager, Video upon the terms and conditions set forth below.

1.2. Duties. During the Term, Executive agrees to perform such executive duties consistent with his position as may be assigned to him from time to time by the Board of Directors of the Company (the "Board" or "Board of Directors") or the Chief Executive Officer and to devote his full working time and attention to such duties.

1.3. No Conflicting Commitments. During the Term, Executive will not undertake any commitments, engage or have an interest in any outside business activities or enter into any consulting agreements which, in the good faith determination of the Chief Executive Officer, conflict with the Company's interests or which might reasonably be expected to impair the performance of Executive's duties as a full-time employee of the Company. Notwithstanding the foregoing, Executive may pursue personal interests (including, without limitation, industry, civic and charitable activities) and attend to his personal investments, so long as such activities do not interfere with the performance of his duties hereunder.

Article 2. Term

2.1. Term. The term of this Agreement (the "Term") shall commence on the Effective Date and shall expire on July 7, 2011 unless the Term is:

2.1.1 extended pursuant to the provisions of this Section 2.1; or

2.1.2 terminated when the Executive's employment terminates pursuant to Section 4.1 hereof;

provided, however, that notwithstanding the foregoing, the Term shall continue to automatically be extended for periods of one (1) year so long as neither party provides written notice to the other of its intent to terminate by a date which is at least one hundred and eighty (180) days prior to the then-current expiration date of the Agreement, and, provided further that (i) in the event that a Change-in-Control of the Company (as defined in Section 4.2.2) should occur during the 12 months prior to the end of the then-current Term and Executive is still an employee of the Company at that time, then the Term shall be deemed to expire on the date that is 12 months after the date of such Change-in-Control of the Company, (ii) in the event a Potential Change-in-Control Period (as defined in Section 4.2.6) exists within the 12 months prior to the end of the then-current Term and Executive is still an employee of the Company as of that date, the Term shall be deemed to expire on the date that is 12 months after the commencement of such Potential Change-in-Control Period and (iii) the expiration of the Term shall not adversely affect Executive's rights under this Agreement which have accrued prior to such expiration.

For the avoidance of doubt, if a Potential Change-in-Control Period shall commence in the 12 months prior to the end of the then-current Term and a Change-in-Control of the Company shall also occur during such 12-month period, and if Executive is still an employee of the Company on the date of the Change-in-Control of the Company, the Term shall be deemed to expire 12 months after the date of such Change-in-Control. Unless the services of the Executive have terminated prior to or upon the end of the Term in accordance with the provisions of this Agreement, from and after the end of the Term, Executive shall be an employee-at-will.

Article 3. Payments

3.1. Base Compensation. During the Term, the Company shall pay Executive an annual base salary (the "Base Salary") of Three Hundred Seventy-Five Thousand Dollars (\$375,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Chief Executive Officer during the Term.

3.2. Incentive Payments. Commencing with the Company's fiscal year ending December 31, 2008 and thereafter during the remainder of the Term, Executive shall be eligible to participate in an annual performance bonus plan pursuant to which he shall be eligible to receive a target annual bonus equal to seventy-five percent (75%) of his then Base Salary ("Target Bonus") for full attainment of his performance objectives (which may include company-wide objectives), with a maximum annual bonus equal to One Hundred Thirty-Five percent (135%) of his then Target Bonus for extraordinary performance on all or nearly all of his performance objectives (the "Annual Incentive Bonus"). Notwithstanding the foregoing, for the Company's fiscal year ending December 31, 2008, achievement of the Annual Incentive Bonus shall be on a pro-rata basis for the period following the Effective Date only.

The amount of Executive's Annual Incentive Bonus, if any, shall be based on the degree to which Executive's performance objectives for a fiscal year have been met. Within 45 days after the Effective Date, Executive and the Chief Executive Officer shall have mutually determined and established Executive's performance objectives for fiscal year 2008. Thereafter, during the Term, Executive's performance objectives for each fiscal year shall be established during Executive's annual performance review; provided, that in no event shall the percentages set forth in the first paragraph of this Section 3.2 to be used in calculating Executive's Annual Incentive Bonus be reduced. The Compensation Committee of the Board of Directors shall determine, for each fiscal year, the extent to which Executive's performance objectives for such fiscal year have been attained and the amount of the Annual Incentive Bonus, if any, for such fiscal year. Should Executive voluntarily terminate his employment after December 31 of any calendar year during the Term but prior to the date any bonus payments for such year are made by the Company, Executive shall remain eligible to receive his bonus payment to the extent earned when paid by the Company to all other Executives.

3.3. Equity Grant.

3.3.1. Option Grant. On the Effective Date, pursuant to a stock option agreement, Executive will be awarded an option to purchase Eighty Thousand (80,000) shares of Avid Technology, Inc. common stock (the "Stock Option"). The exercise price will be the closing price of the stock on the Effective Date.

a) Twenty Thousand (20,000) shares of the Stock Option will vest on a time-based schedule of 12.5% on the first six-month anniversary of the Effective Date and then monthly thereafter for the following 42 months.

b) Thirty Thousand (30,000) shares of the Stock Option will vest on a performance-based schedule, as follows:

(1) Fifteen Thousand (15,000) shares of the Stock Option will vest at the end of the first 20 consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$50.84, as adjusted for stock splits and stock dividends; and

(2) An additional Fifteen Thousand (15,000) shares of the Stock Option will vest at the end of the first 20 consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$76.26, as adjusted for stock splits and stock dividends.

c) Thirty Thousand (30,000) shares of the Stock Option (the “ROE Option Shares”) will vest in accordance with the following table, based upon improvement in the Company’s Return on Equity, or ROE (as defined below), in calendar year periods, commencing with calendar year 2008. Improvements for each calendar year shall be measured against a baseline ROE for the 12-month period ended September 30, 2007 (“Baseline”).

ROE Percentage Point Improvement in Calendar Year Compared to Baseline	Percentage of ROE Option Shares to Vest
14%	100%
12%	90%
10%	75%
8%	60%
6%	45%
4%	30%
2%	15%
0%	0%

ROE determinations for each period will be made by the Board of Directors, or a duly authorized committee thereof, promptly following the date that the Company files its Annual Report on Form 10-K with the Securities and Exchange Commission for that period and will be based upon the Company’s audited financial statements for the applicable calendar year and the unaudited financial statements for the Baseline period. The ROE Option Shares, if any, that are not vested as of the date that the Board makes the final determination of ROE for the seventh calendar year (2014) shall be forfeited.

“Return on Equity” or “ROE” shall be determined using the Company’s non-GAAP net income as published in an earnings release, adding the provision for income taxes and subtracting the non-GAAP related tax adjustments for the applicable period and dividing by the average common stockholder equity during the same period.

Notwithstanding the foregoing, the ROE Option Shares will vest in full at the end of the first 20 consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$101.68, as adjusted for stock splits and stock dividends.

3.3.2. RSU Grant. Effective as of the Effective Date, pursuant to a restricted stock unit agreement, Executive will be granted Twenty Thousand (20,000) restricted stock units (the "Restricted Stock Unit Grant"), with each unit representing the right to receive one share of the Company's common stock, said restricted stock units to vest in equal 25% increments on each of the first four anniversaries of the Effective Date.

3.4. Benefits; Expenses. During the Term, the Company shall provide Executive and his dependents with medical insurance and such other cash and noncash benefits, on the same terms and conditions, as amended from time to time, as are generally made available by the Company to its full-time executive officers. Executive shall be entitled to four (4) weeks of paid vacation per year. The Company shall pay, or reimburse Executive for, all business expenses incurred by Executive which are related to the performance of Executive's duties, subject to timely submission by Executive of payment or reimbursement requests and appropriate documentation, in accordance with the Company's reimbursement policies.

3.5. Participation in Equity Incentive Plans. During the Term, in addition to the Stock Option and Restricted Stock Unit Grant, Executive shall be entitled to participate in the Company's stock incentive plans to the extent and in the manner determined by the Board of Directors in its absolute discretion.

3.6. Commuting Expense. The Company shall provide Executive a monthly allowance of ten thousand dollars (\$10,000) for travel and living expenses (for which receipts shall not be required) which he incurs between his home in Ontario, Canada and the Company's headquarters (the "Commuting Expenses"). To the extent reimbursement of any Commuting_Expenses are includable in the Executive's taxable income, the Company will provide for a gross-up payment to reimburse Executive for any income taxes associated with such reimbursement.

Article 4. Termination

4.1. Termination. Executive's employment hereunder shall terminate upon the occurrence of any of the following events:

4.1.1. Immediately upon the Executive's death;

4.1.2. The termination of the Executive's employment by the Company for Disability (as defined below), to be effective immediately upon delivery of notice thereof;

4.1.3. The termination of Executive's employment by the Company for Cause (as defined below), to be effective immediately upon delivery of notice thereof;

4.1.4. The termination of Executive's employment by the Company, without Cause and not as a result of Executive's death or Disability, to be effective 30 days after the Company delivers written notice thereof to the Executive;

4.1.5. The termination of Executive's employment by Executive without Good Reason (as defined below) to be effective 30 days after Executive delivers written notice thereof from Executive to the Company; or

4.1.6. The termination of Executive's employment by Executive with Good Reason (as defined below), to be effective as set forth below.

4.2. For purposes of this Agreement, the following definitions shall apply:

4.2.1. "Cause" shall mean (i) Executive's material failure to perform (other than by reason of death or illness or other physical or mental incapacity) his duties and responsibilities as assigned by the Chief Executive Officer, Chief Administrative Officer or Board in accordance with Section 1.2 above, which is not remedied after 30 days' written notice from the Company (if such failure is susceptible to cure), (ii) a material breach of any of the material provisions of this Agreement or any other material written agreement (including the Company's employee nondisclosure and invention assignment agreement) between Executive and the Company, which is not cured after 10 days' written notice from the Company (if such breach is susceptible to cure), (iii) Executive's material violation of a material Company policy (for purposes of this clause, the Company's Code of Business Conduct and Ethics shall be deemed a material policy), which is not cured after 10 days' written notice from the Company (if such violation is susceptible to cure), (iv) fraud, embezzlement or other material dishonesty with respect to the Company, (v) conviction of a crime constituting a felony (which shall not include any crime or offense related to traffic infractions or as a result of vicarious liability) or conviction of any other crime involving fraud, dishonesty or moral turpitude or (vi) failing or refusing to cooperate, as reasonably requested in writing by the Company, in any internal or external investigation of any matter in which the Company has a material interest (financial or otherwise) in the outcome of the investigation.

4.2.2. "Change-in-Control of the Company" shall be deemed to have occurred only if any of the following events occur:

a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this section, the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which satisfies the criteria set forth in clauses (A) and (B) of Section 4.2.2(c); or

b) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the operating assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 40% of, respectively, the then-outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation), and the combined voting power of the then-outstanding voting securities of the corporation or other entity resulting from such Business Combination (which as used in this section shall include, without limitation, a corporation or other entity which as a result of such transaction owns all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (B) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation) of the corporation or other entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation or other entity;

provided, however, that as used in Article 5, a “Change-in-Control of the Company” shall be deemed to occur only if any of the foregoing events occur and such event that occurs is a “change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation” as defined in Treasury Reg. § 1.409A-3(i)(5).

4.2.3. “Date of Termination” shall mean the date of Executive’s “separation from service” with the Company, as determined under Treasury Reg. § 1.409A-1(h).

4.2.4. “Disability” shall mean Executive’s absence from the full-time performance of his duties with the Company for more than 180 days during a 365-day period as a result of incapacity due to mental or physical illness, as a result of which Executive is deemed “disabled” by the institution appointed by the Company to administer its long-term disability plan (or any successor plan).

4.2.5. “Good Reason” shall mean any material breach of this Agreement by the Company and/or the occurrence of any one or more of the following without Executive’s prior express written consent: (i) a material diminution in Executive’s authority, duties or responsibility from those in effect as of the Effective Date; (ii) a diminution in Executive’s Base Salary as in effect on the Effective Date or as may be increased from time to time, other than a reduction which is part of an across-the board proportionate reduction in the salaries of all senior executives of the Company imposed because the Company is experiencing financial hardship (provided such reduction is not more than 20% and does not continue for more than 12 months); (iii) a material change in Executive’s office location (it being agreed that as of the Effective Date such office location shall be deemed to be Tewksbury, Massachusetts); and (iv) any material breach of this Agreement by the Company; provided, however, that a termination for Good Reason by Executive can occur only if (a) Executive has given the Company a notice of the existence of a condition giving rise to Good Reason within 90 days after the initial occurrence of the condition giving rise to Good Reason and (b) the Company has not cured the condition giving rise to Good Reason within 30 days after

receipt of such notice. A termination for Good Reason shall occur 30 days after the end of such 30-day cure period.

4.2.6. A “Potential Change-in-Control Period” shall be deemed to exist (A) commencing upon the date on which the Company shall have announced that it has entered into a merger, acquisition or similar agreement, the consummation of which would result in the occurrence of a Change-in-Control of the Company and ending on the earlier of (x) the date on which the transaction governed by such agreement has been consummated or (y) the Company shall have announced that it has terminated such agreement, or (B) commencing on the date on which any Person shall publicly announce an intention to take actions which if consummated would constitute a Change-in-Control of the Company and ending on the earlier of (x) the date on which such actions have caused the consummation of a Change-in-Control of the Company or (y) such Person shall publicly announce the termination of its intentions to take such actions.

4.2.7. “Pro Ration Percentage” shall mean the amount, expressed as a percentage, equal to the number of days in the then current fiscal year through the Date of Termination, divided by 365.

4.2.8. “Termination Bonus Amount” shall mean the greater of (i) Executive’s highest Annual Incentive Bonus earned in the two most recent full fiscal years preceding the Date of Termination, or (ii) One Hundred percent (100%) of Executive’s Base Salary in effect as of the Date of Termination.

4.3. Adjustments Upon Termination.

4.3.1. Death or Disability. If during the Term, Executive’s employment with the Company terminates pursuant to Section 4.1.1 or Section 4.1.2, subject to Section 4.5, the Company shall pay to Executive or Executive’s heirs, successors or legal representatives, as the case may be, Executive’s Base Salary in effect as of the date Executive’s employment with the Company terminates (less, in the case of a termination of employment as a result of Disability, the amount of any payments made to the Executive under any long-term disability plan of the Company). Such payments shall be made over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs after a Change-in-Control of the Company, the total of such payments shall be made in a lump sum within 30 days following the Date of Termination. Notwithstanding any provision to the contrary in any Company stock plan, or under the terms of any grant, award agreement or form for exercising any right under any such plan (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), any stock options, restricted stock awards, stock appreciation rights or other equity participation rights held by Executive as of the date of death or Disability shall become exercisable or vested, as the case may be, with respect to all time-based awards as to an additional number of shares equal to the number that would have been exercisable or vested as of the end of the 12-month period immediately following the Date of Termination, but all performance-based vesting awards that have not vested as of such Date of Termination shall be forfeited as of such date.

4.3.2. With Cause or Without Good Reason. If Executive’s employment with the Company terminates pursuant to Section 4.1.3 or Section 4.1.5, (a) all payments and benefits provided to Executive under this Agreement shall cease as of the Date of Termination, except that Executive shall be entitled to any amounts earned, accrued or owing but not yet paid under Section 3.1 and any benefits due in accordance with the terms of any applicable benefits plans and programs of the Company and (b) all vesting of all stock options, restricted stock awards, stock appreciation rights or other equity participation rights then held by the Executive shall immediately cease as of the date Executive’s employment with the Company terminates.

4.3.3. Without Cause or with Good Reason Other than during a Potential Change-in-Control Period or After a Change-in-Control of the Company. If Executive's employment with the Company terminates pursuant to Section 4.1.4 or Section 4.1.6, other than during a Potential Change-in-Control period or within 12 months after a Change-in-Control of the Company, subject to Section 4.5:

- a) within 30 days following the Date of Termination, the Company shall pay Executive in a lump sum in cash the sum of (i) any accrued but unpaid Base Salary through the Date of Termination plus (ii) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs, if earned and unpaid, plus (iii) any accrued but unused vacation pay;
- b) the Company shall pay Executive, as severance pay, his Base Salary in effect as of the Date of Termination, for 12 months after the Date of Termination (the "Severance Pay Period");
- c) the Annual Incentive Bonus for the year in which the Date of Termination occurred, in the amount of Executive's Target Bonus multiplied by the applicable actual plan payout factor and pro rated by the number of months Executive was employed by the Company during the year of the Date of Termination; provided, however, that any individual performance component of such payout factor shall be determined by the Company as it deems appropriate under the circumstances in its sole discretion; and provided further that such Annual Incentive Bonus will be paid only if the Company pays bonuses, on account of the year in which the Date of Termination occurred, to executives who remain employed with the Company and will be paid in a lump sum on or about the date on which the Company pays bonuses to executives who remain employed with the Company;
- d) the Company shall continue to provide Executive medical, dental and vision benefits as were available to Executive immediately prior to the Date of Termination in accordance with Section 3.4 hereof until the earlier of (x) the end of the Severance Pay Period or (y) the date on which Executive becomes eligible to receive group medical and dental insurance benefits from another employer that are substantially equivalent to those provided by the Company as of the Date of Termination (Executive agrees to notify the Company in writing promptly upon becoming eligible to receive such group medical and dental insurance from another employer);
- e) the Company shall provide Executive, at the Company's sole cost, with full executive outplacement assistance with an agency selected by Executive (and reasonably satisfactory to the Company), provided that no outplacement benefits shall be provided after the end of the second calendar year following the calendar year in which the Date of Termination occurs;
- f) notwithstanding any provision to the contrary in any Company stock plan, or under the terms of any grant, award agreement or form for exercising any right under any such plan (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), any stock options, restricted stock awards, stock appreciation rights or other equity participation rights held by Executive as of the Date of Termination become exercisable or vested, as the case may be, with respect to all time-based vesting awards as to an additional number of

shares equal to the number that would have been exercisable or vested as of the end of the 12-month period immediately following the Date of Termination, but all performance-based vesting awards that have not vested as of the Date of Termination shall be forfeited as of such date except that if the Date of Termination takes place after December 31 of a calendar year during the Term but prior to the computation of ROE with respect to such calendar year, a determination will be made as to the additional number of shares, if any, to be vested as a result of such ROE computation, prior to the forfeiture of the remaining unvested shares; and

g) Executive shall be entitled to exercise any such options or other awards or equity participation rights until 12 months after the Date of Termination, but all performance-based vesting awards that have not, as of such date, vested shall be forfeited as of such date. No other payments or benefits shall be due under this Agreement to Executive, but Executive shall be entitled to any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

4.3.4. Without Cause or with Good Reason After a Change-in-Control of the Company. If, within 12 months after a Change-in-Control of the Company, Executive shall terminate Executive's employment pursuant to Section 4.1.6 or the Company shall terminate Executive's employment pursuant to Section 4.1.4, then in any such event, subject to Section 4.5:

- a) The Company shall pay Executive as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash no more than 30 days following the Date of Termination, the following amounts:
 - (i) the sum of (A) Executive's accrued but unpaid Base Salary through the Date of Termination, plus (B) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs, if earned and unpaid, (C) the product of (x) Executive's Termination Bonus Amount, and (y) the Pro Ration Percentage, plus (D) any accrued but unused vacation pay; and
 - (ii) the amount equal to one and a half (1.5) times the sum of (i) Executive's Base Salary in effect as of the Date of Termination, plus (ii) Executive's Termination Bonus Amount.
- b) if Executive is eligible to receive and elects to continue receiving any group medical and dental insurance coverage under COBRA, the Company shall reimburse the monthly COBRA premium (on a fully grossed up basis, if such reimbursement is taxable to Executive) in an amount equal to the portion of such premium that the Company pays on behalf of active and similarly situated employees receiving the same type of coverage until the earlier of (x) the date that is 18 months after the Date of Termination or (y) the date on which Executive becomes eligible to receive group medical and dental insurance benefits from another employer that are substantially equivalent (including, without limitation, equivalent as to benefits, premiums and co-pay amounts) to those provided by the Company as of the Date of Termination (Executive agrees to notify the Company in writing promptly upon becoming eligible to receive such group medical and dental insurance from another employer);

c) Notwithstanding anything to the contrary in the applicable stock option or restricted stock unit agreement (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), the exercisability of all outstanding stock options, restricted stock awards, stock appreciation rights and other equity participation rights (including the right to receive restricted stock pursuant to the Restricted Stock Unit Grant or other instrument) then held by Executive with respect to the common stock of the Company (or securities exchanged for such common stock in connection with the Change-in-Control of the Company) shall accelerate in full and Executive shall be entitled to exercise any such options or other awards or equity appreciation rights until 18 months after the Date of Termination; and

d) The Company shall provide Executive, at the Company's sole cost, with executive outplacement assistance, provided that no outplacement benefits shall be provided after the end of the second calendar year following the calendar year in which the Date of Termination occurs.

4.3.5. Without Cause or with Good Reason During a Potential Change-in-Control Period. If, during the existence of a Potential Change-in-Control Period, Executive shall terminate Executive's employment pursuant to Section 4.1.6 or the Company shall terminate Executive's employment pursuant to Section 4.1.4, then in any such event, subject to Section 4.5, Executive shall receive the payments, benefits and rights set forth in Sections 4.3.4, except that any amounts payable pursuant to Section 4.3.4(a)(ii) shall be paid over the 18-month period that commences on the Date of Termination, if such date occurs more than 30 days prior to the Change-in-Control of the Company that is the subject of the Potential Change-in-Control Period; otherwise, such amount shall be paid in a lump sum on the date that such Change-in-Control of the Company occurs. Notwithstanding the foregoing, if the Change-in-Control of the Company (that is the subject of the Potential Change-in-Control Period) occurs more than 30 days after the Date of Termination, and payments of the amount payable pursuant to Section 4.3.4(a)(ii) have begun over an 18-month period, pursuant to the preceding sentence, the balance of the amount payable pursuant to Section 4.3.4(a)(ii) shall be paid to Executive in a lump sum on the date such Change-in-Control of the Company occurs.

4.4. Section 409A.

4.4.1. Payments to Executive under this Article 4 shall be bifurcated into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion that does constitute nonqualified deferred compensation. Payments hereunder shall first be made from the portion, if any, that does not consist of nonqualified deferred compensation until it is exhausted and then shall be made from the portion that does constitute nonqualified deferred compensation. However, if Executive is a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, to the extent required by Section 409A of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation will be delayed to the date that is six months and one day after Executive's Date of Termination (the "Earliest Payment Date"). Any payments that are delayed pursuant to the preceding sentence shall be paid on the Earliest Payment Date. The determination of whether, and the extent to which, any of the payments to be made to Executive hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Treasury Reg. § 1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year of Executive following the taxable year of Executive in which the Date of Termination occurs.

4.4.2. The parties acknowledge and agree that the interpretation of Section 409A of the Code and its application to the terms of this Agreement is uncertain and may be subject to change as additional guidance and interpretations become available. Anything to the contrary herein notwithstanding, all benefits or payments provided by the Company to Executive that would be deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code are intended to comply with Section 409A of the Code. If, however, any such benefit or payment is deemed to not comply with Section 409A of the Code, the Company and Executive agree to renegotiate in good faith any such benefit or payment (including, without limitation, as to the timing of any severance payments payable hereof) so that either (i) Section 409A of the Code will not apply or (ii) compliance with Section 409A of the Code will be achieved; provided, however, that any deferral of payments or other benefits shall be only for such time period as may be required to comply with Section 409A; and provided, further, that payments or other benefits that occur as a result of the application of this section shall themselves comply with Section 409A of the Code.

4.5. **General Release.** In order to be eligible to receive any of the salary or benefits under Article 4 hereof, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company (without subsequent revocation) a general release of claims against the Company, excluding any claims concerning the Company's obligations under this Agreement in a form provided by and reasonably satisfactory to the Company which shall contain a release of claims by Executive substantially in the form attached hereto as Exhibit A, and shall be required to sign such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so, provided, however, that such other agreements do not cause any changes to the provisions herein or in any restricted stock, restricted stock unit, stock option or similar compensatory or benefit agreement between the Executive and the Company. The Company shall have no other liability or obligation under this Agreement to Executive's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through Executive.

Article 5. Non-Competition and Non-Solicitation

5.1. **Non-Competition and Non-Solicitation.** Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and accordingly agrees that while Executive is employed by the Company and for a period of the longer of (a) one year after the Date of Termination, in the case of a termination other than within 12 months after a Change-in-Control of the Company, and (b) 18 months after the Date of Termination in the case of a termination within 12 months after a Change-in-Control of the Company:

5.1.1. Executive will not perform services for or own an interest in (except for investments of not more than five percent (5%) of the total outstanding shares or other equity interests of a company or entity in which Executive does not actively participate in management) any firm, person or other entity that competes in any geographic area with the Company in the business of the development, manufacture, promotion, distribution or sale of professional or consumer film, video or audio production tools, including, but not limited to, editing, special effects, 3D, animation, live sound, broadcast or newsroom products or systems, content-creation tools, media storage or other business or services in which the Company is engaged or plans (as evidenced by consideration by the Company's executive staff or by the Board) to engage at the time Executive's employment with the Company terminates.

5.1.2. Executive will not directly or indirectly assist others in engaging in any of the activities in which Executive is prohibited to engage by Section 5.1.1.

5.1.3. Executive will not directly or indirectly either alone or in association with others (a) solicit, or permit any organization directly or indirectly controlled by Executive to solicit, any employee of the Company to leave the employ of the Company, or (b) solicit for employment, hire or engage as an

independent contractor, or permit any organization directly or indirectly controlled by Executive to solicit for employment, hire or engage as an independent contractor, any natural person who was employed by the Company at any time; provided that this section (i) shall not apply to the solicitation, hiring or engagement of any individual whose employment with the Company has been terminated for a period of one year or longer or whose engagement to the Company as an independent contractor has been terminated for a period of six months or longer and (ii) shall not apply to the solicitation, hiring or engagement of any individual arising from such individual's affirmative response to a general recruitment effort carried out through a public solicitation or a general solicitation.

5.1.4. Executive will not directly or indirectly either alone or in association with others solicit, or permit any organization directly or indirectly controlled by Executive to solicit, any current or future customer or supplier of the Company to cease doing business in whole or in part with the Company or otherwise adversely modify his, her or its business relationship with the Company.

5.2. Reasonableness of Restrictions. It is expressly understood and agreed that (a) although Executive and the Company consider the restrictions contained in this Article 5 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Article 5 is unenforceable, such restriction shall not be rendered void but shall be deemed to be enforceable to such maximum extent as such court may judicially determine or indicate to be enforceable and (b) if any restriction contained in this Agreement is determined to be unenforceable and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

5.3. Remedies for Breach. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of this Section 5 would be inadequate and, in recognition of this fact, Executive expressly agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining orders, temporary or permanent injunctions or any other equitable remedy which may then be available. In addition, in the event of a breach of Article 5 which is not remedied after 10 days' written notice from the Company (if such breach is susceptible to cure), whether or not Executive is employed by the Company, the Company shall cease to have any obligations to make payments to Executive under this Agreement (except for payments, if any, earned prior to such breach).

Article 6. Assignment of Inventions and Non-Disclosure

6.1. Proprietary Information.

6.1.1. Executive agrees that all information and know-how, whether or not in writing, of a private, secret or confidential nature concerning (i) the Company's present or future business or financial affairs, (ii) the research and development or investigation activities of the Company, or (iii) the business relations and affairs of any client, customer or vendor of the Company, of which such information is not generally known to the public, industry or trade, and which the Company takes reasonable steps to safeguard and protect from disclosure (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration, but not limitation, Proprietary Information includes trade secrets, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, plans, research data, clinical data, financial data, personnel data of other employees, computer programs and customer and supplier lists. Executive shall not at any time, either during or after employment with the Company, disclose any Proprietary Information to others outside the Company except as required in the performance of his duties for the Company (and under an appropriate confidentiality agreement), or as required by law, or use the same for any unauthorized purposes without prior written approval by the Company unless and until such Proprietary Information has become public knowledge without fault by Executive.

6.1.2. Executive agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, or other tangible material containing Proprietary Information, whether created by Executive or others, which shall come into his custody or possession, shall be and are the exclusive property of the Company to be used by Executive only in the performance of his duties for the Company. All such records or copies thereof and all tangible property of the Company in Executive's custody or possession shall be delivered to the Company, upon the earlier of (i) a request by the Company or (ii) termination of Executive's employment. After such delivery, Executive shall not retain any such records or copies thereof or any such tangible property.

6.1.3. Executive agrees that his obligation not to disclose or to use information, know-how and records of the types set forth in paragraphs 6.1.1 and 6.1.2 above, and his obligation to return records and tangible property, set forth in paragraph 6.1.2 above, also extends to such types of information, know-how, records and tangible property of clients and customers of the Company or vendors and suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to Executive in the course of the Company's business.

6.2. Innovations.

6.2.1. As used herein, the term "Innovation(s)" means any new or useful art, discovery, improvement, developments or inventions whether or not patentable, and all related know-how, designs, maskworks, trademarks, formulae, processes, manufacturing techniques, trade secrets, ideas, artwork, software or other copyrightable or patentable works, including all rights to obtain, register, perfect and enforce these proprietary interests. Executive shall make full and prompt disclosure to the Company of all Innovations whether patentable or not, which are created, made, conceived or reduced to practice by Executive or under Executive's direction or jointly with others during his employment by the Company, whether or not during normal working hours or on the premises of the Company.

6.2.2. Executive agrees to assign and does hereby promptly assign to the Company (or any person or entity designated by the Company) all of Executive's right, title and interest in and to all Innovations and all related patents, patent applications, copyrights and copyright applications, which Executive may solely or jointly conceive, develop or reduce to practice during the period of Executive's employment with the Company. However, this paragraph shall not apply to Innovations that do not relate to the present or planned business or research and development of the Company and which are made and conceived by Executive not during normal working hours, not on the Company's premises and not using the Company's tools, devices, equipment or Proprietary Information. Executive acknowledges that, to the extent this Agreement shall be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this paragraph shall be interpreted not to apply to any invention that a court rules and/or the Company agrees falls within such classes.

6.2.3. Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of all intellectual property rights, including but not limited to copyrights and patents (both in the United States and foreign countries), relating to Innovations. Executive agrees to sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignment of priority rights and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Innovations assigned by Executive to the Company pursuant to paragraph 6.2.2 above or otherwise.

6.2.4. Prior to the Effective Date, Executive shall deliver to Company, and Company shall acknowledge receipt signed by an officer of the Company (a copy of which shall be returned to Executive) a list describing all inventions, original works of authorship, developments, improvements and trade secrets

that were made by Executive prior to the Effective Date (collectively referred to as "Prior Inventions"), which belong to Executive, and which are not assigned to the Company hereunder. If no such list is delivered prior to the Effective Date, Executive represents that there are no such Prior Inventions. If in the course of his employment with the Company, Executive incorporates into a Company product, process or machine a Prior Invention owned by Executive or in which Executive has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

6.3. Other Agreements. Executive represents that his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to his employment with the Company, and Executive shall not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

6.4. United States Government Obligations. Executive acknowledges that the Company from time to time may have agreements with other persons or with the United States government, or agencies thereof, which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions that are made known to him and to take all action necessary to discharge the obligations of the Company under such agreements.

Article 7. Miscellaneous

7.1. Indemnification. Executive shall be entitled to indemnification as set forth in Article Eleventh of the Company's Certificate of Incorporation, a copy of which has been provided to Executive. Following termination of this Agreement for any reason, the Company shall continue to indemnify Executive against all claims related to actions arising prior to the termination of Executive's employment to the fullest extent permitted by law. A directors' and officers' liability insurance policy (or policies) shall be kept in place, during the Term of this Agreement and thereafter until at least the fourth anniversary of the date the Agreement is terminated for any reason, providing coverage to Executive that is no less favorable to him in any respect (including, without limitation, with respect to scope, exclusions, amounts and deductibles) than the coverage then being provided to any other present or former officer or director of the Company.

7.2. No Mitigation. The Company agrees that, except as specifically set forth in Section 4.3.3(d) and Section 4.3.4(b) regarding COBRA premium reimbursement, (i) if Executive's employment is terminated during the term of this agreement, Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to Executive by the Company and (ii) the amount of any payment provided hereunder shall not be reduced by any compensation earned by Executive.

7.3. Obligation of Successors. Any successor to substantially all of the Company's assets and business, whether by merger, consolidation, purchase of assets or otherwise, shall succeed to the rights and obligations of the Company hereunder. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to substantially all of its assets and business or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

7.4. Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given (i) when delivered in person, (ii) on the third business day after mailing by registered or certified mail, postage prepaid, (iii) on the next business day after delivery to an air courier for next day delivery, paid by the sender, or (iv) when sent by telecopy or facsimile transmission during normal business

hours (9:00 a.m. to 5:00 p.m.) where the recipient is located (or if sent after such hours, as of commencement of the next business day), followed within 24 hours by notification pursuant to any of the foregoing methods of delivery, in all cases addressed to the other party hereto as follows:

(a) If to the Company:

Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, MA 01876
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive:

Paul Lypaczewski
298 Comer Ridge Road
Aurora, Ontario, Canada L4G 6L7

or at such other address or addresses as either party shall designate to the other in accordance with this section.

7.5. Survival. The respective rights and obligations of the parties under this Agreement shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations. Notwithstanding the termination of this Agreement or Executive's services hereunder for any reason, Article 5 shall survive any such termination.

7.6. Complete Agreement; Amendments. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior agreements between the parties with respect to the subject matter hereof. This Agreement may not be modified or amended except upon written amendment approved by the Compensation Committee of the Board of Directors, and executed by a duly authorized officer of the Company and by Executive. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any time prior or subsequent time. Notwithstanding the foregoing, the Company may unilaterally modify or amend this Agreement if such modification or amendment is approved by the Compensation Committee and made to all other executive employment agreements entered into between the Company and its then-current executive officers.

7.7. Applicable Law. This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts (without reference to the conflicts of laws provisions thereof) and the parties hereby submit to the jurisdiction of the courts of that state.

7.8. Waiver of Jury Trial. Executive hereby irrevocably waives any right to a trial by jury in any action, suit, or other legal proceeding arising under or relating to any provision of this Agreement.

7.9. Severability. If any non-material provision of this Agreement shall be held invalid or unenforceable, it shall be deemed to be deleted or qualified so as to be enforceable or valid to the maximum extent permitted by law, and the remaining provisions shall continue in full force and effect.

7.10. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, assigns and

personal representatives, except that the duties, responsibilities and rights of Executive under this Agreement are of a personal nature and shall not be assignable or delegatable in whole or in part by Executive, except to the extent that the rights of Executive hereunder may be enforceable by his heirs, executors, administrators or legal representatives. If Executive should die while any amounts would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

7.11. Captions. Captions of sections have been added only for convenience and shall not be deemed to be a part of this Agreement.

7.12. Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7.13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one in the same instrument.

7.14. Further Assurances. Each party agrees to furnish and execute additional forms and documents, and to take such further action, as shall be reasonable and customarily required in connection with the performance of this Agreement or the payment of benefits hereunder. In addition, following the termination of Executive's employment with the Company, Executive shall reasonably cooperate with the Company to effect a smooth transition with respect to any activities Executive engaged in on behalf of the Company, at the Company's behest, and otherwise in the conduct of Executive's activities as an employee of the Company; including, without limitation, providing the Company with (or directing the Company to the location of) business records and other information relating to the Company's business.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Executive Employment Agreement as of the date first above written.

Avid Technology, Inc.

By: /s/ Ken A. Sexton
Name: Ken A. Sexton
Title: Executive Vice President and
Chief Administrative Officer

/s/ Paul Lypaczewski
Paul Lypaczewski

Exhibit A

Release provision pursuant to Section 4.5 of the Executive Employment Agreement

In consideration of the severance benefits, which the Executive acknowledges he would not otherwise be entitled to receive, the Executive hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities), all employee benefit plans and plan fiduciaries (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which the Executive ever had or now has against any or all of the Released Parties, including but not limited to any and all claims arising out of the Executive's employment with and/or separation from the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., § 12101 et seq., the Equal Pay Act of 1963, 29 U.S.C. § 206(d), the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., the Massachusetts Fair Employment Practices Act, M.G.L. c.151B, §1 et seq., and any and all other similar applicable federal and state statutes, all as amended; all claims arising out of Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, 18 U.S.C. § 1681 et seq., the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., and the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 et seq., all as amended; all claims under the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93 §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c. 149, § 1 et seq., the Massachusetts Privacy Act, M.G.L. c.214, §1B and the Massachusetts Maternity Leave Act , M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of the Executive's employment with or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that nothing in this Agreement prevents the Executive from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that the Executive acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding), and provided further, however, that nothing herein is intended to be construed as releasing the Company from any obligation set forth in this Agreement.

The Executive acknowledges that he has been given at least twenty-one (21) days to consider this Agreement and that the Company advised him to consult with any attorney of his own choosing prior to signing this Agreement. The Executive further acknowledges that he may revoke this Agreement for a period of seven (7) days after the execution of this Agreement, and the Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. The Executive understands and agrees that by entering into this Agreement he is waiving any and all rights or claims he might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that he has received consideration beyond that to which he was previously entitled.

EXECUTIVE EMPLOYMENT AGREEMENT

AVID TECHNOLOGY, INC.

This Executive Employment Agreement (this "Agreement") is entered into as of July 8, 2008, by and between Avid Technology, Inc., a Delaware corporation with its principal executive offices at Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876 (the "Company"), and Gerard Schenkkan ("Executive").

Article 1. Services

1.1. Service. Commencing on July 8, 2008 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Vice President and General Manager, Audio upon the terms and conditions set forth below.

1.2. Duties. During the Term, Executive agrees to perform such executive duties consistent with his position as may be assigned to him from time to time by the Board of Directors of the Company (the "Board" or "Board of Directors") or the Chief Executive Officer and to devote his full working time and attention to such duties.

1.3. No Conflicting Commitments. During the Term, Executive will not undertake any commitments, engage or have an interest in any outside business activities or enter into any consulting agreements which, in the good faith determination of the Chief Executive Officer, conflict with the Company's interests or which might reasonably be expected to impair the performance of Executive's duties as a full-time employee of the Company. Notwithstanding the foregoing, Executive may pursue personal interests (including, without limitation, industry, civic and charitable activities) and attend to his personal investments, so long as such activities do not interfere with the performance of his duties hereunder.

Article 2. Term

2.1. Term. The term of this Agreement (the "Term") shall commence on the Effective Date and shall expire on July 8, 2011 unless the Term is:

2.1.1 extended pursuant to the provisions of this Section 2.1; or

2.1.2 terminated when the Executive's employment terminates pursuant to Section 4.1 hereof;

provided, however, that notwithstanding the foregoing, the Term shall continue to automatically be extended for periods of one (1) year so long as neither party provides written notice to the other of its intent to terminate by a date which is at least one hundred and eighty (180) days prior to the then-current expiration date of the Agreement, and, provided further that (i) in the event that a Change-in-Control of the Company (as defined in Section 4.2.2) should occur during the 12 months prior to the end of the then-current Term and Executive is still an employee of the Company at that time, then the Term shall be deemed to expire on the date that is 12 months after the date of such Change-in-Control of the Company, (ii) in the event a Potential Change-in-Control Period (as defined in Section 4.2.6) exists within the 12 months prior to the end of the then-current Term and Executive is still an employee of the Company as of that date, the Term shall be deemed to expire on the date that is 12 months after the commencement of such Potential Change-in-Control Period and (iii) the expiration of the Term shall not adversely affect Executive's rights under this

Agreement which have accrued prior to such expiration. For the avoidance of doubt, if a Potential Change-in-Control Period shall commence in the 12 months prior to the end of the then-current Term and a Change-in-Control of the Company shall also occur during such 12-month period, and if Executive is still an employee of the Company on the date of the Change-in-Control of the Company, the Term shall be deemed to expire 12 months after the date of such Change-in-Control. Unless the services of the Executive have terminated prior to or upon the end of the Term in accordance with the provisions of this Agreement, from and after the end of the Term, Executive shall be an employee-at-will.

Article 3. Payments

3.1. Base Compensation. During the Term, the Company shall pay Executive an annual base salary (the "Base Salary") of Three Hundred Fifteen Thousand Dollars (\$315,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Chief Executive Officer during the Term.

3.2. Incentive Payments. Commencing with the Company's fiscal year ending December 31, 2008 and thereafter during the remainder of the Term, Executive shall be eligible to participate in an annual performance bonus plan pursuant to which, as of the Effective Date, he shall be eligible to receive a target annual bonus equal to sixty percent (60%) of his then Base Salary ("Target Bonus") for full attainment of his performance objectives (which may include company-wide objectives), with a maximum annual bonus equal to One Hundred Thirty-Five percent (135%) of his then Target Bonus for extraordinary performance on all or nearly all of his performance objectives (the "Annual Incentive Bonus").

The amount of Executive's Annual Incentive Bonus, if any, shall be based on the degree to which Executive's performance objectives for a fiscal year have been met. If not previously determined, within 45 days after the Effective Date, Executive and the Chief Executive Officer shall mutually establish Executive's performance objectives for fiscal year 2008. Thereafter, during the Term, Executive's performance objectives for each fiscal year shall be established during Executive's annual performance review; provided, that in no event shall the percentages set forth in the first paragraph of this Section 3.2 to be used in calculating Executive's Annual Incentive Bonus be reduced. The Compensation Committee of the Board of Directors shall determine, for each fiscal year, the extent to which Executive's performance objectives for such fiscal year have been attained and the amount of the Annual Incentive Bonus, if any, for such fiscal year. Should Executive voluntarily terminate his employment after December 31 of any calendar year during the Term but prior to the date any bonus payments for such year are made by the Company, Executive shall remain eligible to receive his bonus payment to the extent earned when paid by the Company to all other Executives.

3.3. Equity Grant.

3.3.1. Option Grant. On the Effective Date, pursuant to a stock option agreement, Executive will be awarded an option to purchase Thirty Thousand (30,000) shares of Avid Technology, Inc. common stock (the "Stock Option"). The exercise price will be the closing price of the stock on the Effective Date.

a) Six Thousand (6,000) shares of the Stock Option will vest on a time-based schedule of 12.5% on the first six-month anniversary of the Effective Date and then monthly thereafter for the following 42 months.

b) Twelve Thousand (12,000) shares of the Stock Option will vest on a performance-based schedule, as follows:

(1) Six Thousand (6,000) shares of the Stock Option will vest at the end of the first 20 consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$50.84, as adjusted for stock splits and stock dividends; and

(2) An additional Six Thousand (6,000) shares of the Stock Option will vest at the end of the first 20 consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$76.26, as adjusted for stock splits and stock dividends.

c) Twelve Thousand (12,000) shares of the Stock Option (the "ROE Option Shares") will vest in accordance with the following table, based upon improvement in the Company's Return on Equity, or ROE (as defined below), in calendar year periods, commencing with calendar year 2008. Improvements for each calendar year shall be measured against a baseline ROE for the 12-month period ended September 30, 2007 ("Baseline").

ROE Percentage Point Improvement in Calendar Year Compared to Baseline	Percentage of ROE Option Shares to Vest
14%	100%
12%	90%
10%	75%
8%	60%
6%	45%
4%	30%
2%	15%
0%	0%

ROE determinations for each period will be made by the Board of Directors, or a duly authorized committee thereof, promptly following the date that the Company files its Annual Report on Form 10-K with the Securities and Exchange Commission for that period and will be based upon the Company's audited financial statements for the applicable calendar year and the unaudited financial statements for the Baseline period. The ROE Option Shares, if any, that are not vested as of the date that the Board makes the final determination of ROE for the seventh calendar year (2014) shall be forfeited.

"Return on Equity" or "ROE" shall be determined using the Company's non-GAAP net income as published in an earnings release, adding the provision for income taxes and subtracting the non-GAAP related tax adjustments for the applicable period and dividing by the average common stockholder equity during the same period.

Notwithstanding the foregoing, the ROE Option Shares will vest in full at the end of the first 20 consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$101.68, as adjusted for stock splits and stock dividends.

3.3.2. RSU Grant. Effective as of the Effective Date, pursuant to a restricted stock unit agreement, Executive will be granted Ten Thousand (10,000) restricted stock units (the "Restricted Stock Unit Grant"), with each unit representing the right to receive one share of the Company's common stock, said restricted stock units to vest in equal 25% increments on each of the first four anniversaries of the Effective Date.

3.4. Benefits; Expenses. During the Term, the Company shall provide Executive and his dependents with medical insurance and such other cash and noncash benefits, on the same terms and conditions, as amended from time to time, as are generally made available by the Company to its full-time executive officers. Executive shall be entitled to four (4) weeks of paid vacation per year. The Company shall pay, or reimburse Executive for, all business expenses incurred by Executive which are related to the performance of Executive's duties, subject to timely submission by Executive of payment or reimbursement requests and appropriate documentation, in accordance with the Company's reimbursement policies.

3.5. Participation in Equity Incentive Plans. During the Term, in addition to the Stock Option and Restricted Stock Unit Grant, Executive shall be entitled to participate in the Company's stock incentive plans to the extent and in the manner determined by the Board of Directors in its absolute discretion.

Article 4. Termination

4.1. Termination. Executive's employment hereunder shall terminate upon the occurrence of any of the following events:

4.1.1. Immediately upon the Executive's death;

4.1.2. The termination of the Executive's employment by the Company for Disability (as defined below), to be effective immediately upon delivery of notice thereof;

4.1.3. The termination of Executive's employment by the Company for Cause (as defined below), to be effective immediately upon delivery of notice thereof;

4.1.4. The termination of Executive's employment by the Company, without Cause and not as a result of Executive's death or Disability, to be effective 30 days after the Company delivers written notice thereof to the Executive;

4.1.5. The termination of Executive's employment by Executive without Good Reason (as defined below) to be effective 30 days after Executive delivers written notice thereof from Executive to the Company; or

4.1.6. The termination of Executive's employment by Executive with Good Reason (as defined below), to be effective as set forth below.

4.2. For purposes of this Agreement, the following definitions shall apply:

4.2.1. "Cause" shall mean (i) Executive's material failure to perform (other than by reason of death or illness or other physical or mental incapacity) his duties and responsibilities as assigned by the Chief Executive Officer, Chief Administrative Officer or Board in accordance with Section 1.2 above, which is not remedied after 30 days' written notice from the Company (if such failure is susceptible to cure), (ii) a material breach of any of the material provisions of this Agreement or any other material written agreement (including the Company's employee nondisclosure and invention assignment agreement) between Executive and the Company, which is not cured after 10 days' written notice from the Company (if such breach is susceptible to cure), (iii) Executive's material violation of a material Company policy (for purposes of this clause, the Company's Code of Business Conduct and Ethics shall be deemed a material policy), which is not cured after 10 days' written notice from the Company (if such violation is susceptible to cure), (iv) fraud, embezzlement or other material dishonesty with respect to the Company, (v) conviction of a crime constituting a felony (which shall not include any crime or offense related to traffic infractions or as a result of vicarious liability) or conviction of any other crime involving fraud, dishonesty or moral turpitude or (vi) failing or refusing to cooperate, as reasonably requested in writing by the Company, in any internal or external investigation of any matter in which the Company has a material interest (financial or otherwise) in the outcome of the investigation.

4.2.2. "Change-in-Control of the Company" shall be deemed to have occurred only if any of the following events occur:

a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this section, the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which satisfies the criteria set forth in clauses (A) and (B) of Section 4.2.2(c); or

b) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the operating assets of the Company (a

“Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 40% of, respectively, the then-outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation), and the combined voting power of the then-outstanding voting securities of the corporation or other entity resulting from such Business Combination (which as used in this section shall include, without limitation, a corporation or other entity which as a result of such transaction owns all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (B) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation) of the corporation or other entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation or other entity;

provided, however, that as used in Section 4.3, a “Change-in-Control of the Company” shall be deemed to occur only if any of the foregoing events occur and such event that occurs is a “change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation” as defined in Treasury Reg. § 1.409A-3(i)(5).

4.2.3. “Date of Termination” shall mean the date of Executive’s “separation from service” with the Company, as determined under Treasury Reg. § 1.409A-1(h).

4.2.4. “Disability” shall mean Executive’s absence from the full-time performance of his duties with the Company for more than 180 days during a 365-day period as a result of incapacity due to mental or physical illness, as a result of which Executive is deemed “disabled” by the institution appointed by the Company to administer its long-term disability plan (or any successor plan).

4.2.5. “Good Reason” shall mean any material breach of this Agreement by the Company and/or the occurrence of any one or more of the following without Executive’s prior express written consent: (i) a material diminution in Executive’s authority, duties or responsibility from those in effect as of the Effective Date; (ii) a diminution in Executive’s Base Salary as in effect on the Effective Date or as may be increased from time to time, other than a reduction which is part of an across-the board proportionate reduction in the salaries of all senior executives of the Company imposed because the Company is experiencing financial hardship (provided such reduction is not more than 20% and does not continue for more than 12 months); (iii) a material change in Executive’s office location (it being agreed that as of the Effective Date such office location shall be deemed to be Daly City, California); and (iv) any material breach of this Agreement by the Company; provided, however, that a termination for Good Reason by Executive can occur only if (a) Executive has given the Company a notice of the existence of a condition giving rise to Good Reason within 90 days after the initial occurrence of the condition giving rise to Good Reason and (b) the Company has not cured the condition giving rise to Good Reason within 30 days after receipt of such notice. A termination for Good Reason shall occur 30 days after the end of such 30-day cure period.

4.2.6. A “Potential Change-in-Control Period” shall be deemed to exist (A) commencing upon the date on which the Company shall have announced that it has entered into a merger, acquisition or similar agreement, the consummation of which would result in the occurrence of a Change-in-Control of the Company and ending on the earlier of (x) the date on which the transaction governed by such agreement has been consummated or (y) the Company shall have announced that it has terminated such agreement, or (B) commencing on the date on which any Person shall publicly announce an intention to take actions which if consummated would constitute a Change-in-Control of the Company and ending on the earlier of (x) the date on which such actions have caused the consummation of a Change-in-Control of the Company or (y) such Person shall publicly announce the termination of its intentions to take such actions.

4.2.7. “Pro Ration Percentage” shall mean the amount, expressed as a percentage, equal to the number of days in the then current fiscal year through the Date of Termination, divided by 365.

4.2.8. “Termination Bonus Amount” shall mean the greater of (i) Executive’s highest Annual Incentive Bonus earned in the two most recent full fiscal years preceding the Date of Termination, or (ii) One Hundred percent (100%) of Executive’s Base Salary in effect as of the Date of Termination.

4.3. Adjustments Upon Termination.

4.3.1. Death or Disability. If during the Term, Executive’s employment with the Company terminates pursuant to Section 4.1.1 or Section 4.1.2, subject to Section 4.5, the Company shall pay to Executive or Executive’s heirs, successors or legal representatives, as the case may be, Executive’s Base Salary in effect as of the date Executive’s employment with the Company terminates (less, in the case of a termination of employment as a result of Disability, the amount of any payments made to the Executive under any long-term disability plan of the Company). Such payments shall be made over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs after a Change-in-Control of the Company, the total of such payments shall be made in a lump sum within 30 days following the Date of Termination. Notwithstanding any provision to the contrary in any Company stock plan, or under the terms of any grant, award agreement or form for exercising any right under any such plan (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), any stock options, restricted stock awards, stock appreciation rights or other equity participation rights held by Executive as of the date of death or Disability shall become exercisable or vested, as the case may be, with respect to all time-based awards as to an additional number of shares equal to the number that would have been exercisable or vested as of the end of the 12-month period immediately following the Date of Termination, but all performance-based vesting awards that have not vested as of such Date of Termination shall be forfeited as of such date.

4.3.2. With Cause or Without Good Reason. If Executive’s employment with the Company terminates pursuant to Section 4.1.3 or Section 4.1.5, (a) all payments and benefits provided to Executive under this Agreement shall cease as of the Date of Termination, except that Executive shall be entitled to any amounts earned, accrued or owing but not yet paid under Section 3.1 and any benefits due in accordance with the terms of any applicable benefits plans and programs of the Company and (b) all vesting of all stock options, restricted stock awards, stock appreciation rights or other equity participation rights then held by the Executive shall immediately cease as of the date Executive’s employment with the Company terminates.

4.3.3. Without Cause or with Good Reason Other than during a Potential Change-in-Control Period or After a Change-in-Control of the Company. If Executive's employment with the Company terminates pursuant to Section 4.1.4 or Section 4.1.6, other than during a Potential Change-in-Control period or within 12 months after a Change-in-Control of the Company, subject to Section 4.5:

- a) within 30 days following the Date of Termination, the Company shall pay Executive in a lump sum in cash the sum of (i) any accrued but unpaid Base Salary through the Date of Termination plus (ii) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs, if earned and unpaid, plus (iii) any accrued but unused vacation pay;
- b) the Company shall pay Executive, as severance pay, his Base Salary in effect as of the Date of Termination, for 12 months after the Date of Termination (the "Severance Pay Period");
- c) the Annual Incentive Bonus for the year in which the Date of Termination occurred, in the amount of Executive's Target Bonus multiplied by the applicable actual plan payout factor and pro rated by the number of months Executive was employed by the Company during the year of the Date of Termination; provided, however, that any individual performance component of such payout factor shall be determined by the Company as it deems appropriate under the circumstances in its sole discretion; and provided further that such Annual Incentive Bonus will be paid only if the Company pays bonuses, on account of the year in which the Date of Termination occurred, to executives who remain employed with the Company and will be paid in a lump sum on or about the date on which the Company pays bonuses to executives who remain employed with the Company;
- d) the Company shall continue to provide Executive medical, dental and vision benefits as were available to Executive immediately prior to the Date of Termination in accordance with Section 3.4 hereof until the earlier of (x) the end of the Severance Pay Period or (y) the date on which Executive becomes eligible to receive group medical and dental insurance benefits from another employer that are substantially equivalent to those provided by the Company as of the Date of Termination (Executive agrees to notify the Company in writing promptly upon becoming eligible to receive such group medical and dental insurance from another employer);
- e) the Company shall provide Executive, at the Company's sole cost, with full executive outplacement assistance with an agency selected by Executive (and reasonably satisfactory to the Company), provided that no outplacement benefits shall be provided after the end of the second calendar year following the calendar year in which the Date of Termination occurs;
- f) notwithstanding any provision to the contrary in any Company stock plan, or under the terms of any grant, award agreement or form for exercising any right under any such plan (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), any stock options, restricted stock awards, stock appreciation rights or other equity participation rights held by Executive as of the Date of Termination become exercisable or vested, as the case may be, with respect to all time-based vesting awards as to an additional number of

shares equal to the number that would have been exercisable or vested as of the end of the 12-month period immediately following the Date of Termination, but all performance-based vesting awards that have not vested as of the Date of Termination shall be forfeited as of such date except that if the Date of Termination takes place after December 31 of a calendar year during the Term but prior to the computation of ROE with respect to such calendar year, a determination will be made as to the additional number of shares, if any, to be vested as a result of such ROE computation, prior to the forfeiture of the remaining unvested shares; and

g) Executive shall be entitled to exercise any such options or other awards or equity participation rights until 12 months after the Date of Termination, but all performance-based vesting awards that have not, as of such date, vested shall be forfeited as of such date. No other payments or benefits shall be due under this Agreement to Executive, but Executive shall be entitled to any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

4.3.4. Without Cause or with Good Reason After a Change-in-Control of the Company. If, within 12 months after a Change-in-Control of the Company, Executive shall terminate Executive's employment pursuant to Section 4.1.6 or the Company shall terminate Executive's employment pursuant to Section 4.1.4, then in any such event, subject to Section 4.5:

- a) The Company shall pay Executive as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash no more than 30 days following the Date of Termination, the following amounts:
 - (i) the sum of (A) Executive's accrued but unpaid Base Salary through the Date of Termination, plus (B) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs, if earned and unpaid, (C) the product of (x) Executive's Termination Bonus Amount, and (y) the Pro Ration Percentage, plus (D) any accrued but unused vacation pay; and
 - (ii) the amount equal to one and a half (1.5) times the sum of (i) Executive's Base Salary in effect as of the Date of Termination, plus (ii) Executive's Termination Bonus Amount.
- b) if Executive is eligible to receive and elects to continue receiving any group medical and dental insurance coverage under COBRA, the Company shall reimburse the monthly COBRA premium (on a fully grossed up basis, if such reimbursement is taxable to Executive) in an amount equal to the portion of such premium that the Company pays on behalf of active and similarly situated employees receiving the same type of coverage until the earlier of (x) the date that is 18 months after the Date of Termination or (y) the date on which Executive becomes eligible to receive group medical and dental insurance benefits from another employer that are substantially equivalent (including, without limitation, equivalent as to benefits, premiums and co-pay amounts) to those provided by the Company as of the Date of Termination (Executive agrees to notify the Company in writing promptly upon becoming eligible to receive such group medical and dental insurance from another employer);

c) Notwithstanding anything to the contrary in the applicable stock option or restricted stock unit agreement (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), the exercisability of all outstanding stock options, restricted stock awards, stock appreciation rights and other equity participation rights (including the right to receive restricted stock pursuant to the Restricted Stock Unit Grant or other instrument) then held by Executive with respect to the common stock of the Company (or securities exchanged for such common stock in connection with the Change-in-Control of the Company) shall accelerate in full and Executive shall be entitled to exercise any such options or other awards or equity appreciation rights until 18 months after the Date of Termination; and

d) The Company shall provide Executive, at the Company's sole cost, with executive outplacement assistance, provided that no outplacement benefits shall be provided after the end of the second calendar year following the calendar year in which the Date of Termination occurs.

4.3.5. Without Cause or with Good Reason During a Potential Change-in-Control Period. If, during the existence of a Potential Change-in-Control Period, Executive shall terminate Executive's employment pursuant to Section 4.1.6 or the Company shall terminate Executive's employment pursuant to Section 4.1.4, then in any such event, subject to Section 4.5, Executive shall receive the payments, benefits and rights set forth in Sections 4.3.4, except that any amounts payable pursuant to Section 4.3.4(a)(ii) shall be paid over the 18-month period that commences on the Date of Termination, if such date occurs more than 30 days prior to the Change-in-Control of the Company that is the subject of the Potential Change-in-Control Period; otherwise, such amount shall be paid in a lump sum on the date that such Change-in-Control of the Company occurs. Notwithstanding the foregoing, if the Change-in-Control of the Company (that is the subject of the Potential Change-in-Control Period) occurs more than 30 days after the Date of Termination, and payments of the amount payable pursuant to Section 4.3.4(a)(ii) have begun over an 18-month period, pursuant to the preceding sentence, the balance of the amount payable pursuant to Section 4.3.4(a)(ii) shall be paid to Executive in a lump sum on the date such Change-in-Control of the Company occurs.

4.4. Section 409A.

4.4.1. Payments to Executive under this Article 4 shall be bifurcated into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion that does constitute nonqualified deferred compensation. Payments hereunder shall first be made from the portion, if any, that does not consist of nonqualified deferred compensation until it is exhausted and then shall be made from the portion that does constitute nonqualified deferred compensation. However, if Executive is a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, to the extent required by Section 409A of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation will be delayed to the date that is six months and one day after Executive's Date of Termination (the "Earliest Payment Date"). Any payments that are delayed pursuant to the preceding sentence shall be paid on the Earliest Payment Date. The determination of whether, and the extent to which, any of the payments to be made to Executive hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Treasury Reg. § 1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year of Executive following the taxable year of Executive in which the Date of Termination occurs.

4.4.2. The parties acknowledge and agree that the interpretation of Section 409A of the Code and its application to the terms of this Agreement is uncertain and may be subject to change as additional guidance and interpretations become available. Anything to the contrary herein notwithstanding, all benefits or payments provided by the Company to Executive that would be deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code are intended to comply with Section 409A of the Code. If, however, any such benefit or payment is deemed to not comply with Section 409A of the Code, the Company and Executive agree to renegotiate in good faith any such benefit or payment (including, without limitation, as to the timing of any severance payments payable hereof) so that either (i) Section 409A of the Code will not apply or (ii) compliance with Section 409A of the Code will be achieved; provided, however, that any deferral of payments or other benefits shall be only for such time period as may be required to comply with Section 409A; and provided, further, that payments or other benefits that occur as a result of the application of this section shall themselves comply with Section 409A of the Code.

4.5. General Release. In order to be eligible to receive any of the salary or benefits under Article 4 hereof, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company (without subsequent revocation) a general release of claims against the Company, excluding any claims concerning the Company's obligations under this Agreement in a form provided by and reasonably satisfactory to the Company which shall contain a release of claims by Executive substantially in the form attached hereto as Exhibit A, and shall be required to sign such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so, provided, however, that such other agreements do not cause any changes to the provisions herein or in any restricted stock, restricted stock unit, stock option or similar compensatory or benefit agreement between the Executive and the Company. The Company shall have no other liability or obligation under this Agreement to Executive's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through Executive.

Article 5. Non-Competition and Non-Solicitation

Intentionally Omitted.

Article 6. Assignment of Inventions and Non-Disclosure

6.1. Proprietary Information.

6.1.1. Executive agrees that all information and know-how, whether or not in writing, of a private, secret or confidential nature concerning (i) the Company's present or future business or financial affairs, (ii) the research and development or investigation activities of the Company, or (iii) the business relations and affairs of any client, customer or vendor of the Company, of which such information is not generally known to the public, industry or trade, and which the Company takes reasonable steps to safeguard and protect from disclosure (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration, but not limitation, Proprietary Information includes trade secrets, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, plans, research data, clinical data, financial data, personnel data of other employees, computer programs and customer and supplier lists. Executive shall not at any time, either during or after employment with the Company, disclose any Proprietary Information to others outside the Company except as required in the performance of his duties for the Company (and under an appropriate confidentiality agreement), or as required by law, or use the same for any unauthorized purposes without prior written approval by the Company unless and until such Proprietary Information has become public knowledge without fault by Executive.

6.1.2. Executive agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, or other tangible material containing Proprietary Information, whether created by Executive or others, which shall come into his custody or possession, shall be and are the exclusive property of the Company to be used by Executive only in the performance of his duties for the Company. All such records or copies thereof and all tangible property of the Company in Executive's custody or possession shall be delivered to the Company, upon the earlier of (i) a request by the Company or (ii) termination of Executive's employment. After such delivery, Executive shall not retain any such records or copies thereof or any such tangible property.

6.1.3. Executive agrees that his obligation not to disclose or to use information, know-how and records of the types set forth in paragraphs 6.1.1 and 6.1.2 above, and his obligation to return records and tangible property, set forth in paragraph 6.1.2 above, also extends to such types of information, know-how, records and tangible property of clients and customers of the Company or vendors and suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to Executive in the course of the Company's business.

6.2. Innovations.

6.2.1. As used herein, the term "Innovation(s)" means any new or useful art, discovery, improvement, developments or inventions whether or not patentable, and all related know-how, designs, maskworks, trademarks, formulae, processes, manufacturing techniques, trade secrets, ideas, artwork, software or other copyrightable or patentable works, including all rights to obtain, register, perfect and enforce these proprietary interests. Executive shall make full and prompt disclosure to the Company of all Innovations whether patentable or not, which are created, made, conceived or reduced to practice by Executive or under Executive's direction or jointly with others during his employment by the Company, whether or not during normal working hours or on the premises of the Company.

6.2.2. Executive agrees to assign and does hereby promptly assign to the Company (or any person or entity designated by the Company) all of Executive's right, title and interest in and to all Innovations and all related patents, patent applications, copyrights and copyright applications, which Executive may solely or jointly conceive, develop or reduce to practice during the period of Executive's employment with the Company. However, this paragraph shall not apply to Innovations that do not relate to the present or planned business or research and development of the Company and which are made and conceived by Executive not during normal working hours, not on the Company's premises and not using the Company's tools, devices, equipment or Proprietary Information. Executive acknowledges that, to the extent this Agreement shall be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this paragraph shall be interpreted not to apply to any invention that a court rules and/or the Company agrees falls within such classes.

6.2.3. Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of all intellectual property rights, including but not limited to copyrights and patents (both in the United States and foreign countries), relating to Innovations. Executive agrees to sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignment of priority rights and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Innovations assigned by Executive to the Company pursuant to paragraph 6.2.2 above or otherwise.

6.2.4. Prior to the Effective Date, Executive shall deliver to Company, and Company shall acknowledge receipt signed by an officer of the Company (a copy of which shall be returned to Executive) a

list describing all inventions, original works of authorship, developments, improvements and trade secrets that were made by Executive prior to the Effective Date (collectively referred to as "Prior Inventions"), which belong to Executive, and which are not assigned to the Company hereunder. If no such list is delivered prior to the Effective Date, Executive represents that there are no such Prior Inventions. If in the course of his employment with the Company, Executive incorporates into a Company product, process or machine a Prior Invention owned by Executive or in which Executive has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

6.3. Other Agreements. Executive represents that his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to his employment with the Company, and Executive shall not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

6.4. United States Government Obligations. Executive acknowledges that the Company from time to time may have agreements with other persons or with the United States government, or agencies thereof, which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions that are made known to him and to take all action necessary to discharge the obligations of the Company under such agreements.

Article 7. Miscellaneous

7.1. Indemnification. Executive shall be entitled to indemnification as set forth in Article Eleventh of the Company's Certificate of Incorporation, a copy of which has been provided to Executive. Following termination of this Agreement for any reason, the Company shall continue to indemnify Executive against all claims related to actions arising prior to the termination of Executive's employment to the fullest extent permitted by law. A directors' and officers' liability insurance policy (or policies) shall be kept in place, during the Term of this Agreement and thereafter until at least the fourth anniversary of the date the Agreement is terminated for any reason, providing coverage to Executive that is no less favorable to him in any respect (including, without limitation, with respect to scope, exclusions, amounts and deductibles) than the coverage then being provided to any other present or former officer or director of the Company.

7.2. No Mitigation. The Company agrees that, except as specifically set forth in Section 4.3.3(d) and Section 4.3.4(b) regarding COBRA premium reimbursement, (i) if Executive's employment is terminated during the term of this agreement, Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to Executive by the Company and (ii) the amount of any payment provided hereunder shall not be reduced by any compensation earned by Executive.

7.3. Obligation of Successors. Any successor to substantially all of the Company's assets and business, whether by merger, consolidation, purchase of assets or otherwise, shall succeed to the rights and obligations of the Company hereunder. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to substantially all of its assets and business or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

7.4. Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given (i) when delivered in person, (ii) on the third business day after mailing by registered or certified mail, postage prepaid, (iii) on the next business day after delivery to an air courier for next day

delivery, paid by the sender, or (iv) when sent by telecopy or facsimile transmission during normal business hours (9:00 a.m. to 5:00 p.m.) where the recipient is located (or if sent after such hours, as of commencement of the next business day), followed within 24 hours by notification pursuant to any of the foregoing methods of delivery, in all cases addressed to the other party hereto as follows:

(a) If to the Company:

Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, MA 01876
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive:

Gerard Schenkkan
40 Cedro Avenue
San Francisco, CA 94127

or at such other address or addresses as either party shall designate to the other in accordance with this section.

7.5. Survival. The respective rights and obligations of the parties under this Agreement shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

7.6. Complete Agreement; Amendments. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior agreements between the parties with respect to the subject matter hereof. This Agreement may not be modified or amended except upon written amendment approved by the Compensation Committee of the Board of Directors, and executed by a duly authorized officer of the Company and by Executive. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any time prior or subsequent time. Notwithstanding the foregoing, the Company may unilaterally modify or amend this Agreement if such modification or amendment is approved by the Compensation Committee and made to all other executive employment agreements entered into between the Company and its then-current executive officers.

7.7. Applicable Law. This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts (without reference to the conflicts of laws provisions thereof) and the parties hereby submit to the jurisdiction of the courts of that state.

7.8. Waiver of Jury Trial. Executive hereby irrevocably waives any right to a trial by jury in any action, suit, or other legal proceeding arising under or relating to any provision of this Agreement.

7.9. Severability. If any non-material provision of this Agreement shall be held invalid or unenforceable, it shall be deemed to be deleted or qualified so as to be enforceable or valid to the maximum extent permitted by law, and the remaining provisions shall continue in full force and effect.

7.10. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, assigns and personal representatives, except that the duties, responsibilities and rights of Executive under this Agreement are of a personal nature and shall not be assignable or delegatable in whole or in part by Executive, except to the extent that the rights of Executive hereunder may be enforceable by his heirs, executors, administrators or legal representatives. If Executive should die while any amounts would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

7.11. Captions. Captions of sections have been added only for convenience and shall not be deemed to be a part of this Agreement.

7.12. Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7.13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one in the same instrument.

7.14. Further Assurances. Each party agrees to furnish and execute additional forms and documents, and to take such further action, as shall be reasonable and customarily required in connection with the performance of this Agreement or the payment of benefits hereunder. In addition, following the termination of Executive's employment with the Company, Executive shall reasonably cooperate with the Company to effect a smooth transition with respect to any activities Executive engaged in on behalf of the Company, at the Company's behest, and otherwise in the conduct of Executive's activities as an employee of the Company; including, without limitation, providing the Company with (or directing the Company to the location of) business records and other information relating to the Company's business.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Executive Employment Agreement as of the date first above written.

Avid Technology, Inc.

By: /s/ Ken A. Sexton

Name: Ken A. Sexton

Title: Executive Vice President and
Chief Administrative Officer

/s/ Gerard Schenkkan

Gerard Schenkkan

Exhibit A

Release provision pursuant to Section 4.5 of the Executive Employment Agreement

In consideration of the severance benefits, which the Executive acknowledges he would not otherwise be entitled to receive, the Executive hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities), all employee benefit plans and plan fiduciaries (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which the Executive ever had or now has against any or all of the Released Parties, including but not limited to any and all claims arising out of the Executive's employment with and/or separation from the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C., § 12101 et seq., the Equal Pay Act of 1963, 29 U.S.C. § 206(d), the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., the Massachusetts Fair Employment Practices Act, M.G.L. c.151B, §1 et seq., and any and all other similar applicable federal and state statutes, all as amended; all claims arising out of Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, 18 U.S.C. § 1681 et seq., the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., and the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 et seq., all as amended; all claims under the Massachusetts Civil Rights Act, M.G.L. c.12 §§11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93 §102 and M.G.L. c.214, §1C, the Massachusetts Labor and Industries Act, M.G.L. c. 149, § 1 et seq., the Massachusetts Privacy Act, M.G.L. c.214, §1B and the Massachusetts Maternity Leave Act , M.G.L. c. 149, §105(d), all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including but not limited to claims to stock or stock options; and any claim or damage arising out of the Executive's employment with or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that nothing in this Agreement prevents the Executive from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that the Executive acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding), and provided further, however, that nothing herein is intended to be construed as releasing the Company from any obligation set forth in this Agreement.

The Executive acknowledges that he has been given at least twenty-one (21) days to consider this Agreement and that the Company advised him to consult with any attorney of his own choosing prior to signing this Agreement. The Executive further acknowledges that he may revoke this Agreement for a period of seven (7) days after the execution of this Agreement, and the Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. The Executive understands and agrees that by entering into this Agreement he is waiving any and all rights or claims he might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that he has received consideration beyond that to which he was previously entitled.

EXECUTIVE EMPLOYMENT AGREEMENT

AVID TECHNOLOGY, INC.

This Executive Employment Agreement (this "Agreement") is entered into as of August 22, 2008, by and between Avid Technology, Inc., a Delaware corporation with its principal executive offices at Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876 (the "Company"), and Glover Lawrence ("Executive").

Article 1. Services

1.1. Service. Commencing on August 25, 2008 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Vice President of Corporate Development upon the terms and conditions set forth below.

1.2. Duties. During the Term, Executive agrees to perform such executive duties consistent with his position as may be assigned to him from time to time by the Board of Directors of the Company (the "Board" or "Board of Directors") or the Chief Executive Officer and to devote his full working time and attention to such duties.

1.3. No Conflicting Commitments. During the Term, Executive will not undertake any commitments, engage or have an interest in any outside business activities or enter into any consulting agreements which, in the good faith determination of the Chief Executive Officer, conflict with the Company's interests or which might reasonably be expected to impair the performance of Executive's duties as a full-time employee of the Company. Notwithstanding the foregoing, Executive may pursue personal interests (including, without limitation, industry, civic and charitable activities) and attend to his personal investments, so long as such activities do not interfere with the performance of his duties hereunder.

Article 2. Term

2.1. Term. The term of this Agreement (the "Term") shall commence on the Effective Date and shall expire on August 25, 2011 unless the Term is:

2.1.1 extended pursuant to the provisions of this Section 2.1; or

2.1.2 terminated when the Executive's employment terminates pursuant to Section 4.1 hereof;

provided, however, that notwithstanding the foregoing, the Term shall continue to automatically be extended for periods of one (1) year so long as neither party provides written notice to the other of its intent to terminate by a date which is at least one hundred and eighty (180) days prior to the then-current expiration date of the Agreement, and, provided further, that (i) in the event that a Change-in-Control of the Company (as defined in Section 4.2.2) should occur during the twelve (12) months prior to the end of the then-current Term and Executive is still an employee of the Company at that time, then the Term shall be deemed to expire on the date that is twelve (12) months after the date of such Change-in-Control of the Company, (ii) in the event a Potential Change-in-Control Period (as defined in Section 4.2.6) exists within the twelve (12) months prior to the end of the then-current Term and Executive is still an employee of the Company as of that date, the Term shall be deemed to expire on the date that is twelve (12) months after the commencement of such Potential Change-in-Control Period and (iii) the expiration of the Term shall not adversely affect

Executive's rights under this Agreement which have accrued prior to such expiration. For the avoidance of doubt, if a Potential Change-in-Control Period shall commence in the twelve (12) months prior to the end of the then-current Term and a Change-in-Control of the Company shall also occur during such twelve (12) month period, and if Executive is still an employee of the Company on the date of the Change-in-Control of the Company, the Term shall be deemed to expire twelve (12) months after the date of such Change-in-Control. Unless the services of the Executive have terminated prior to or upon the end of the Term in accordance with the provisions of this Agreement, from and after the end of the Term, Executive shall be an employee-at-will.

Article 3. Payments

3.1. Base Compensation. During the Term, the Company shall pay Executive an annual base salary (the "Base Salary") of Two Hundred Fifty Thousand Dollars (\$250,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Compensation Committee of the Board during the Term.

3.2. Incentive Payments. Commencing with the Company's fiscal year ending December 31, 2008 and thereafter during the remainder of the Term, Executive shall be eligible to participate in an annual performance bonus plan pursuant to which, as of the Effective Date, he shall be eligible to receive a target annual bonus equal to sixty percent (60%) of his then Base Salary (the "Target Bonus") for full attainment of his performance objectives (which may include Company-wide objectives), with a maximum annual bonus equal to One Hundred Thirty Five percent (135%) of his then Target Bonus for extraordinary performance on all or nearly all of his performance objectives (the "Annual Incentive Bonus"). Notwithstanding the foregoing, for the Company's fiscal year ending December 31, 2008, achievement of the Annual Incentive Bonus shall be on a pro-rata basis for the period following the Effective Date only.

The amount of Executive's Annual Incentive Bonus, if any, shall be based on the degree to which Executive's performance objectives for a fiscal year have been met. If not previously determined, within forty-five (45) days after the Effective Date, Executive and the Chief Executive Officer shall mutually establish Executive's performance objectives for fiscal year 2008, which performance objectives will be recommended to the Compensation Committee of the Board for approval. Thereafter, during the Term, Executive's performance objectives for each fiscal year shall be established during Executive's annual performance review and subject to the approval of the Compensation Committee of the Board; provided, that in no event shall the percentages set forth in the first paragraph of this Section 3.2 to be used in calculating Executive's Annual Incentive Bonus be reduced. The Compensation Committee of the Board shall determine, for each fiscal year, the extent to which Executive's performance objectives for such fiscal year have been attained and the amount of the Annual Incentive Bonus, if any, for such fiscal year. Should Executive voluntarily terminate his employment after December 31 of any calendar year during the Term but prior to the date any bonus payments for such year are made by the Company, Executive shall remain eligible to receive his bonus payment to the extent earned when paid by the Company to all other Executives.

3.3. Equity Grant.

3.3.1. Option Grant. On the Effective Date, pursuant to a stock option agreement, Executive will be awarded an option to purchase Forty-Five Thousand (45,000) shares of Avid Technology, Inc. common stock (the "Stock Option"). The exercise price will be the closing price of the stock on the Effective Date.

- (i) Ten Thousand (10,000) shares of the Stock Option will vest on a time-based schedule, twelve and one-half percent (12.5%) of which will vest on the first six-month anniversary of the Effective Date and the remaining eighty-seven and one-

half percent (87.5%) will vest monthly thereafter in forty-two (42) equal increments ending on the fourth anniversary of the Effective Date, as long as Executive is employed by the Company on each such vesting date.

(ii) Twenty Thousand (20,000) shares of the Stock Option will vest on a performance-based schedule, as follows, as long as Executive is employed by the Company on each such vesting date:

(a) Ten Thousand (10,000) shares of the Stock Option will vest at the end of the first twenty (20) consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$50.84, as adjusted for stock splits and stock dividends; and

(b) An additional Ten Thousand (10,000) shares of the Stock Option will vest at the end of the first twenty (20) consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$76.26, as adjusted for stock splits and stock dividends.

(iii) Fifteen Thousand (15,000) shares of the Stock Option (the "ROE Option Shares") will vest in accordance with the following table (as long as Executive is employed by the Company on each such vesting date), based upon improvement in the Company's Return on Equity, or ROE (as defined below), in calendar year periods, commencing with calendar year 2008. Improvements for each calendar year shall be measured against a baseline ROE for the 12-month period ended September 30, 2007 ("Baseline").

ROE Percentage Point Improvement in Calendar Year Compared to Baseline	Percentage of ROE Option Shares to Vest
14%	100%
12%	90%
10%	75%
8%	60%
6%	45%
4%	30%
2%	15%
0%	0%

ROE determinations for each period will be made by the Board of Directors, or a duly authorized committee thereof, promptly following the date the Company files its annual report on Form 10-K with the Securities and Exchange Commission for that period and will be based upon the Company's audited financial statements for the applicable calendar year and the unaudited financial statements for the Baseline period. The ROE Option Shares, if any, that are not vested as of the date that the

Board makes the final determination of ROE for the seventh calendar year (2014) shall be forfeited.

“Return on Equity” or “ROE” shall be determined using the Company’s non-GAAP net income as published in an earnings release, adding the provision for income taxes and subtracting the non-GAAP related tax adjustments for the applicable period and dividing by the average common stockholder equity during the same period.

Notwithstanding the foregoing, the ROE Option Shares will vest in full at the end of the first twenty (20) consecutive trading day period following the Effective Date during which the common stock of the Company, as quoted on NASDAQ (or on such other exchange as such shares may be traded), trades (without regard to the closing price) at a price per share of at least \$101.68, as adjusted for stock splits and stock dividends.

3.3.2. RSU Grant. Effective as of the Effective Date, pursuant to a restricted stock unit agreement, Executive will be granted Five Thousand (5,000) restricted stock units (the “Restricted Stock Unit Grant”), with each unit representing the right to receive one share of the Company’s common stock, said restricted stock units to vest in equal twenty-five percent (25%) increments on each of the first four (4) anniversaries of the Effective Date, as long as Executive is employed by the Company on each such vesting date.

3.4. Benefits; Expenses. During the Term, the Company shall provide Executive and his dependents with medical insurance and such other cash and noncash benefits, on the same terms and conditions, as amended from time to time, as are generally made available by the Company to its full-time executive officers. Executive shall be entitled to four (4) weeks of paid vacation per year. The Company shall pay, or reimburse Executive for, all business expenses incurred by Executive which are related to the performance of Executive’s duties, subject to timely submission by Executive of payment or reimbursement requests and appropriate documentation, in accordance with the Company’s reimbursement policies.

3.5. Participation in Equity Incentive Plans. During the Term, in addition to the Stock Option and Restricted Stock Unit Grant, Executive shall be entitled to participate in the Company’s stock incentive plans to the extent and in the manner determined by the Board of Directors in its absolute discretion.

Article 4. Termination

4.1. Termination. Executive’s employment hereunder shall terminate upon the occurrence of any of the following events:

4.1.1. Immediately upon the Executive’s death;

4.1.2. The termination of the Executive’s employment by the Company for Disability (as defined below), to be effective immediately upon delivery of notice thereof;

4.1.3. The termination of Executive’s employment by the Company for Cause (as defined below), to be effective immediately upon delivery of notice thereof;

4.1.4. The termination of Executive’s employment by the Company without Cause and not as a result of Executive’s death or Disability, to be effective thirty (30) days after the Company delivers written notice thereof to the Executive;

4.1.5. The termination of Executive's employment by Executive without Good Reason (as defined below), to be effective thirty (30) days after Executive delivers written notice thereof from Executive to the Company; or

4.1.6. The termination of Executive's employment by Executive with Good Reason (as defined below), to be effective as set forth below.

4.2. For purposes of this Agreement, the following definitions shall apply:

4.2.1. "Cause" shall mean (i) Executive's continued failure to perform (other than by reason of death or illness or other physical or mental incapacity) his duties and responsibilities as assigned by the Chief Executive Officer or Board in accordance with Section 1.2 above, which is not remedied after thirty (30) days' written notice from the Company (if such failure is susceptible to cure), (ii) a breach by the Executive of this Agreement or any other material written agreement between Executive and the Company, which is not cured after ten (10) days' written notice from the Company (if such breach is susceptible to cure), (iii) Executive's gross negligence or willful misconduct, (iv) Executive's material violation of a material Company policy (for purposes of this clause, the Company's Code of Business Conduct and Ethics shall be deemed a material Company policy), which is not cured after ten (10) days' written notice from the Company (if such violation is susceptible to cure), (v) fraud, embezzlement or other material dishonesty with respect to the Company, (vi) conviction of a crime constituting a felony (which shall not include any crime or offense related to traffic infractions or as a result of vicarious liability) or conviction of any other crime involving fraud, dishonesty or moral turpitude or (vii) failing or refusing to cooperate, as reasonably requested in writing by the Company, in any internal or external investigation of any matter in which the Company has a material interest (financial or otherwise) in the outcome of the investigation.

4.2.2. "Change-in-Control of the Company" shall be deemed to have occurred only if any of the following events occur:

(i) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this section, the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which satisfies the criteria set forth in clauses (a) and (b) of Section 4.2.2(iii); or

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election

contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the operating assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 40% of, respectively, the then-outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation), and the combined voting power of the then-outstanding voting securities of the corporation or other entity resulting from such Business Combination (which as used in this section shall include, without limitation, a corporation or other entity which as a result of such transaction owns all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (b) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation) of the corporation or other entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation or other entity;

provided, however, that as used in Sections 2.1.2, 4.2.6, 4.3 and Article 5, a "Change-in-Control of the Company" shall be deemed to occur only if any of the foregoing events occur and such event that occurs is a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Reg. § 1.409A-3(i)(5).

4.2.3. "Date of Termination" shall mean the date of Executive's "separation from service" with the Company, as determined under Treasury Reg. § 1.409A-1(h).

4.2.4. "Disability" shall mean Executive's absence from the full-time performance of his duties with the Company for more than one hundred and eighty (180) days during a three hundred and sixty-five (365) day period as a result of incapacity due to mental or physical illness, as a result of which Executive is deemed "disabled" by the institution appointed by the Company to administer its long-term disability plan (or any successor plan).

4.2.5. "Good Reason" shall mean any material breach of this Agreement by the Company and/or the occurrence of any one or more of the following without Executive's prior express written consent: (i) a material diminution in Executive's authority, duties or responsibility from those in effect as of the Effective Date; (ii) a material diminution in Executive's Base Salary as in effect on the Effective Date or as may be increased from time to time, other than a reduction which is part of an across-the board proportionate reduction in the salaries of all senior executives of the Company imposed because the Company is experiencing financial hardship (provided such reduction is not more than twenty percent (20%) and does not continue for more than twelve (12) months); and (iii) a material change in Executive's office

location (it being agreed that as of the Effective Date such office location shall be deemed to be Tewksbury, Massachusetts); provided, however, that a termination for Good Reason by Executive can occur only if (a) Executive has given the Company a notice of the existence of a condition giving rise to Good Reason within ninety (90) days after the initial occurrence of the condition giving rise to Good Reason and (b) the Company has not cured the condition giving rise to Good Reason within thirty (30) days after receipt of such notice. A termination for Good Reason shall occur thirty (30) days after the end of such thirty (30) day cure period.

4.2.6. A "Potential Change-in-Control Period" shall be deemed to exist (i) commencing upon the date on which the Company shall have announced that it has entered into a merger, acquisition or similar agreement, the consummation of which would result in the occurrence of a Change-in-Control of the Company and ending on the earlier of (a) the date on which the transaction governed by such agreement has been consummated or (b) the Company shall have announced that it has terminated such agreement, or (ii) commencing on the date on which any Person shall publicly announce an intention to take actions which if consummated would constitute a Change-in-Control of the Company and ending on the earlier of (a) the date on which such actions have caused the consummation of a Change-in-Control of the Company or (b) such Person shall publicly announce the termination of its intentions to take such actions.

4.2.7. "Pro Ration Percentage" shall mean the amount, expressed as a percentage, equal to the number of days in the then current fiscal year through the Date of Termination, divided by three hundred and sixty-five (365).

4.2.8. "Termination Bonus Amount" shall mean the greater of (i) Executive's highest Annual Incentive Bonus earned in the two most recent full fiscal years preceding the Date of Termination, or (ii) One Hundred percent (100%) of Executive's Base Salary in effect as of the Date of Termination.

4.3. Adjustments Upon Termination.

4.3.1. Death or Disability. If during the Term, Executive's employment with the Company terminates pursuant to Section 4.1.1 or Section 4.1.2, subject to Section 4.5, the Company shall pay to Executive or Executive's heirs, successors or legal representatives, as the case may be, Executive's Base Salary in effect as of the date Executive's employment with the Company terminates (less, in the case of a termination of employment as a result of Disability, the amount of any payments made to the Executive under any long-term disability plan of the Company). Such payments shall be made over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs after a Change-in-Control of the Company, the total of such payments shall be made in a lump sum within thirty (30) days following the Date of Termination. Notwithstanding any provision to the contrary in any Company stock plan, or under the terms of any grant, award agreement or form for exercising any right under any such plan (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), any stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights or other equity participation rights held by Executive as of the date of death or Disability shall become exercisable or vested, as the case may be, with respect to all time-based awards as to an additional number of shares equal to the number that would have been exercisable or vested as of the end of the twelve (12) month period immediately following the Date of Termination, but all performance-based vesting awards that have not vested as of such Date of Termination shall be forfeited as of such date.

4.3.2. With Cause or Without Good Reason. If Executive's employment with the Company terminates pursuant to Section 4.1.3 or Section 4.1.5, (i) all payments and benefits provided to Executive under this Agreement shall cease as of the Date of Termination, except that Executive shall be entitled to any amounts earned, accrued or owing but not yet paid under Section 3.1 and any benefits due in

accordance with the terms of any applicable benefit plans and programs of the Company and (ii) all vesting of all stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights or other equity participation rights then held by the Executive shall immediately cease as of the date Executive's employment with the Company terminates.

4.3.3. Without Cause or with Good Reason Other than during a Potential Change-in-Control Period or After a Change-in-Control of the Company. If Executive's employment with the Company terminates pursuant to Section 4.1.4 or Section 4.1.6, other than during a Potential Change-in-Control period or within twelve (12) months after a Change-in-Control of the Company, subject to Section 4.5:

(i) Within thirty (30) days following the Date of Termination, the Company shall pay Executive in a lump sum in cash the sum of (a) any accrued but unpaid Base Salary through the Date of Termination plus (b) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs, if earned and unpaid, plus (c) any accrued but unused vacation pay;

(ii) The Company shall pay Executive, as severance pay, his Base Salary in effect as of the Date of Termination in accordance with Section 3.1 for twelve (12) months after the Date of Termination (the "Severance Pay Period");

(iii) The Company shall pay Executive the Annual Incentive Bonus for the year in which the Date of Termination occurred, in the amount of Executive's Target Bonus multiplied by the applicable actual plan payout factor and pro rated by the number of months Executive was employed by the Company during the year of the Date of Termination; provided, however, that any individual performance component of such payout factor shall be determined by the Compensation Committee of the Board of Directors as it deems appropriate under the circumstances in its sole discretion; and provided further, that such Annual Incentive Bonus will be paid only if the Company pays bonuses, on account of the year in which the Date of Termination occurred, to executives who remain employed with the Company and will be paid in a lump sum on or about the date on which the Company pays bonuses to executives who remain employed with the Company;

(iv) If Executive is eligible to receive and elects to continue receiving any group medical and dental insurance coverage under COBRA, the Company shall reimburse the monthly COBRA premium in an amount equal to the portion of such premium that the Company pays on behalf of active and similarly situated employees receiving the same type of coverage until the earlier of (a) the end of the Severance Pay Period or (b) the date on which Executive becomes eligible to receive group medical and dental insurance benefits from another employer that are substantially equivalent to those provided by the Company as of the Date of Termination (Executive agrees to notify the Company in writing promptly upon becoming eligible to receive such group medical and dental insurance from another employer);

(v) The Company shall provide Executive, at the Company's sole cost, with executive outplacement assistance in accordance with the Company's then-current executive outplacement program, provided that no outplacement benefits shall be provided after the end of the second calendar year following the calendar year in

which the Date of Termination occurs;

(vi) Notwithstanding any provision to the contrary in any Company stock plan, or under the terms of any grant, award agreement or form for exercising any right under any such plan (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), any stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights or other equity participation rights held by Executive as of the Date of Termination become exercisable or vested, as the case may be, with respect to all time-based vesting awards as to an additional number of shares equal to the number that would have been exercisable or vested as of the end of the twelve (12) month period immediately following the Date of Termination, but all performance-based vesting awards that have not vested as of the Date of Termination shall be forfeited as of such date except that if the Date of Termination takes place after December 31 of a calendar year during the Term but prior to the computation of ROE with respect to such calendar year, a determination will be made as to the additional number of shares, if any, to be vested as a result of such ROE computation, prior to the forfeiture of the remaining unvested shares; and

(viii) Executive shall be entitled to exercise any such options or other awards or equity participation rights until 12 months after the Date of Termination, but all performance-based vesting awards that have not, as of such date, vested shall be forfeited as of such date. No other payments or benefits shall be due under this Agreement to Executive, but Executive shall be entitled to any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

4.3.4. Without Cause or with Good Reason After a Change-in-Control of the Company. If, within twelve (12) months after a Change-in-Control of the Company, Executive shall terminate Executive's employment pursuant to Section 4.1.6 or the Company shall terminate Executive's employment pursuant to Section 4.1.4, then in any such event, subject to Section 4.5:

(i) The Company shall pay Executive as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash no more than thirty (30) days following the Date of Termination, the following amounts:

- (a) the sum of (A) Executive's accrued but unpaid Base Salary through the Date of Termination, plus (B) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs, if earned and unpaid, plus (C) the product of (1) Executive's Termination Bonus Amount, and (2) the Pro Ration Percentage, plus (D) any accrued but unused vacation pay; and
- (b) the amount equal to one and a half (1.5) times the sum of (A) Executive's Base Salary in effect as of the Date of Termination, plus (B) Executive's Termination Bonus Amount.

(ii) If Executive is eligible to receive and elects to continue receiving any group medical and dental insurance coverage under COBRA, the Company shall reimburse the monthly COBRA premium (on a fully grossed up basis, if such reimbursement is taxable to Executive) in an amount equal to the portion of such premium that the Company pays on behalf of active and similarly situated

employees receiving the same type of coverage until the earlier of (a) the date that is eighteen (18) months after the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical and dental insurance benefits from another employer that are substantially equivalent (including, without limitation, equivalent as to benefits, premiums and co-pay amounts) to those provided by the Company as of the Date of Termination (Executive agrees to notify the Company in writing promptly upon becoming eligible to receive such group medical and dental insurance from another employer);

(iii) Notwithstanding anything to the contrary in the applicable stock option or restricted stock unit agreement (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Unit Grant), the exercisability of all outstanding stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other equity participation rights (including the right to receive restricted stock pursuant to the Restricted Stock Unit Grant or other instrument) then held by Executive with respect to the common stock of the Company (or securities exchanged for such common stock in connection with the Change-in-Control of the Company) shall accelerate in full and Executive shall be entitled to exercise any such options or other awards or equity appreciation rights until eighteen (18) months after the Date of Termination; and

(iv) The Company shall provide Executive, at the Company's sole cost, with executive outplacement assistance in accordance with the Company's then-current executive outplacement program, provided that no outplacement benefits shall be provided after the end of the second calendar year following the calendar year in which the Date of Termination occurs.

4.3.5. Without Cause or with Good Reason During a Potential Change-in-Control Period. If, during the existence of a Potential Change-in-Control Period, Executive shall terminate Executive's employment pursuant to Section 4.1.6 or the Company shall terminate Executive's employment pursuant to Section 4.1.4, then in any such event, subject to Section 4.5, Executive shall receive the payments, benefits and rights set forth in Sections 4.3.4, except that any amounts payable pursuant to Section 4.3.4(i)(b) shall be paid over the eighteen (18) month period that commences on the Date of Termination, if such date occurs more than thirty (30) days prior to the Change-in-Control of the Company that is the subject of the Potential Change-in-Control Period; otherwise, such amount shall be paid in a lump sum on the date that such Change-in-Control of the Company occurs. Notwithstanding the foregoing, if the Change-in-Control of the Company (that is the subject of the Potential Change-in-Control Period) occurs more than thirty (30) days after the Date of Termination, and payments of the amount payable pursuant to Section 4.3.4(i)(b) have begun over an 18-month period, pursuant to the preceding sentence, the balance of the amount payable pursuant to Section 4.3.4(i)(b) shall be paid to Executive in a lump sum on the date such Change-in-Control of the Company occurs.

4.4. Section 409A.

4.4.1. Payments to Executive under this Article 4 shall be bifurcated into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion that does constitute nonqualified deferred compensation. Payments hereunder shall first be made from the portion, if any, that does not consist of nonqualified deferred compensation until it is exhausted and then shall be made from the portion that does constitute nonqualified deferred compensation. However, if Executive is a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, to the extent required by Section 409A of the Code, the commencement of the

delivery of any such payments that constitute nonqualified deferred compensation will be delayed to the date that is six (6) months and one (1) day after Executive's Date of Termination (the "Earliest Payment Date"). Any payments that are delayed pursuant to the preceding sentence shall be paid on the Earliest Payment Date. The determination of whether, and the extent to which, any of the payments to be made to Executive hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Treasury Reg. § 1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year of Executive following the taxable year of Executive in which the Date of Termination occurs.

4.4.2. The parties acknowledge and agree that the interpretation of Section 409A of the Code and its application to the terms of this Agreement are uncertain and may be subject to change as additional guidance and interpretations become available. Anything to the contrary herein notwithstanding, all benefits or payments provided by the Company to Executive that would be deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code are intended to comply with Section 409A of the Code. If, however, any such benefit or payment is deemed to not comply with Section 409A of the Code, the Company and Executive agree to renegotiate in good faith any such benefit or payment (including, without limitation, as to the timing of any severance payments payable hereof) so that either (i) Section 409A of the Code will not apply or (ii) compliance with Section 409A of the Code will be achieved; provided, however, that any deferral of payments or other benefits shall be only for such time period as may be required to comply with Section 409A; and provided, further, that payments or other benefits that occur as a result of the application of this section shall themselves comply with Section 409A of the Code.

4.5. **General Release.** In order to be eligible to receive any of the salary or benefits under Article 4 hereof, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company (without subsequent revocation) a general release of claims against the Company, excluding any claims concerning the Company's obligations under this Agreement in a form provided by and reasonably satisfactory to the Company which shall contain a release of claims by Executive substantially in the form attached hereto as Exhibit A, and shall be required to sign such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so, provided, however, that such other agreements do not cause any changes to the provisions herein or in any restricted stock, restricted stock unit, stock option or similar compensatory or benefit agreement between the Executive and the Company. The Company shall have no other liability or obligation under this Agreement to Executive's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through Executive.

Article 5. Non-Competition and Non-Solicitation

5.1. **Non-Competition and Non-Solicitation.** Executive acknowledges the highly competitive nature of the businesses of the Company and accordingly agrees that while Executive is employed by the Company and for a period of the longer of (i) one year after the Date of Termination, in the case of a termination other than within 12 months after a Change-in-Control of the Company, and (ii) 18 months after the Date of Termination in the case of a termination within 12 months after a Change-in-Control of the Company:

5.1.1. Executive will not perform services for or own an interest in (except for investments of not more than five percent (5%) of the equity interest in a company or entity in which Executive does not actively participate in management) any firm, person or other entity that competes or plans to compete in any geographic area with the Company in the business of the development, manufacture, promotion, distribution or sale of digital film, video or audio production tools, including, but not limited to, editing, live

sound, broadcast or newsroom products or automation systems, content-creation tools, media storage, computer graphics or on-air graphics, or other business or services in which the Company is engaged or plans (as evidenced by consideration by the Company's executive staff or by the Board) to engage at the time Executive's employment with the Company terminates.

5.1.2. Executive will not directly or indirectly assist others in engaging in any of the activities in which Executive is prohibited to engage by Section 5.1.1.

5.1.3. Executive will not directly or indirectly either alone or in association with others (i) solicit or employ, or permit any organization directly or indirectly controlled by Executive to solicit or employ, any person who was employed by the Company at any time within one year prior to such solicitation or employment, or (ii) solicit, hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by Executive to solicit, hire or engage as an independent contractor, any person who was employed by the Company at any time within one year prior to such solicitation, hiring or engagement or (iii) solicit, or permit any organization directly or indirectly controlled by Executive, to solicit any person who is an employee of the Company to leave the employment of the Company.

5.1.4. Executive will not directly or indirectly either alone or in association with others solicit, or permit any organization directly or indirectly controlled by Executive to solicit, any current or future customer or supplier of the Company to cease doing business in whole or in part with the Company or otherwise adversely modify his, her or its business relationship with the Company.

5.2. Reasonableness of Restrictions. It is expressly understood and agreed that (i) although Executive and the Company consider the restrictions contained in this Article 5 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Article 5 is unenforceable, such restriction shall not be rendered void but shall be deemed to be enforceable to such maximum extent as such court may determine or indicate to be enforceable and (ii) if any restriction contained in this Agreement is determined to be unenforceable and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any other restrictions contained herein.

5.3. Remedies for Breach. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of this Article 5 would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining orders, temporary or permanent injunctions or any other equitable remedy which may then be available. In addition, in the event of a breach of Article 5 which is not remedied after ten (10) days' written notice from the Company (if such breach is susceptible to cure), whether or not Executive is employed by the Company, the Company shall cease to have any obligations to make payments to Executive under this Agreement (except for payments, if any, earned prior to such breach).

Article 6. Assignment of Inventions and Non-Disclosure

6.1. Proprietary Information.

6.1.1. Executive agrees that all information and know-how, whether or not in writing, of a private, secret or confidential nature concerning (i) the Company's present or future business or financial affairs, (ii) the research and development or investigation activities of the Company, or (iii) the business relations and affairs of any client, customer or vendor of the Company, of which such information is not

generally known to the public, industry or trade, and which the Company takes reasonable steps to safeguard and protect from disclosure (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration, but not limitation, Proprietary Information includes trade secrets, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, plans, research data, clinical data, financial data, personnel data of other employees, computer programs and customer and supplier lists. Executive shall not at any time, either during or after employment with the Company, disclose any Proprietary Information to others outside the Company except as required in the performance of his duties for the Company (and under an appropriate confidentiality agreement), or as required by law, or use the same for any unauthorized purposes without prior written approval by the Company unless and until such Proprietary Information has become public knowledge without fault by Executive.

6.1.2. Executive agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, or other tangible material containing Proprietary Information, whether created by Executive or others, which shall come into his custody or possession, shall be and are the exclusive property of the Company to be used by Executive only in the performance of his duties for the Company. All such records or copies thereof and all tangible property of the Company in Executive's custody or possession shall be delivered to the Company, upon the earlier of (i) a request by the Company or (ii) termination of Executive's employment. After such delivery, Executive shall not retain any such records or copies thereof or any such tangible property.

6.1.3. Executive agrees that his obligation not to disclose or to use information, know-how and records of the types set forth in paragraphs 6.1.1 and 6.1.2 above, and his obligation to return records and tangible property, set forth in paragraph 6.1.2 above, also extend to such types of information, know-how, records and tangible property of clients and customers of the Company or vendors and suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to Executive in the course of the Company's business.

6.2. Innovations.

6.2.1. As used herein, the term "Innovation(s)" means any new or useful art, discovery, improvement, developments or inventions whether or not patentable, and all related know-how, designs, maskworks, trademarks, formulae, processes, manufacturing techniques, trade secrets, ideas, artwork, software or other copyrightable or patentable works, including all rights to obtain, register, perfect and enforce these proprietary interests. Executive shall make full and prompt disclosure to the Company of all Innovations whether patentable or not, which are created, made, conceived or reduced to practice by Executive or under Executive's direction or jointly with others during his employment by the Company, whether or not during normal working hours or on the premises of the Company.

6.2.2. Executive agrees to assign and does hereby grant and assign to the Company (or any person or entity designated by the Company) all of Executive's right, title and interest in and to all Innovations and all related patents, patent applications, copyrights and copyright applications, which Executive may solely or jointly conceive, develop or reduce to practice during the period of Executive's employment with the Company. This paragraph 6.2.2 shall not apply to Innovations that do not relate to the present or planned business or research and development of the Company and which are made and conceived by Executive not during normal working hours, not on the Company's premises and not using the Company's tools, devices, equipment or Proprietary Information. Executive acknowledges that, to the extent this Agreement is construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this paragraph 6.2.2 shall be interpreted not to apply to any invention that a court rules and/or the Company agrees falls within such classes.

6.2.3. Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of all intellectual property rights, including but not limited to copyrights and patents (both in the U.S. and foreign countries), relating to Innovations. Executive agrees to sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignment of priority rights, and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights, and interests in any Innovations assigned by Executive to the Company pursuant to paragraph 6.2.2 above or otherwise.

6.2.4. Prior to the Effective Date, Executive shall deliver to Company, and Company shall acknowledge receipt signed by an officer of the Company (a copy of which shall be returned to Executive) a list describing all inventions, original works of authorship, developments, improvements and trade secrets that were made by Executive prior to the Effective Date (collectively referred to as "Prior Inventions"), which belong to Executive, and which are not assigned to the Company hereunder. If no such list is delivered prior to the Effective Date, Executive represents that there are no such Prior Inventions. If in the course of his employment with the Company, Executive incorporates into a Company product, process or machine a Prior Invention owned by Executive or in which Executive has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

6.3. Other Agreements. Executive hereby represents that, except as he has disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. Executive represents that his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to his employment with the Company, and Executive shall not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

6.4. United States Government Obligations. Executive acknowledges that the Company from time to time may have agreements with other persons or with the United States government, or agencies thereof, which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions that are made known to him and to take all action necessary to discharge the obligations of the Company under such agreements.

Article 7. Miscellaneous

7.1. Indemnification. Executive shall be entitled to indemnification as set forth in Article Eleventh of the Company's Certificate of Incorporation, a copy of which has been provided to Executive. A directors' and officers' liability insurance policy (or policies) shall be kept in place, during the Term of this Agreement and thereafter until at least the fourth anniversary of the date the Agreement is terminated for any reason, providing coverage to Executive that is no less favorable to him in any respect (including, without limitation, with respect to scope, exclusions, amounts and deductibles) than the coverage then being provided to any other present or former officer or director of the Company.

7.2. No Mitigation. The Company agrees that, except as specifically set forth in Section 4.3.3(iv) and Section 4.3.4(ii) regarding COBRA premium reimbursement, (i) if Executive's employment is terminated during the term of this agreement, Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to Executive by the Company and (ii) the amount of any

payment provided hereunder shall not be reduced by any compensation earned by Executive.

7.3. Obligation of Successors. Any successor to substantially all of the Company's assets and business, whether by merger, consolidation, purchase of assets or otherwise, shall succeed to the rights and obligations of the Company hereunder. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to substantially all of its assets and business or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

7.4. Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given (i) when delivered in person, (ii) on the third business day after mailing by registered or certified mail, postage prepaid, (iii) on the next business day after delivery to an air courier for next day delivery, paid by the sender, or (iv) when sent by telecopy or facsimile transmission during normal business hours (9:00 a.m. to 5:00 p.m.) where the recipient is located (or if sent after such hours, as of commencement of the next business day), followed within twenty-four (24) hours by notification pursuant to any of the foregoing methods of delivery, in all cases addressed to the other party hereto as follows:

(a) If to the Company:

Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, MA 01876
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive:

Glover Lawrence
7 Plymouth Road
Lexington, MA 02421

or at such other address or addresses as either party shall designate to the other in accordance with this section.

7.5. Survival. The respective rights and obligations of the parties under this Agreement shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations. Notwithstanding the termination of this Agreement or Executive's services hereunder for any reason, Article 5 shall survive any such termination.

7.6. Complete Agreement; Amendments. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior agreements between the parties with respect to the subject matter hereof. This Agreement may not be modified or amended except upon written amendment approved by the Compensation Committee of the Board, and executed by a duly authorized officer of the Company and by Executive. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any time prior or subsequent time. Notwithstanding the foregoing, the Company may unilaterally modify or amend this Agreement if such modification or amendment is approved by the Compensation Committee of the Board and made to all other executive employment agreements entered into between the Company and its then-current executive officers.

7.7. Applicable Law. This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts (without reference to the conflicts of laws provisions thereof) and the parties hereby submit to the jurisdiction of the courts of that state.

7.8. Waiver of Jury Trial. Executive hereby irrevocably waives any right to a trial by jury in any action, suit, or other legal proceeding arising under or relating to any provision of this Agreement.

7.9. Severability. If any non-material provision of this Agreement shall be held invalid or unenforceable, it shall be deemed to be deleted or qualified so as to be enforceable or valid to the maximum extent permitted by law, and the remaining provisions shall continue in full force and effect.

7.10. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, assigns and personal representatives, except that the duties, responsibilities and rights of Executive under this Agreement are of a personal nature and shall not be assignable or delegatable in whole or in part by Executive, except to the extent that the rights of Executive hereunder may be enforceable by his heirs, executors, administrators or legal representatives. If Executive should die while any amounts would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

7.11. Captions. Captions of sections have been added only for convenience and shall not be deemed to be a part of this Agreement.

7.12. Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7.13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one in the same instrument.

7.14. Non-Disparagement. Executive will not disparage the Company or any of its directors, officers, agents or employees or otherwise take any action which could reasonably be expected to adversely affect the reputation of the Company or the personal or professional reputation of any of the Company's directors, officers, agents or employees. Nothing in this paragraph will prevent Executive from disclosing any information to his attorneys or in response to a lawful subpoena or court order requiring disclosure of information.

7.15. Further Assurances. Each party agrees to furnish and execute additional forms and documents, and to take such further action, as shall be reasonable and customarily required in connection with the performance of this Agreement or the payment of benefits hereunder. In addition, following the termination of Executive's employment with the Company, Executive shall reasonably cooperate with the Company to effect a smooth transition with respect to any activities Executive engaged in on behalf of the Company, at the Company's behest, and otherwise in the conduct of Executive's activities as an employee of the Company, including, without limitation, providing the Company with (or directing the Company to the location of) business records and other information relating to the Company's business.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Executive Employment Agreement as of the date first above written.

Avid Technology, Inc.

By: /s/ Ken A. Sexton

Name: Ken A. Sexton

Title: Executive Vice President, Chief Financial
Officer and Chief Administrative Officer

/s/ Glover Lawrence

Glover Lawrence

Exhibit A

Release provision pursuant to Section 4.5 of the Executive Employment Agreement

In consideration of the payment of the severance benefits, which the Executive acknowledges he would not otherwise be entitled to receive, the Executive hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities, and collectively referred to hereinafter as the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, penalties and expenses (including attorneys' fees and costs), of every kind and nature that the Executive ever had or now has against any or all of the Released Parties, whether existing or contingent, known or unknown, including but not limited to: any and all claims arising out of or relating to Executive's employment with and/or separation from any of the Released Parties or arising out of your relation in any capacity to any of the Released Parties; any and all claims under any Federal, state, or local constitution, law, or regulation; any and all wage and hour claims and claims for discrimination, harassment, or retaliation (including claims of age discrimination under the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq. or any other law prohibiting age discrimination); any and all common law claims including, but not limited to, actions in defamation, intentional infliction of emotional distress, misrepresentation, fraud, wrongful discharge, and breach of contract; and any and all claims to any non-vested ownership interest in the Company, contractual or otherwise. This release is intended to be all encompassing and to act as a full and total release of all claims, whether specifically enumerated above or not, that Executive may have or have had against any or all of the Released Parties up to the date Executive signs this Agreement, but nothing in this Agreement prevents Executive from filing a charge with, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission or a state fair employment practices agency (except that Executive acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding and provided further, however, that nothing herein is intended to be construed as releasing the Company from any obligation set forth in this Agreement.

The Executive acknowledges that he has been given at least twenty-one (21) days to consider this Agreement and that the Company advised him to consult with any attorney of his own choosing prior to signing this Agreement. The Executive further acknowledges that he may revoke this Agreement for a period of seven (7) days after the execution of this Agreement, and the Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. The Executive understands and agrees that by entering into this Agreement he is waiving any and all rights or claims he might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that he has received consideration beyond that to which he was previously entitled.

CERTIFICATION

I, Gary G. Greenfield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, 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 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 report;
4. The registrant's other certifying officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 the 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 control over financial reporting.

Date: November 7, 2008

/s/ Gary G. Greenfield
Gary G. Greenfield
Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Ken Sexton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, 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 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 report;
4. The registrant's other certifying officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 the 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 control over financial reporting.

Date: November 7, 2008

/s/ Ken Sexton
Ken Sexton
Executive Vice President, Chief Financial
Officer and Chief Administrative Officer
(Principal 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 Quarterly Report on Form 10-Q of Avid Technology, Inc. (the "Company") for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gary G. Greenfield, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Ken Sexton, Executive Vice President, Chief Financial Officer and Chief Administrative Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2008

/s/ Gary G. Greenfield
Gary G. Greenfield
Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2008

/s/ Ken Sexton
Ken Sexton
Executive Vice President and Chief Financial
Officer and Chief Administrative Officer
(Principal Financial Officer)