

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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.)

75 Network Drive

Burlington, Massachusetts 01803

(Address of Principal Executive Offices, Including Zip Code)

(978) 640-6789

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

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

Name of Exchange on which registered
NASDAQ Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required 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 has submitted and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large Accelerated Filer
Non-accelerated Filer
(Do not check if smaller reporting company)

Accelerated Filer
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 aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$371,746,000 based on the closing price of the Common Stock on the NASDAQ National Market on June 30, 2010. The number of shares outstanding of the registrant's Common Stock as of March 10, 2011 was 38,350,537.

DOCUMENTS INCORPORATED BY REFERENCE

Document Description
Portions of the Registrant's Proxy Statement for the 2011 Annual Meeting of Stockholders

10-K Part
III

AVID TECHNOLOGY, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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This annual report on Form 10-K includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in this annual report that relate to future results or events are forward-looking statements. Forward-looking statements may be identified by use of forward-looking words, such as "anticipate," "believe," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "feel," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these 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 forward-looking statements, many of which are beyond our control, including the risk factors discussed in Item 1A of this annual report. In addition, the forward-looking statements contained in this annual report 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.

The information included under the heading "Stock Performance Graph" in Item 5 of this annual report is "furnished" and not "filed" and shall not be deemed to be "soliciting material" or subject to Regulation 14A, shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are a leading provider of digital media content-creation products and solutions for film, video, audio and broadcast professionals, as well as artists and home enthusiasts. Our mission is to inspire passion, unleash creativity and enable our customers to realize their dreams in a digital world. Anyone who enjoys movies, television or music has almost certainly experienced the work of content creators who use our solutions to bring their creative visions to life. Around the globe, feature films, primetime television shows, news programs, commercials, live performances and chart-topping music hits are made using one or more of our solutions.

In late 2009, we completed a reorganization of our business around functional groups rather than product categories. As a result, effective January 1, 2010, we commenced reporting based on a single reportable segment.

CORPORATE STRATEGY

We operate our business based on the following five customer-centric strategic principles:

- **Drive customer success.** We are committed to making each and every customer successful. Period. It's that simple.
- **From enthusiasts to the enterprise.** Whether performing live or telling a story to sharing a vision or broadcasting the news – we create products to support our customers at all stages.
- **Fluid, dependable workflows.** Reliability. Flexibility. Ease of Use. High Performance. We provide best-in-class workflows to make our customers more productive and competitive.
- **Collaborative support.** For the individual user, the workgroup, a community or the enterprise, we enable a collaborative environment for success.
- **Avid optimized in an open ecosystem.** Our products are innovative, reliable, integrated and best-of-breed. We work in partnership with a third-party community resulting in superior interoperability.

CUSTOMER MARKET SEGMENTS

We provide digital media content-creation products and solutions to customers in the three market segments listed below.

- **Creative Enthusiasts.** This market segment is made up of individuals who are music, film or video enthusiasts with varying degrees of involvement in content creation, ranging from casual users to dedicated hobbyists, including amateur musicians, disc jockeys and “prosumers.” For customers in this market segment, we offer video and audio products and solutions at an affordable price. These products and solutions are specifically designed for the desktop or home studio and have rich feature sets but minimal learning curves. We sell into this market segment through storefront and on-line retailers, through specialized resellers and directly via e-commerce.

- **Professionals.** This market segment is made up of individual artists and entities that create audio and video media as a paid service, but who do not distribute media to end consumers on a large scale. This segment includes a wide-ranging target audience that includes: students and teachers in career technical education programs in high schools, colleges and universities, as well as in post-secondary vocational schools, that prepare students for professional media production careers in the digital workplace; independent video editors, facilities and filmmakers that produce video media as a business but are not broadcasters; professional sound designers, editors and mixers and facilities that specialize in the creation of audio for picture; songwriters, musicians, producers, film composers and engineers who compose and record music professionally; and technicians, engineers, hire companies and facilities that present, record and broadcast audio and video for live performances. For this market segment, we offer a wide range of innovative products and solutions, including hardware- and software-based creative production tools, scalable media storage options and collaborative workflows. These feature-rich solutions are accessible to users of varying skill and sophistication levels. Our domain expertise also allows us to provide customers in this market segment with a broad range of professional services. We sell into this market segment through storefront and on-line retailers, as well as through our direct sales force and resellers.
- **Media Enterprises.** This market segment consists of broadcast, government, sports and other organizations that acquire, create, process, and/or distribute audio and video content to a large audience for communication, entertainment, analysis, and/or forensic purposes. Customers in this segment rely on workflows that span content acquisition, creation, editing, distribution, sales and redistribution, that utilize all content distribution platforms, including web, mobile, internet protocol television, cable, satellite, on-air, and various other proprietary platforms. For this market segment, we offer a wide range of innovative, open products and solutions including hardware, software, graphics, asset management, automation and professional services and support. We also provide a complementary array of professional and consulting services that draw upon our domain expertise. We sell into this market segment through our direct sales force and resellers.

INDUSTRY RECOGNITION

We have been honored over time for our technological innovation with 14 Emmy® awards, a Grammy® award and two Oscar® statuettes. During the past 12 months, we have received three Emmy® awards for the role the company has played in developing innovative technology that advances and improves the way our customers in television capture, edit and deliver media content. Our most recent acknowledgment by the National Academy of Television Arts & Sciences came in January 2011 with an Emmy® award for the “Development and Production of Portable Tapeless Acquisition,” which the company created in the mid-1990s with Ikegami to improve the way production teams capture and edit video content in the field. Additionally, in 2010, we were honored by the Academy of Television Arts & Sciences with the Philo T. Farnsworth award presented to our Digidesign subsidiary for contributions to the state of television technology and engineering over a long period of time and our ongoing industry importance. Separately, we also received an Emmy® Engineering plaque for Avid Media Access for its role in dramatically improving the process of working with tapeless media. Also in 2010, we received the first-ever Technical Excellence Award presented by the American Cinema Editors Group, or A.C.E., and a Technical Achievement award from the Cinema Audio Society for our Pro Tools 8 professional recording and mixing software.

Although we take pride in the honors bestowed upon us, greater satisfaction comes from awards given to our customers for the films, music and television shows they create using our solutions. The 2011 awards season once again marked tremendous accomplishment for our customers across the music, film and television industries. More than 45 customers who used our audio and video solutions received nominations at the 2011 Annual Academy Awards® held on February 27, 2011, with Oscar® wins going to customers in the Best Motion Picture, Sound Editing, Sound Mixing, Original Score, Original Song, Documentary Feature, Animated Feature, Visual Effects, and Foreign Language Film categories. At the 53rd Grammy® Awards held on February 13, 2011, more than 100 of our customers and music school graduates contributed to Grammy® nominated projects, including those who recorded and mixed every song or album nominated for a 2011 Grammy® Award in the Record of the Year and Album of the Year categories.

PRODUCTS AND SERVICES

We provide a broad range of software and hardware products and solutions, as well as services offerings, to address the diverse needs, skills and sophistication levels found within our customer market segments. Information about the geographic breakdown of our revenues and long-lived assets can be found in Note S to our Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

The following table presents our revenues by type as a percentage of total net revenues for the periods indicated:

	For the Year Ended December 31,		
	2010	2009	2008
Video product revenues	41.6%	41.2%	50.4%
Audio product revenues	40.9%	39.8%	34.1%
Total product revenues	82.5%	81.0%	84.5%
Services revenues	17.5%	19.0%	15.5%
Total revenues	100.0%	100.0%	100.0%

Video Products

Professional Video-Editing Solutions

We offer a wide range of software and hardware professional video-editing solutions. Our award-winning Media Composer product line is widely used to edit television programs, commercials and films, while our NewsCutter and iNews Instinct editors are designed for the fast-paced world of news production. Avid Symphony Nitris DX and Avid DS are used during the “online” or “finishing” stage of post production, during which the final program is assembled in high resolution with finished graphics, visual effects, color grading and audio tracks.

Sales of professional video-editing products accounted for approximately 13%, 13% and 14% of our consolidated net revenues for 2010, 2009 and 2008, respectively.

Consumer Video-Editing Software

Our consumer video-editing products Pinnacle Studio and recently introduced Avid Studio, which was released in February 2011, provide consumers and entry-level videographers with the ability to easily create professional-looking videos. Our Pinnacle Studio product line is available in three configurations, Pinnacle Studio HD, Pinnacle Studio HD Ultimate and Pinnacle Studio HD Ultimate Collection. Pinnacle Studio HD is designed for entry-level storytellers looking for a quick and easy way to enhance and share their projects with family and friends. Pinnacle Studio HD Ultimate and Pinnacle Studio HD Ultimate Collection offer additional features intended for advanced video enthusiasts who require greater power, control and quality for more professional looking results. Our Avid Studio consumer video-editing software features some of the same technology used by our professional video-editing software to create major motion pictures, allowing hobby videographers and editing enthusiasts to make professional-quality movies at a fraction of the cost.

Broadcast Newsroom Solutions

Our broadcast newsroom graphics, ingest, play-to-air and automation device control solutions are designed to assist broadcasters as they bring programs from concept to air. These products accelerate the production process by enabling broadcasters to automate the control of ingest devices, manage teams of broadcast journalists and editors, assemble stories into news programs, develop and deliver real-time graphics for broadcast television, and automate the process of playing television programming to air. Our on-air solutions include AirSpeed Multistream, Deko, iNews and Sundance Digital. In 2010, we introduced NewsVision, an end-to-end digital news production solution that enables local and regional broadcasters to increase the quality and speed of their HD file-based productions at a compelling price given today's constrained budgets.

Storage and Workflow Solutions

Our Avid ISIS shared storage systems are easy-to-use, real-time, open solutions that bring the power of best-in-class shared storage to local and regional broadcasters and post production facilities at competitive prices. Both ISIS 5000 and ISIS 7000 are built upon proven ISIS technology used in more than 700 major media enterprises to store, share and manage large quantities of digital media assets. Customers can improve allocation of creative resources and support changing project needs with an open shared storage platform that includes the high-performance ISIS file system technology on lower cost hardware, support for third-party applications like Apple Final Cut Pro and streamlined administration to create more content more affordably.

In March 2010, we introduced the Integrated Media Enterprise, or IME, an open framework for businesses to address the rapid changes in the media industry. IME is built around three fundamental components: an open media catalog, a media repository and a modular, open architecture. This allows media enterprises to be agile in responding to new opportunities, be more efficient in monetizing their assets and promote deeper collaboration across every aspect of their business.

Avid Interplay Production is our scalable production asset management solution designed to enable large-scale collaboration and workflow automation for our post production and broadcast customers. Interplay provides the core infrastructure that links creative content production teams by integrating asset management, workflow automation and security control. Interplay's modular architecture connects our editing solutions, storage solutions and ingest and playout devices to automate complex workflow processes. This allows users to focus on creating content rather than spending valuable resources on technical administration.

In January 2010, we acquired Blue Order Solutions AG. Blue Order's enterprise media asset management platform, now called Interplay Media Asset Manager, provides users with the ability to easily access and use a wide range of media content, establish collaborative and automated workflows, and efficiently manage intellectual property assets.

Sales of video storage and workflow products accounted for approximately 18%, 16% and 16% of our consolidated net revenues in 2010, 2009 and 2008, respectively.

Audio Products

Digital Audio Software and Workstation Solutions

Our Pro Tools digital audio software and workstation solutions facilitate the audio production process, including music and sound creation, recording, editing, signal processing, integrated surround mixing and mastering, and reference video playback. Our Pro Tools platform supports a wide variety of internally developed and third-party software plug-ins and integrated hardware. Pro Tools solutions are offered at a range of price points and are used by professionals and aspiring professionals in music, film, television, radio, multimedia and Internet production environments. In November 2010, we introduced Pro Tools version 9, which offers: a number of new creative options, such as Automatic Delay Compensation to improve mixing and increase recording accuracy. Pro Tools 9 also offers the ability to work in a software-only capacity by using the processing power of a Mac or PC and with a variety of Avid and third party interfaces and Avid control surfaces.

We also introduced a new family of hardware interfaces for our Pro Tools software in 2010. Our Pro Tools|HD Native system offers customers an integrated professional hardware and software solution featuring a Pro Tools|HD Native PCIe card and running Pro Tools|HD software—delivering price-performance and simplified, open workflows for recording, editing and mixing with a number of third-party digital audio workstations.

Our new HD I/O, HD OMNI and HD MADI interfaces for Pro Tools|HD enable customers to achieve high-quality audio with improvements to digital audio conversion quality, a variety of configuration options and increased support for open digital standards like the popular MADI protocol. Features include advances in design, filtering and clocking, and flexible digital I/O connectivity, which offers support for a variety of formats.

Aspiring or working professionals can combine our Pro Tools LE software with our musical instrument digital interface, or MIDI, keyboards/controllers, desktop studio monitor speakers and a wide variety of third-party products to create music and record and mix audio on their personal computers.

Sales of digital audio software and workstation products accounted for approximately 16%, 15% and 13% of our consolidated net revenues in 2010, 2009 and 2008, respectively.

Control Surfaces and Live Systems

In the large-format digital mixing console category, our ICON (Integrated Console System) system features the D-Control and D-Command mixing surfaces, our high-end, expandable hardware control surfaces for tactile control of Pro Tools software and hardware. Our ICON systems can be customized to provide a solution for any studio, providing from 16 to 80 channels of simultaneous control. An ICON system, integrated with a Pro Tools|HD workstation, input-output and pre-amplification peripherals, and studio reference monitors (speakers) options, provides an end-to-end solution for audio professionals.

Our VENUE product family includes console products for mixing audio for live sound reinforcement for concerts, theater performances and other public address events. We offer a range of VENUE solutions that are designed for large performance settings, such as stadium concerts, as well as medium-sized theatres and houses of worship. VENUE systems allow the direct integration of Pro Tools systems to create and playback live recordings.

Our MIDI keyboards/controllers and our digital pianos are used by musicians in the recording studio and for live performances.

In April 2010, we acquired Euphonix, Inc., a leader in digital audio consoles, media controllers and peripherals and the developer of the open industry standard protocol EUCON, which enables customers to use a variety of third-party software with control surface hardware. As a result of this acquisition, we now offer a broad range of complementary open audio and video control surfaces and consoles designed to meet the needs of customers ranging from the independent professional to the high-end broadcaster.

Desktop and Studio Monitors

We provide a wide range of speakers for use with desktop computer systems and in the studios of creative independents, established professionals, commercial businesses, post production facilities and broadcasters. These monitors provide high quality audio output at reasonable prices for those engaged in audio production or simply personal listening.

Educational and DJ Software

Our Sibelius-branded software allows users to create, edit and publish musical scores. Sibelius software is used by composers, arrangers and other music professionals. Student versions are also available to assist in the teaching of music composition and score writing.

We also provide the Torq computer-based disc jockey performance software package. When combined with our purpose-built M-Audio branded disc jockey hardware interfaces, Torq offers the flexibility and immediacy of digital music with the traditional interaction model and improvisational potential of vinyl recordings on turntables.

Customer Support and Professional Services

Our customer success and professional services organizations provide software and application support and professional services. Our teams of in-house and contract professionals are dedicated to helping our customers improve efficiencies and realize the full potential of our products and solutions. Our customer success team provides online and telephone support and access to software upgrades for customers whose products are under warranty or covered by a maintenance contract. Our professional services team provides installation, integration, planning, consulting and training services.

COMPETITION

Our customer market segments are highly competitive and subject to rapid change. Our competition is fragmented with a large number of companies providing different types of products in different market segments and geographic areas. We provide integrated solutions that compete based on workflow, features, quality, service and price. Companies with which we compete in some contexts may also act as partners in other contexts, such as large enterprise customer environments.

We compete across multiple product lines and market segments with companies such as Adobe Systems Incorporated, Apple Inc. and Sony Corporation. In addition, other companies that compete with certain of our products and solutions are listed below by the market segment in which they compete:

- Creative Enthusiasts: Corel Corporation, Magix AG, Native Instruments and Roland Corporation, among others.
- Professionals: Autodesk Inc., Editshare LLC, Harman International Industries Inc. and Yamaha Corporation, among others.
- Media Enterprises: Bit Central Inc., Dalet S.A., EVS Corporation, Grass Valley, Harmonic Inc., Harris Corporation, Quantel Inc. and Vizrt Ltd., among others.

SALES AND SERVICE CHANNELS

We market and sell our solutions through a combination of direct and indirect sales channels. Our direct sales channel consists of internal sales representatives serving select customers and market segments, as well as our e-commerce sales programs. Our indirect sales channels include global networks of independent distributors, value-added resellers, dealers and retailers. Net revenues derived through indirect channels were approximately 65%, 66% and 70%, respectively, for 2010, 2009 and 2008. The decreases in the percentage of revenues derived through indirect channels were largely driven by the 2008 divestiture of our PCTV product lines and lower consumer-editing product sales, both of which were primarily sold through indirect channels.

We have significant international operations with offices in 20 countries around the world. Revenues from our international operations accounted for 58%, 59% and 61%, respectively, of our consolidated net revenues for 2010, 2009 and 2008. The percentage decreases in our international revenues were largely driven by divested or discontinued product lines, which had a high percentage of international sales, and the unfavorable impact on revenues of the changes in currency exchange rates.

We generally ship our products shortly after the receipt of an order, which is typical for our industry. Historically, a high percentage of our revenues has been generated in the third month of each fiscal quarter and concentrated in the latter part of that month. Accordingly, orders may exist at the end of a quarter that have not been shipped and have not been recognized as revenues. Backlog that may exist at the end of any quarter is not a reliable indicator of future sales levels.

We provide customer service and support directly through regional support centers and major-market field service representatives and indirectly through dealers, value-added resellers and authorized third-party service providers. Depending on the solution, customers may choose from a variety of support offerings, including telephone and online technical support, on-site assistance, hardware replacement and extended warranty, and software upgrades. In addition to support services, we offer a broad array of professional services, including installation, integration, planning and consulting services, and customer training. Training is also available at Avid-certified training centers around the world.

MANUFACTURING AND SUPPLIERS

Our manufacturing operations consist primarily of the testing of subassemblies and components purchased from third parties, the duplication of software, and the configuration, assembly and testing of board sets, software, related hardware components and complete systems. In addition to our internal manufacturing operations, we rely on a network of contractors around the globe to manufacture some of our products, components and subassemblies. Our products undergo testing and quality assurance at the final assembly stage. We depend on sole-source vendors for certain key hardware components, although we believe that, if required, we could replace any sole-source vendor without a material impact to our results of operations or financial position. For the risks associated with our use of contractors and sole-source vendors, see “Risk Factors” in Item 1A of this annual report.

Our company-operated manufacturing facilities are located in: Burlington, Massachusetts; Dublin, Ireland; and Mountain View, California. Our Burlington and Dublin operations are ISO 14001, *Environmental Management System*, certified. During 2011, we will be working toward ISO 14001 certification for our Mountain View operations.

INTELLECTUAL PROPERTY

We regard our software and hardware as proprietary and protect our proprietary interests under the laws of patents, copyrights, trademarks and trade secrets, as well as through contractual provisions.

We have obtained patents and have registered copyrights, trademarks and service marks in the United States and in many foreign countries. At December 31, 2010, we held 218 U.S. patents, with expiration dates through 2029, and had 43 patent applications pending with the U.S. Patent and Trademark Office. We have also registered or applied to register various trademarks and service marks in the United States and a number of foreign countries, including Avid, Media Composer, NewsCutter, Pro Tools, M-Audio and Sibelius. As a technology company, we regard our patents, copyrights, trademarks, service marks and trade secrets as being among our most valuable assets, together with the innovative skills, technical competence and marketing abilities of our personnel.

Our software is licensed to end users pursuant to shrink-wrap, embedded, click-through or signed paper license agreements. Our products generally contain copy-protection and/or copy-detection features to guard against unauthorized use. Policing unauthorized use of computer software is difficult, and software piracy is a persistent problem for us, as it is for the software industry in general. This problem is particularly acute in some of the international markets in which we operate. For the risks associated with the protection of our intellectual property, see “Risk Factors” in Item 1A of this annual report.

RESEARCH AND DEVELOPMENT

We are committed to delivering best-in-class digital media content-creation solutions market-tailored to the unique needs, skills and sophistication levels of our target customer market segments. We are known as a pioneer and innovator of digital media content-creation solutions with research and development, or R&D, operations around the globe. Our R&D efforts are focused on the development of digital media content-creation tools and workgroup solutions that operate primarily on the Mac and Windows platforms. Our R&D efforts also include networking and storage initiatives intended to deliver standards-based media transfer and media asset management tools, as well as stand-alone and network-attached media storage systems for workgroups. In addition to our internal R&D efforts, we are offshoring an increasing portion of certain R&D projects to internationally based partners. Our R&D expenditures for 2010, 2009 and 2008 were \$120.2 million, \$121.0 million and \$148.6 million, respectively, which represented 18%, 19% and 18% of our net revenues, respectively. For the risks associated with our use of partners for R&D projects, see “Risk Factors” in Item 1A of this annual report.

Our company-operated R&D operations are located in: Burlington, Massachusetts; Daly City, California; Irwindale, California; Madison, Wisconsin; Mountain View, California; Kaiserslautern, Germany; Montreal, Canada; London, England; and Munich, Germany.

OPERATIONS

We are headquartered in Burlington, Massachusetts, with operations in North America, South America, Europe, Asia and Australia. At December 31, 2010, our worldwide workforce consisted of 1,960 employees and 497 external contractors.

AVID GREEN INITIATIVE

Our initial “green” activities focused on compliance with such environmental initiatives as the Waste Electrical and Electronic Equipment Directive, or WEEE, and Restriction of the use of certain Hazardous Substances in electrical and electronic equipment, or RoHS, and we provide for the recycling of our products and removal of specific toxic substances that may be found in our products as required by environmental regulations. We have since broadened our focus to include the development of our “Design for Environment” program, which incorporates environmental considerations into products from initial concept to end-of-life, as well as our Corporate Environment Management System.

In early 2010, we released our Avid Environmental Policy, which is based on the principle that it is our responsibility to minimize our impact on the environment and establishes the following environmental goals:

- Endorse product stewardship by adopting and integrating Design for Environment practices to minimize environmental impact throughout the product lifecycle.
- Promote environmental responsibility in our supply chain.
- Adopt the principles of reduce, reuse, and recycle while promoting waste-reduction programs in our global operations.
- Continue compliance with global laws and directives affecting our products and operations.

Also during 2010, we released our Environmental Packaging Standard, which calls for a transition to between 50% and 75% recycled content in packaging materials, environmentally friendly inks and reduced packaging sizes. The latest versions of our Media Composer, Symphony, NewsCutter and Pro Tools products ship with electronic manuals only, reducing the packaging sizes by approximately 85%. We will continue to reduce documentation package sizes for the next releases of many of our products.

In 2010, 2009 and 2008, we incurred expenses of approximately \$0.6 million, \$0.7 million and \$0.7 million, respectively, that were directly related to our environmental programs. We expect our 2011 environmental costs to remain approximately the same as our 2010 costs.

WEB SITE ACCESS

We make available free of charge on our website, www.avid.com, copies of our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all amendments to those reports as soon as practicable after filing with the Securities and Exchange Commission. Additionally, we will provide paper copies of all of these filings free of charge upon request. Alternatively, these reports can be accessed at the SEC’s Internet website at www.sec.gov. The information contained on our web site shall not be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below in addition to the other information included or incorporated by reference in this annual report before making an investment decision regarding our common stock. If any of the following risks were to actually occur, 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.

Our success depends in significant part on our ability to provide innovative products and solutions in response to dynamic and rapidly evolving market demand.

To succeed in our market, we must deliver innovative products and solutions. Innovation requires both that we accurately predict future market trends and customer expectations and that we possess the flexibility to quickly adapt our development efforts in response. Predicting market trends is difficult, as our market is dynamic and rapidly evolving. Additionally, given the complex, sophisticated nature of our solutions and our typically lengthy product development cycles, we may not be able to rapidly change our product direction or strategic course. If we are unable to accurately predict market trends or adapt to evolving market conditions, our ability to capture customer demand will suffer and our market reputation and financial performance will be negatively affected. Even to the extent we make accurate predictions and possess the requisite flexibility to adapt, we may be able to pursue only a handful of possible innovations as a result of limited resources. Our success, therefore, further depends on our ability to identify and focus on the most promising innovations.

When we do introduce new products, our success depends on our ability to manage a number of risks associated with new products including but not limited to timely and successful product launch, market acceptance, and the availability of products in appropriate locations, quantities and costs to meet demand. If we fail to manage new product introductions and transitions properly, our financial condition and operating results could be harmed.

The rapid evolution of the media industry is changing our customers' needs, businesses and revenue models, and if we cannot anticipate or adapt quickly, our business will be harmed.

The media industry has rapidly and dramatically transformed in the last five years and is continuing to do so as free content, minimal entry costs for creation and distribution, and the expansion of mobile devices have become prevalent. As a result, our traditional customers' needs, businesses and revenue models are changing often in ways that deviate from our core strengths and traditional bases. If we cannot anticipate these changes or adapt to them quickly, our business will be harmed. For example, traditional advertising channels face competition from web and mobile platforms and diminished revenue from traditional advertising will cause some customers' budgets for purchase of our solutions to decline; this may be particularly true among local television stations, which in the past have been an important customer segment for us. Additionally, our customers may also seek to pool or share facilities and resources with others in their industry and engage with providers of software as a service. Open platforms, online collaboration tools, software as a service, growing demand for an increasing array of mobile computing devices and the development of cloud-based computing are replacing the traditional software and hardware infrastructures and maintenance models and may reduce demand for some of our existing products and services. Additionally new or non-traditional competitors may arise or adapt in response to this evolution of the media industry, which could create downward price pressure on our products and solutions and reduce our market share and revenue opportunities.

The market segments in which we operate are highly competitive, and our competitors may be able to draw upon a greater depth and breadth of resources than those that are available to us.

We operate in highly competitive market segments characterized by pressure to innovate, expand feature sets and functionality, accelerate new product releases and reduce prices. Markets for certain of our products also have limited barriers to entry. Customers consider many factors when evaluating our products relative to those of our competitors, including innovation, ease of use, feature sets, functionality, reliability, performance, reputation, and training and support, and we may not compare favorably against our competitors in all respects. Some of our current and potential competitors have longer operating histories, greater brand recognition and substantially greater financial, technical, marketing, distribution and support resources than we do. As a result, they may be able to deliver greater innovation, respond more quickly to new or emerging technologies and changes in market demand, devote more resources to the development, marketing and sale of their products, successfully expand into emerging and other international markets, or price their products more aggressively than we can. There is an additional risk of consolidation among our competitors, which could result in fewer, more effective competitors. We also have the challenge of protecting our product roadmap and new product initiatives from leaks to competitors that might reduce or eliminate any innovative edge that we seek to gain.

Our revenues and operating results are difficult to predict and may fluctuate from period to period.

Our revenues and operating results may be materially affected by a number of factors, which include, but are not limited to:

- timing and market acceptance of new product introductions by us and our competitors;
- changes in customer demand for our products;
- competitive pressure on product pricing;
- changes in product, service or geographic mix;
- the timing of large or enterprise-wide sales and our ability to recognize revenues from such sales;
- length of sales cycles and associated costs;
- global macroeconomic conditions;
- fluctuations in foreign currency exchange rates;
- reliance on third-party reseller and distribution channels;
- cost of third-party technology or components incorporated into or bundled with products sold;
- operational efficiency and effectiveness in a complex organization;
- changes in operating expenses;
- price protections and provisions for inventory obsolescence extended to resellers and distributors;
- seasonal factors, such as higher consumer demand at year-end;
- remedial costs and reputational harm associated with product defects or errors; and
- complex accounting rules for revenue recognition.

The occurrence and interaction of these variables may cause our revenues and operating results to fluctuate from period to period. As a result, period-to-period comparisons of our revenues and operating results may not provide a good indication of our future performance.

Our international operations expose us to additional legal, regulatory and other risks that we do not face in the United States.

We derive more than half of our revenues from customers outside of the United States, rely on foreign contractors for the supply and manufacture of many of our products and conduct significant research and development activities overseas. Our international operations are subject to a variety of risks that we do not face in the United States, including:

- the financial and administrative burdens associated with compliance with a myriad of environmental, tax and export laws, as well as other business regulations in foreign jurisdictions, including high compliance costs, inconsistencies among jurisdictions, and a lack of administrative or judicial interpretative guidance;
- reduced or varied protection for intellectual property rights in some countries;
- fluctuations in foreign currency exchange rates;
- longer collection cycles for accounts receivable payment cycles and difficulties in enforcing contracts;
- difficulties in managing and staffing international implementations and operations;
- potentially adverse tax consequences, including the complexities of foreign value added or other tax systems and restrictions on the repatriation of earnings;
- increased financial accounting and reporting burdens and complexities;
- costs and delays associated with developing products in multiple languages; and
- economic, social and political instability abroad and international security concerns in general.

Our overall success in international markets depends, in part, on our ability to succeed in differing legal, regulatory, economic, social and political conditions. We may not be successful in developing, implementing or maintaining policies and strategies that will be effective in managing these risks in each country where we do business. Our failure to manage these risks successfully could harm our international operations, reduce our international sales and increase our costs, thus adversely affecting our business, operating results and financial condition.

Fluctuations in foreign exchange rates may result in short-term currency exchange losses and could adversely affect our revenues from foreign markets and our manufacturing costs in the long term.

Our international sales are, for the most part, transacted through foreign subsidiaries and generally in the currency of the end-user customers. Consequently, we are exposed to short-term currency exchange risks that may adversely affect our revenues, operating results and cash flows. The majority of our international sales are transacted in euros and to hedge against the dollar/euro exchange exposure of the resulting forecasted receivables, cash balances and revenues, we commonly enter into foreign currency forward-exchange contracts. The success of our hedging programs depends on the accuracy of our forecasts of transaction activity in euros. To the extent that these forecasts are over- or understated during periods of currency volatility, we may experience currency gains or losses. Our hedging activities may only offset a portion of the adverse financial impact resulting from unfavorable movement in dollar/euro exchange rates, which could adversely affect our financial position or results of operations.

Furthermore, the significance to our business of sales in Europe subjects us to risks associated with long-term changes in the dollar/euro exchange rate. A sustained strengthening of the U.S. dollar against the euro would decrease our expected future U.S. dollar revenue from European sales and could have a significant adverse effect on our overall profit margins. During 2010, economic instability in Europe, including concern over sovereign debt in Greece, Ireland and certain other European Union countries, caused significant fluctuations in the value of the euro relative to those of other currencies, including the U.S. dollar. Continuing uncertainty regarding economic conditions, including the solvency of these countries and the stability of the eurozone, could lead to significant long-term economic weakness and reduced economic growth in Europe, the occurrence of which, or the potential occurrence of which, could lead to a sustained strengthening of the U.S. dollar against the euro, adversely affecting the profitability of our European operations.

In addition, we source and manufacture many of our products in China and our costs may increase should the renminbi not remain stable with the U.S. dollar. Although the renminbi is pegged against a basket of currencies determined by the People's Bank of China, the renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the long term. In addition, if China were to permit the renminbi to float to a free market rate of exchange, it is widely anticipated that the renminbi would appreciate significantly in value against U.S. dollar. An increase in the value of the renminbi against the U.S. dollar would have the effect of increasing the labor and production costs of our Chinese manufacturers in U.S. dollar terms, which may result in their passing such costs to us in the form of increased pricing, which would adversely affect our profit margins if we could not pass those price increases along to our customers.

Economic weakness and uncertainty could adversely affect our revenue, gross margin and expenses.

Our revenue and gross margin depend significantly on worldwide economic conditions and the demand for our products and services in the markets in which we compete. Economic weakness and uncertainty have resulted, and may result in the future, in decreased revenue, gross margin, earnings or growth rates and difficulty managing inventory levels. Sustained uncertainty about global economic conditions may adversely affect demand for our products and services and could cause demand to differ materially from our expectations. Economic weakness and uncertainty also make it more difficult for us to make accurate forecasts of revenue, gross margin and expenses.

The inability of customers to obtain credit in the future may impair their ability to make timely payments to us. Tightening of credit by financial institutions could also lead customers to postpone spending or to cancel, decrease or delay their existing or future orders with us. Customer insolvencies could negatively impact our revenues and our ability to collect receivables. Financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory challenges. Since we are unable to predict the pace and scope of the global economic recovery and whether economic conditions could deteriorate again, we may record additional charges relating to restructuring costs or the impairment of assets and our business and results of operations could be materially and adversely affected.

We have incurred net losses in each of our three most recently completed fiscal years and we may continue to incur net losses in future periods.

We have incurred, on the basis of U.S. generally accepted accounting principles, net losses in each of the past three fiscal years: \$37.0 million in 2010, \$68.4 million in 2009, and \$198.2 million in 2008. These losses, among other things, adversely affect our stockholders' equity and working capital. These losses, and the principal factors or components underlying them, are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report. We cannot be certain when, or if, our operations will return to profitability or, if we do return to profitability whether it can be sustained.

Potential acquisitions could be difficult to integrate, disrupt our business, dilute stockholder value or impair our financial results.

As part of our business strategy, we periodically acquire companies, technologies and products that we believe can improve our ability to compete in our existing customer market segments or will allow us to enter new markets. The potential risks associated with any acquisition include, but are not limited to:

- failure to realize anticipated returns on investment, cost savings and synergies;
- difficulty in assimilating the operations, policies and personnel of the acquired company;
- combining product offerings and entering into new markets in which we may not have experience;
- distraction of management's attention from normal business operations;
- potential loss of key employees of the acquired company;

- difficulty implementing effective internal controls over financial reporting and disclosure controls and procedures;
- impairment of relationships with customers or suppliers;
- possibility of incurring impairment losses related to goodwill and other intangible assets; and
- unidentified issues not discovered in due diligence, which may include product quality issues or legal or other contingencies.

In order to complete an acquisition, we may issue common stock, potentially creating dilution for existing stockholders. We may borrow to finance an acquisition, and the amount and terms of any potential future acquisition-related borrowings, as well as other factors, could affect our liquidity and financial condition and potentially our credit ratings. In addition, our effective tax rate on an ongoing basis is uncertain, and business combinations and investment transactions could impact our effective tax rate. We may experience risks relating to the challenges and costs of closing a business combination or investment transaction and the risk that an announced business combination or investment transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ from the investment community's expectations in a given quarter.

Our success depends in part on our ability to retain competent and skilled management and technical, sales and other personnel.

We are highly dependent upon the continued service and performance of our management team and key technical, sales and other personnel and our success will depend in part upon our ability to retain these employees in a competitive job market. We rely on cash bonuses and equity awards as significant compensation and retention tools for key personnel. In addition to compensation, we seek to foster an innovative work culture to retain employees. We also rely on the attractiveness of developing technology for the film, television and music industries as a means of retention. However, we also face challenges in retaining our key personnel as we have undergone a significant business transformation over the last several years that has resulted in changes in management, employee turnover and resulting strain on our internal resources and personnel. Our competitors may in some instances be able to offer a more established or more dynamic work environment, higher compensation or more opportunities to work with cutting-edge technology than we can. If we are unable to retain our key personnel, we would be required to expend significant time and financial resources to identify and hire new qualified personnel, which might significantly delay or prevent the achievement of our business objectives.

We obtain hardware product components and finished goods under sole-source supply arrangements, and any disruptions to these arrangements could jeopardize the manufacturing or distribution of certain of our hardware products.

Although we generally prefer to establish multi-source supply arrangements for our hardware product components and finished goods, multi-source arrangements are not always possible or cost-effective. We consequently depend on sole-source suppliers for certain hardware product components and finished goods, including some critical items. We do not generally carry significant inventories of, and may not in all cases have guaranteed supply arrangements for these sole-sourced items. If any of our sole-source suppliers were to cease, suspend or otherwise limit production or shipment, or adversely modify supply terms or pricing, our ability to manufacture, distribute and service our products may be impaired and our business could be harmed. We cannot be certain that we will be able to obtain sole-sourced components or finished goods, or acceptable substitutes, from alternative suppliers or that we will be able to do so on commercially reasonable terms. We may also be required to expend significant development resources to redesign our products to work around the exclusion of any sole-sourced component or accommodate the inclusion of any substitute component.

Our engagement of contractors for product development and manufacturing may reduce our control over those activities, provide uncertain cost savings and expose our proprietary assets to greater risk of misappropriation.

We outsource a portion of our software development and our hardware design and manufacturing to contractors, both domestic and offshore. These relationships provide us with more flexible resource capabilities, access to global talent and cost savings, but also expose us to risks that may not exist or may be less pronounced with respect to our internal operations. We are able to exercise only limited oversight of our contractors, including with respect to their engineering and manufacturing processes, resource allocations, delivery schedules, security procedures and quality control. Language, cultural and time zone differences complicate effective management of contractors that are located offshore. Additionally, competition for talent in certain locations may lead to high turnover rates that disrupt development or manufacturing continuity. Pricing terms offered by contractors may be highly variable over time reflecting, among other things, order volume, local inflation and exchange rates. Some of our contractor relationships are based in contract, while others operate on a purchase order basis, where we do not have the benefit of written protections with respect to pricing or other critical terms.

Many of our contractors require access to our intellectual property and confidential information to perform their services. Protection of these assets in relevant offshore locations may be less robust than in the United States. We must rely on policies and procedures we have instituted with our contractors and certain confidentiality and contractual provisions in our written agreements, to the extent they exist, for protection. These safeguards may be inadequate to prevent breaches. If a breach were to occur, available legal or other remedies may be limited or otherwise insufficient to compensate us for any resulting damages.

Certain of our contractor relationships involve complex and mission-critical dependencies. If any of the preceding risks were to occur, we might not be able to rapidly wind down these relationships or quickly transition to alternative providers.

We depend on the availability and proper functioning of certain third-party technology that we incorporate into or bundle with our products.

We license third-party technology for incorporation into or bundling with our products. This technology may provide us with critical or strategic feature sets or functionality. The profit margin for each of our products depends in part on the royalty, license and purchase fees we pay in connection with third-party technology. To the extent we add additional third-party technology to our products and we are unable to offset associated costs, our profit margins may decline and our operating results may suffer. In addition to cost implications, third-party technology may include defects or errors that could adversely affect the performance of our products, which may harm our market reputation or adversely affect our product sales. Third-party technology may also include certain open source software code that if used in combination with our own software may jeopardize our intellectual property rights or limit our ability to sell through certain sales channels. If any third-party technology license expires, is terminated or ceases to be available on commercially reasonable terms, we may be required to expend considerable resources integrating alternative third-party technology or developing our own substitute technology. In the interim, sales of our products may be delayed or suspended or we may be forced to distribute our products with reduced feature sets or functionality.

Lengthy procurement lead times and unpredictable life cycles and customer demand for some of our products may result in significant inventory risks.

With respect to many of our products, we must procure component parts and build finished inventory far in advance of product shipments. Certain of these products may have unpredictable life cycles and encounter rapid technological obsolescence as a result of dynamic market conditions. We procure product components and build inventory based upon our forecasts of product life cycle and customer demand. If we are unable to accurately forecast product life cycle and customer demand or unable to manage our inventory levels in response to shifts in customer demand, the result may be insufficient, excess or obsolete product inventory. Insufficient product inventory may impair our ability to fulfill product orders and negatively affect our revenues, while excess or obsolete inventory may require a write-down on products and components to their net realizable value, which would negatively affect our results of operations.

Our revenues and operating results depend significantly on our third-party reseller and distribution channels.

We distribute many of our products indirectly through third-party resellers and distributors. We also distribute products directly to end-user customers. Successfully managing the interaction of our direct and indirect channel efforts to reach various potential customer segments for our products and services is a complex process. For example, in response to our direct sales strategies or for other business reasons, our current resellers and distributors may from time to time choose to resell our competitors' products in addition to, or in place of, ours. Moreover, since each distribution method has distinct risks and gross margins, our failure to identify and implement the most advantageous balance in the delivery model for our products and services could adversely affect our revenue and gross margins and therefore our profitability.

In addition, some of our resellers and distributors have limited rights of return, as well as inventory stock rotation and price protection. Accordingly, reserves for estimated returns and exchanges, and credits for price protection, are recorded as a reduction of revenues upon applicable product shipment, and are based upon our historical experience. To date, actual returns of relevant products have not differed materially from our management's estimates. However, our reliance upon indirect distribution methods may reduce visibility to demand and pricing issues, and therefore make forecasting more difficult and to the extent that returns exceed estimates, our revenues and operating results may be adversely affected.

Our intellectual property and trade secrets are valuable assets that may be subject to third-party infringement and misappropriation.

As a technology company, our intellectual property and trade secrets are among our most valuable assets. Infringement or misappropriation of these assets results in lost revenues to us and thereby ultimately reduces their value. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality procedures, contractual provisions and anti-piracy technology in certain of our products to protect our intellectual property and trade secrets. Most of these tools require vigilant monitoring of competitor and other third-party activities and of end-user usage of our products to be effective. These tools may not provide adequate protection in all instances, may be subject to circumvention, or may require a vigilance that in some cases exceeds our capabilities or resources. Additionally, our business model is increasingly focused on software products and as we offer more software products our revenues may be more vulnerable to loss through piracy. The legal regimes of certain countries in which we operate may not protect our intellectual property or trade secrets to the same extent as do the laws of the United States. Regardless of jurisdiction, assuming legal protection exists and infringement or misappropriation is detected, any enforcement action that we may pursue could be costly and time-consuming, the outcome will be uncertain, and the alleged offender in some cases may seek to have our intellectual property rights invalidated. If we are unable to protect our intellectual property and trade secrets, our business could be harmed.

Our future results could be materially adversely affected if we are accused of or found to be infringing third parties' intellectual property rights.

Because of technological change in our industry, extensive and sometimes uncertain patent coverage, and the rapid issuance of new patents, it is possible that certain of our products or business methods may inadvertently infringe the patents or other intellectual property rights of third parties. Third parties contact us or our customers from time to time alleging that our products infringe their intellectual property rights. Allegations from opportunistic patent owners often lack merit and are undertaken with the goal of inducing the alleged infringer into a quick settlement. Our general practice is to mount a vigorous defense against any claim that we believe lacks merit and eschew a quick settlement. This practice may cause us to incur significant legal defense costs that could have a negative impact on our operating results. With respect to legitimate allegations, we may negotiate licenses to the patented inventions as appropriate, which may include back-royalties to compensate for past use or distribution of the patented invention. Additional royalties will increase our cost-of-goods-sold and reduce our operating results. To the extent licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources to develop a non-infringing alternative. In the interim, sales of our products may be delayed or suspended or we may be forced to distribute our products with reduced feature sets or functionality.

In addition to allegations made directly against us, in some cases we have indemnification obligations with respect to claims of infringement made against our customers and other related parties. A broadly targeted claim of infringement made against our customers or other related parties may result in significant costs for us.

Future debt obligations may adversely affect our cash flow and restrict our investment opportunities.

In October 2010, we entered into a four-year asset-backed revolving credit facility in the aggregate principal amount of up to \$60 million. Any future indebtedness we incur under the facility could have negative consequences, including, increasing our vulnerability to adverse economic and industry conditions; limiting our ability to obtain additional financing; limiting our ability to complete a merger or an acquisition; and limiting our flexibility in planning for, or reacting to, changes in our business.

Our ability to satisfy our obligations under our credit agreement will depend on our future operating performance and on economic, financial, competitive and other factors beyond our control. Our business may not generate sufficient cash flows to meet these obligations or to successfully execute our business strategy. If we are unable to service our debt and fund our business, we may be forced to reduce or delay capital expenditures or research and development expenditures, seek additional financing or equity capital, restructure or refinance our debt, or sell assets.

Restrictions in our credit agreement may limit our activities.

The credit agreement for our revolving credit facility contains restrictive covenants which limit our ability to engage in activities that could otherwise benefit us, including limitations on our ability to make investments, incur additional indebtedness, issue equity and create liens. We are also required to meet specified liquidity-based financial covenants under the terms of the credit agreement. Failure to comply with any of these restrictions or covenants may result in an event of default under the credit agreement, which could permit acceleration of any outstanding debt we may have in the future and require us to repay the debt before its scheduled due date. If an event of default were to occur, we might not have sufficient funds available to make the payments required. If we are unable to repay amounts owed, our lenders may be entitled to foreclose on and sell substantially all of our assets, which we have used to secure our borrowings under the credit agreement.

Unanticipated changes in our tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our profitability.

We are subject to income and other taxes in the United States and numerous foreign jurisdictions. Our tax liabilities are affected by the amounts we charge for inventory, services, licenses and other items in intercompany transactions. We are also subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the amounts ultimately paid upon the resolution of an audit could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. In addition, our tax provision in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process.

Failure of our information systems or breaches of data security could impact our business.

Our systems and processes involve the storage and transmission of proprietary information and sensitive or confidential data, including personal information of employees, customers and others. In addition, we rely on information systems controlled by third parties. System failures, network disruptions and breaches of data security could impede development, manufacture or shipment of products, interrupt or delay processing of transactions and reporting financial results or result in the unintentional disclosure of proprietary, sensitive or confidential information. Such system failures or unauthorized access could be caused by external theft or attack, misconduct by our employees, contractors, or vendors, or other causes such as earthquake, fire or other natural disasters. Such system failures or unauthorized access could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, resulting in litigation and potential liability for us, as well as the loss of existing or potential customers and damage to our brand and reputation. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Our products may experience quality issues that could negatively impact our customer relationships, our market reputation and our operating results.

Our software products, as is typical of sophisticated, complex software, occasionally include coding defects or errors (commonly referred to as “bugs”), which in some cases may interfere with or impair a customer’s ability to operate or use the software. Similarly, our hardware products could include design or manufacturing defects that could cause them to malfunction. Although we employ quality control measures, those measures are not designed or intended to detect and remedy all defects. The time and resources available to devote to quality control measures are, in part, dependent on other business considerations, such as meeting customer expectations with respect to release schedules. Any product defects could result in loss of customers or revenues, delays in revenue recognition, increased product returns, damage to our market reputation and significant warranty or other expense and could have a material adverse impact on our financial condition and operating results.

A catastrophic event may significantly limit our ability to conduct business as normal and harm our business.

We operate a complex, geographically dispersed business, which includes a significant personnel and facilities presence in California near major earthquake fault lines. Our enterprise-wide disaster recovery plan may not be sufficient to protect us if a catastrophic event occurs and we are predominantly uninsured for business continuity losses and disruptions caused by catastrophic events. Disruption or failure of our networks or systems, or injury or damage to our personnel or physical infrastructure, caused by a natural disaster, public health crisis, terrorism, cyber attack, act of war or other catastrophic event may significantly limit our ability to conduct business as normal, including our ability to communicate and transact with our customers, suppliers, distributors and resellers, and negatively affect our revenues and operating results. Additionally, a catastrophic event could cause us to suspend all or a portion of our operations for a significant period of time, result in a permanent loss of resources, and require the relocation of personnel and materiel to alternate facilities that may not be available or adequate. A prolonged disruption of our business could also damage our reputation, particularly among our global news organization customers who are likely to require our solutions and support during such time. Any of these factors could cause a material adverse impact on our financial condition and operating results.

Our global brand alignment effort could affect customer acceptance of certain rebranded products, thereby impacting our future success.

We have undergone an effort to achieve global brand alignment which poses risks of both business disruption and customer acceptance as we migrate brands. While much of this effort has taken place, several product lines have yet to be rebranded. Our customer outreach and similar efforts may not mitigate fully the risks of our branding efforts, which may lead to reductions in revenues in some markets, which may adversely affect our business, financial position and results of operations, and could cause the market value of our common stock to decline.

Qualifying and supporting our products on multiple computer platforms is time-consuming and expensive.

Hardware and operating systems change rapidly in our industry, and changes made by our suppliers can adversely affect the operation of our products. We devote significant time and resources to support state of the art computer platforms. These efforts may add significantly to our development expenses and adversely affect our operating results. Failure to achieve qualification on a timely basis may additionally adversely affect our operating results.

The market price of our common stock has been and may continue to be volatile.

The market price of our common stock has experienced volatility in the past and may continue to fluctuate substantially in the future in response to various factors, some of which are beyond our control. These factors include, but are not limited to:

- period-to-period variations in our revenues or operating results;
- market reaction to significant corporate initiatives or announcements;
- our ability to innovate;

- our relative competitive position within our markets;
- shifts in markets or demand for our solutions;
- changes in our relationships with suppliers, resellers, distributors or customers;
- our failure to accurately forecast revenues or operating results;
- our commencement of, or involvement in, litigation;
- short sales, hedging or other derivative transactions involving shares of our common stock; and
- shifts in financial markets.

Additionally, broader financial market and global economic trends may affect the market price of our common stock, regardless of our operating performance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease approximately 203,000 square feet in three facilities in Burlington, Massachusetts for our principal corporate and administrative offices, as well as significant R&D and warehousing activities. The leases for these facilities expire in May 2020. We also lease approximately 127,000 square feet of office space in Daly City, California, primarily for R&D and sales and marketing activities, and 106,000 square feet in Mountain View, California, primarily for R&D, product management and manufacturing activities.

We lease approximately 29,000 square feet of office space in Iver Heath, United Kingdom for our European headquarters, which includes administrative, sales and support functions, and 41,000 square feet in Dublin, Ireland for the final assembly and distribution of our products in Europe. We also lease approximately 8,000 square feet in Singapore for our Asian headquarters.

We also lease office space for sales operations in several other domestic and international locations.

ITEM 3. 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 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 affected by the unfavorable resolution of one or more of these proceedings.

ITEM 4. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the NASDAQ Global Select Market under the symbol AVID. The table below shows the high and low sales prices of the common stock for each calendar quarter of the fiscal years ended December 31, 2010 and 2009.

	2010		2009	
	High	Low	High	Low
First Quarter	\$14.84	\$12.26	\$12.18	\$8.40
Second Quarter	\$17.99	\$12.26	\$15.48	\$9.00
Third Quarter	\$13.82	\$11.04	\$15.29	\$10.81
Fourth Quarter	\$18.83	\$12.23	\$15.42	\$11.52

On March 8, 2011, the last reported sale price of our common stock on the NASDAQ Global Select Market was \$22.42 per share. The approximate number of holders of record of our common stock at March 8, 2011 was 426. This number does not include shareholders for whom shares were held in a "nominee" or "street" name.

We have never declared or paid cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

The following table is a summary of our stock repurchases during the quarter ended December 31, 2010:

Period	Total Number of Shares Repurchased(a)	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of the Publicly Announced Program	Dollar Value of Shares That May Yet be Purchased Under the Program(b)
October 1 – October 31, 2010	–	–	–	\$80,325,905
November 1 – November 30, 2010	–	–	–	\$80,325,905
December 1 – December 31, 2010	1,983	\$18.27	–	\$80,325,905
	1,983	\$18.27	–	\$80,325,905

(a) In December 2010, we acquired upon surrender 1,983 shares of restricted stock for \$18.27 per share from an employee to pay required withholding taxes upon the vesting of restricted stock. The purchase price of a share of stock used for tax withholding is determined based on the market price of the stock on the date of vesting of the restricted stock.

(b) In April 2007, we initiated a stock repurchase program which ultimately authorized the repurchase of up to \$200 million of our common stock through transactions on the open market, in block trades or otherwise. At December 31, 2010, \$80.3 million remained available for future stock repurchases under the program. The stock repurchase program is funded through working capital and has no expiration date. The last repurchase of shares under this program was in March 2008.

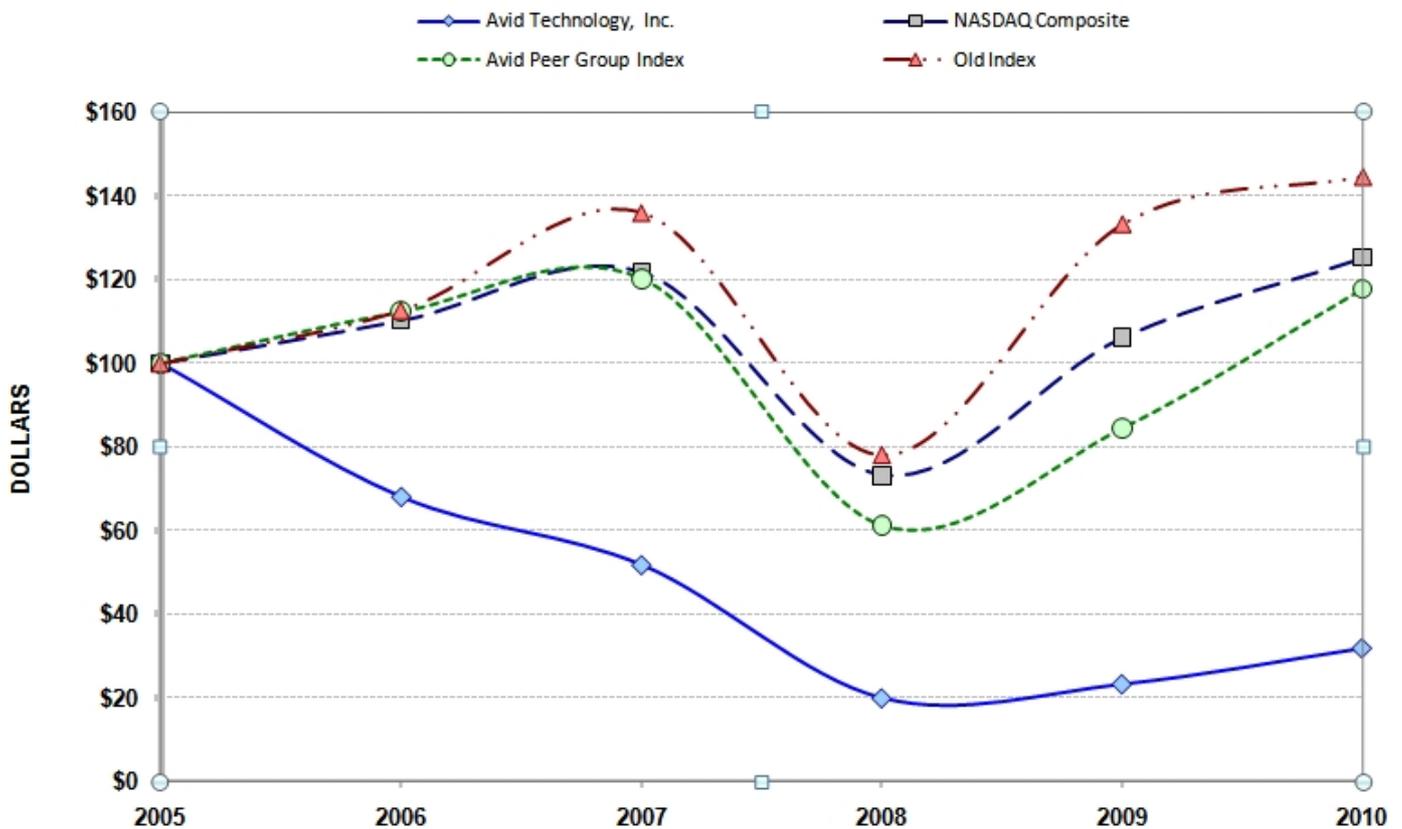
Stock Performance Graph

The following graph compares the cumulative stockholder return on our common stock during the period from December 31, 2005 through December 31, 2010 with the cumulative return during the period for:

- the NASDAQ Index (all companies traded on NASDAQ Capital, Global or Global Select Markets),
- the NASDAQ Computer, Data Processing Index (Old Index), and
- the Avid Peer Group Index (see note following the graph).

This comparison assumes the investment of \$100 on December 31, 2005 in our common stock, the NASDAQ Market Index, the NASDAQ Computer, Data Processing Index and the Avid Peer Group Index, and assumes that dividends, if any, were reinvested.

COMPARISON OF CUMULATIVE TOTAL RETURN



ASSUMES \$100 INVESTED ON DECEMBER 31, 2005
 ASSUMES DIVIDEND REINVESTED
 FISCAL YEAR ENDED DECEMBER 31, 2010

Prior to 2010, Avid compared its common stock returns to the NASDAQ Index and the NASDAQ Computer, Data Processing Index (Old Index). Because our products and services are diverse, we do not believe that the Old Index, or any single published industry index, is appropriate for comparing stockholder return. Therefore, for 2010, we are comparing our common stock returns to the Avid Peer Group Index, which is currently composed of the following NASDAQ-traded companies selected by Avid to best represent its peers based on various criteria, including industry classification, number of employees and market capitalization: Autodesk, Inc., Cadence Design Systems, Dolby Laboratories, Inc., Harmonic, Inc., Imation Corporation, Mentor Graphics Corporation, National Instruments Corporation, Parametric Technology Corporation, Quantum Corporation, RealNetworks, Inc., Sybase Inc., Synopsys, THQ, Inc. and Zoran Corporation. The Avid Peer Group Index is weighted based on market capitalization.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected condensed consolidated financial data. The selected condensed consolidated financial data below should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Financial Information," included elsewhere in this Annual Report on Form 10-K. See Note I to our Consolidated Financial Statements in Item 8 for information regarding our acquisitions and divestitures that affect the comparability of the selected condensed consolidated financial data presented.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA:

(in thousands except per share data)

	For the Year Ended December 31,				
	2010	2009	2008	2007	2006
Net revenues	\$ 678,522	\$ 628,970	\$ 844,901	\$ 929,570	\$ 910,578
Cost of revenues	327,774	305,948	452,476	480,427	465,894
Gross profit	350,748	323,022	392,425	449,143	444,684
Operating expenses:					
Research and development	120,229	120,989	148,598	150,707	141,363
Marketing and selling	177,178	173,601	208,735	210,456	203,967
General and administrative	64,345	61,087	78,591	77,463	63,250
Amortization of intangible assets	9,743	10,511	12,854	13,726	14,460
Impairment of goodwill and intangible assets	—	—	129,972	—	53,000
Restructuring and other costs, net	20,450	26,873	25,412	9,410	2,613
In-process research and development	—	—	—	—	879
Gain on sale of assets	(5,029)	(155)	(13,287)	—	—
Total operating expenses	386,916	392,906	590,875	461,762	479,532
Operating loss	(36,168)	(69,884)	(198,450)	(12,619)	(34,848)
Interest and other income (expense), net	(390)	(123)	2,936	7,637	7,274
Loss before income taxes	(36,558)	(70,007)	(195,514)	(4,982)	(27,574)
Provision for (benefit from) income taxes	396	(1,652)	2,663	2,997	15,353
Net loss	\$ (36,954)	\$ (68,355)	\$ (198,177)	\$ (7,979)	\$ (42,927)
Net loss per common share – basic and diluted	\$ (0.98)	\$ (1.83)	\$ (5.28)	\$ (0.19)	\$ (1.03)
Weighted-average common shares outstanding – basic and diluted	37,895	37,293	37,556	40,974	41,736

CONSOLIDATED BALANCE SHEET DATA:

(in thousands)

	As of December 31,				
	2010	2009	2008	2007	2006
Cash, cash equivalents and marketable securities	\$ 42,782	\$ 108,877	\$ 147,694	\$ 224,460	\$ 172,107
Working capital	102,544	143,499	191,838	308,589	287,757
Total assets	626,571	611,038	703,585	1,005,953	997,034
Long-term liabilities	25,309	14,483	11,823	17,495	20,471
Total stockholders' equity	426,610	443,118	492,655	779,783	780,381

EXECUTIVE OVERVIEW

Our Company

We are a leading provider of digital media content-creation solutions for film, video, audio and broadcast professionals, as well as artists and home enthusiasts. Our mission is to inspire passion, unleash creativity and enable our customers to realize their dreams in a digital world. Anyone who enjoys movies, television or music has almost certainly experienced the work of content creators who use our solutions to bring their creative visions to life. Around the globe, feature films, primetime television shows, news programs, commercials and chart-topping music hits are made using one or more of our solutions.

Prior to 2009 and since our acquisition of Pinnacle in 2005, our organizational structure was based on three strategic business units: Professional Video, Audio and Consumer Video. As part of our business transformation initiated in 2008, we combined our Professional Video and Consumer Video business units into one Video reporting unit and consolidated all our sales and marketing teams into a single customer-facing organization to better align our business structure with the realities of many of our customers. As a result, our reporting structure in 2009 was based on two business units, Video and Audio. In the later part of 2009, we completed the reorganization of our business around functional groups and began reporting based on one reportable segment starting January 1, 2010.

Financial Summary

The following table sets forth certain items from our consolidated statements of operations as a percentage of net revenues for the periods indicated:

	For the Year Ended December 31,		
	2010	2009	2008
Net revenues:			
Product revenues	82.5%	81.0%	84.5%
Services revenues	17.5%	19.0%	15.5%
Total net revenues	100.0%	100.0%	100.0%
Cost of revenues	48.3%	48.6%	53.6%
Gross margin	51.7%	51.4%	46.4%
Operating expenses:			
Research and development	17.7%	19.2%	17.6%
Marketing and selling	26.1%	27.6%	24.7%
General and administrative	9.5%	9.7%	9.3%
Amortization of intangible assets	1.4%	1.7%	1.5%
Impairment of goodwill and intangible assets	—	—	15.4%
Restructuring and other costs, net	3.0%	4.3%	3.0%
Gain on sales of assets	(0.7%)	(0.0%)	(1.6%)
Total operating expenses	57.0%	62.5%	69.9%
Operating loss	(5.3%)	(11.1%)	(23.5%)
Interest and other income (expense), net	(0.0%)	(0.0%)	0.3%
Loss before income taxes	(5.3%)	(11.1%)	(23.2%)
Provision for (benefit from) income taxes	0.1%	(0.2%)	0.3%
Net loss	(5.4%)	(10.9%)	(23.5%)

Total net revenues for the year ended December 31, 2010 were \$678.5 million, an increase of \$49.6 million, or 7.9%, compared to the year ended December 31, 2009, with revenues from products increasing by 10.0% and services revenues decreasing by 1.0%. In 2010, compared to 2009, video products revenues and audio products revenues increased by \$23.1 million and \$27.6 million, respectively, while services revenues decreased \$1.1 million. The increase in audio product revenues included revenues of \$11.4 million resulting from our 2010 acquisition of Euphonix. Currency exchange rates had a negative impact on our revenues for 2010, compared to the same periods in 2009. The changes in revenues are discussed in further detail in the section titled “Results of Operations” below.

Our gross margin for the year ended December 31, 2010 improved slightly to 51.7%, compared to 51.4% for 2009. This change was driven by an increase in services gross margin percentage to 52.4% in 2010, compared to 50.1% in 2009. This was partially offset by a slight decrease in products gross margin percentage to 52.1% in 2010, compared to 52.2% in 2009. The increase in services gross margin percentage was largely the result of management actions that have improved the utilization of services resources.

For the year ended December 31, 2010, we incurred a net loss of \$37.0 million, compared to a net loss of \$68.4 million for 2009. The net loss for 2010 included charges of \$20.5 million for restructuring and other costs, \$13.0 million for acquisition-related intangible asset amortization, \$5.6 million for a legal settlement and \$0.8 million related to acquisition activities; partially offset by a gain of \$5.0 million resulting from certain asset sales. The net loss for 2009 included similar charges of \$12.5 million for acquisition-related intangible asset amortization, \$27.7 million for restructuring costs and \$4.2 million related to acquisition activities; partially offset by a gain of \$0.2 million from asset sales.

In June 2010, we relocated our corporate offices to Burlington, Massachusetts upon expiration of our lease in Tewksbury, Massachusetts. The Burlington facility was chosen after reviewing many potential sites, because we believed it would best accommodate our business over the long term and provide an employee and customer friendly environment in a cost-effective manner. During 2010, leasehold improvements, furniture and equipment related to this relocation were placed in service and resulted in fixed asset additions of approximately \$31.7 million, of which \$25.7 million represented cash expenditures. Of the \$25.7 million in cash expenditures, \$15.7 million occurred in 2010 and the remaining \$10.0 million occurred in 2009. During the same period, we wrote off fixed assets with gross book values and net book values of approximately \$22.7 million and \$0.1 million, respectively, that were related to the closure of our former headquarters facility.

Our 2010 restructuring charges were largely the result of charges of \$13.1 million related to a corporate-wide reorganization initiated in the fourth quarter of 2010, \$1.8 million resulting from a Euphonix reorganization initiated during the second quarter of 2010 and \$1.9 million resulting from facilities closures and revised estimates of costs related to prior plans. Cash expenditures resulting from restructuring obligations totaled approximately \$14.4 million for 2010. Also included in our results of operations under the caption “restructuring and other costs, net,” were costs of \$3.7 million related to our exit from our former headquarters facility. We may engage in additional reorganizations or cost reduction programs in the future, including restructuring actions, to streamline our internal operations or as a result of changing economic conditions.

We derive a significant percentage of our revenues from sales to customers outside the United States. International sales accounted for 58% of our consolidated net revenues in 2010, compared to 59% and 61% of our consolidated net revenues for 2009 and 2008, respectively. Our international business is, for the most part, transacted through international subsidiaries and generally in the currency of the customers. Changes in foreign currency exchange rates often materially affect, either positively or adversely, our revenues, net income and cash flow. The percentage decreases in our international revenues were largely driven by divested or discontinued product lines, which had a high percentage of international sales, and the unfavorable impact on revenues of the changes in currency exchange rates.

See “Risk Factors” in Item 1A of this annual report for risk factors that may cause our future results to differ materially from our current expectations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We regularly reevaluate our estimates and judgments, including those related to the following: revenue recognition and allowances for product returns and exchanges; stock-based compensation; the valuation of business combinations; goodwill and other intangible assets; and income tax assets and liabilities. We base our estimates and judgments on historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following critical accounting policies most significantly affect the portrayal of our financial condition and involve our most difficult and subjective estimates and judgments.

Revenue Recognition and Allowances for Product Returns and Exchanges

We generally recognize revenues from sales of software and software-related products upon receipt of a signed purchase order or contract and product shipment to distributors or end users, provided that collection is reasonably assured, the fee is fixed or determinable and all other revenue recognition criteria of Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Subtopic 985-605, *Software – Revenue Recognition*, are met. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report. For example, we often receive multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists. In addition, for certain transactions where we consider our services to be non-routine or essential to the delivered products, we record revenues upon satisfying the criteria of ASC Subtopic 985-605 and obtaining customer acceptance. We generally follow the guidance of ASC Subtopic 985-605 for revenue recognition because our products and services are software or software-related. However, for certain offerings software is incidental to the delivered products and services. For these products, we record revenues based on satisfying the criteria in ASC Subtopic 605-25, *Revenue Recognition – Multiple-Element Arrangements*, and Securities and Exchange Commission Staff Accounting Bulletin, or SAB, No. 104, *Revenue Recognition*.

We generally use the residual method to recognize revenues when an order includes one or more elements to be delivered at a future date and evidence of the fair value of all undelivered elements exists. Under the residual method, assuming all other separation criteria are met, the fair values of the undelivered elements, typically professional services, maintenance or both, are deferred and the remaining portion of the total arrangement fee is recognized as revenues related to the delivered element. If evidence of the fair value of one or more undelivered elements does not exist, we defer all revenues and only recognize them when delivery of those elements occurs or when fair value can be established. Fair value is typically based on the price charged when the same element is sold separately to customers. However, for certain transactions, fair value of maintenance is based on the renewal price that is offered as a contractual right to the customer, provided that the renewal price is substantive. Our current pricing practices are influenced primarily by product type, purchase volume, term and customer location. We review services revenues sold separately and corresponding renewal rates on a periodic basis and update, when appropriate, the fair value for services used for revenue recognition purposes to ensure that it reflects our recent pricing experience. We are required to exercise judgment in determining whether fair value exists for each undelivered element based on whether our pricing for these elements is sufficiently consistent.

In most cases, the products we sell do not require significant production, modification or customization of software. Installation of the products is generally routine, requires minimal effort and does not have to be performed by us. However, certain transactions for our video products, typically complex solution sales that include a significant number of products and that may involve multiple customer sites, require us to perform an installation effort that we deem to be complex and non-routine. In these situations, we do not recognize revenues for either the products shipped or the services performed until the installation is complete. In addition, if these orders include a customer acceptance provision, no revenues are recognized until the customer's formal acceptance of the products and services has been received.

Technical support, enhancements and unspecified upgrades typically are provided at no additional charge during an initial warranty period (generally between 30 days and twelve months), which precedes commencement of any maintenance contracts. We defer the fair value of this support and recognize the related revenues ratably over the initial warranty period. We also from time to time offer certain customers free upgrades or specified future products or enhancements. For each of these elements that is undelivered at the time of product shipment, and provided that we have vendor-specific objective evidence of fair value for the undelivered element, we defer the fair value of the specified upgrade, product or enhancement and recognize those revenues only upon later delivery or at the time at which the remaining contractual terms relating to the upgrade have been satisfied.

In 2010, approximately 65% of our revenues were derived from indirect sales channels, including authorized resellers and distributors. Certain channel partners are offered limited rights of return, stock rotation and price protection. For these partners, we record a provision for estimated returns and other allowances as a reduction of revenues in the same period that related revenues are recorded in accordance with ASC Subtopic 605-15, *Revenue Recognition – Products*. Management estimates must be made and used in connection with establishing and maintaining a sales allowance for expected returns and other credits. In making these estimates, we analyze historical returns and credits and the amounts of products held by major resellers and consider the impact of new product introductions, changes in customer demand, current economic conditions and other known factors. While we believe we can make reliable estimates regarding these matters, these estimates are inherently subjective. The amount and timing of our revenues for any period may be affected if actual product returns or other reseller credits prove to be materially different from our estimates.

A portion of our revenues from sales of consumer video-editing and audio products is derived from transactions with channel partners who have unlimited return rights and from whom payment is contingent upon the product being sold through to their customers. Accordingly, revenues for these channel partners are recognized when the products are sold through to the customer instead of being recognized at the time products are shipped to the channel partners.

At the time of a sales transaction, we make an assessment of the collectibility of the amount due from the customer. Revenues are recognized only if it is probable that collection will occur in a timely manner. In making this assessment, we consider customer credit-worthiness and historical payment experience. If it is determined from the outset of the arrangement that collection is not probable based on our credit review process, revenues are recognized on a cash-collected basis to the extent that the other criteria of ASC Subtopic 985-605 and SAB 104 are satisfied. At the outset of the arrangement, we assess whether the fee associated with the order is fixed or determinable and free of contingencies or significant uncertainties. In assessing whether the fee is fixed or determinable, we consider the payment terms of the transaction, our collection experience in similar transactions without making concessions, and our involvement, if any, in third-party financing transactions, among other factors. If the fee is not fixed or determinable, revenues are recognized only as payments become due from the customer, provided that all other revenue recognition criteria are met. If a significant portion of the fee is due after our normal payment terms, which are generally 30 days, but can be up to 90 days, after the invoice date, we evaluate whether we have sufficient history of successfully collecting past transactions with similar terms. If that collection history is successful, revenues are recognized upon delivery of the products, assuming all other revenue recognition criteria are satisfied. If we were to change any of these assumptions and judgments, it could cause a material increase or decrease in the amount of revenue reported in a particular period.

In October 2009, the FASB issued Accounting Standards Update, or ASU, No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, *Revenue Recognition*, and ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software – Revenue Recognition* (the “Updates”). ASU No. 2009-13 requires the allocation of revenue, based on the relative selling price of each deliverable, to each unit of accounting for multiple element arrangements. It also changes the level of evidence of standalone selling price required to separate deliverables by allowing a best estimate of the standalone selling price of deliverables when more objective evidence of fair value, such as vendor-specific objective evidence or third-party evidence, is not available. ASU No. 2009-14 amends Subtopic 985-605 to exclude sales of tangible products containing both software and non-software components that function together to deliver the tangible products essential functionality from the scope of revenue recognition requirements for software arrangements. The Updates also include new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The Updates must be adopted in the same period using the same transition method and are effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, or January 1, 2011 for us. We will adopt the Updates prospectively on January 1, 2011 and do not believe adoption will have a material impact on our financial position or results of operations.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC Topic 718, *Compensation – Stock Compensation*, which requires the application of a fair-value-based measurement method in accounting for share-based payment transactions with employees. During 2010, we granted both stock options and restricted stock units as part of our key performer stock-based compensation program, as well as stock options and restricted stock units to newly hired employees. In prior years, we have also issued restricted stock, and we refer to restricted stock and restricted stock units collectively as restricted stock awards. The vesting of stock options and restricted stock awards may be based on time, performance, market conditions, or a combination of performance and 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 values of the awards at the date of grant. As permitted under ASC Topic 718, 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. Our expected stock-price volatility assumption is based on recent (six-month trailing) implied volatility calculations. These calculations are performed on exchange-traded options of our common stock based on the implied volatility of long-term (9- to 39-month term) exchange-traded options. 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.

We also issue stock option grants or restricted stock awards with vesting based on market conditions, specifically Avid’s stock price, or a combination of performance, based on our return on equity, and market conditions. The compensation costs and derived service periods for such grants are 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 are also estimated using the Black-Scholes valuation method factored for the estimated probability of achieving the performance goals, and compensation costs for these grants are recorded based on the higher estimate for each vesting tranche. For restricted stock awards with vesting based on a combination of performance and market conditions, the compensation costs are also estimated based on the intrinsic values of the awards at the date of grant factored for the estimated probability of achieving the performance goals, and compensation costs for these grants are also recorded based on the higher estimate for each vesting tranche. For each stock option grant and restricted stock award with vesting based on a combination of performance and market conditions where vesting will occur if either condition is met, the related compensation costs are recognized over the shorter of the derived service period or implicit service period.

We estimate forfeiture rates at the time awards are made based on historical and estimated future turnover rates and apply these rates in the calculation of estimated compensation cost. The estimation of forfeiture rates includes a quarterly review of historical turnover rates and an update of the estimated forfeiture rates to be applied to employee classes for the calculation of stock-based compensation. For 2010, forfeiture rates for the calculation of stock-based compensation were estimated and applied based on three classes, non-employee directors, executive management staff and other employees. At December 31, 2010, our annualized estimated forfeiture rates were 0% for non-employee director awards and 10% for both executive management staff and other employee awards. Then-current estimated forfeiture rates are also applied quarterly to all outstanding stock options and non-vested restricted stock awards, which may result in a revised estimate of compensation costs related to these stock-based grants.

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. See Notes B and O to our Consolidated Financial Statements in Item 8 for further information regarding stock-based compensation.

Valuation of Business Combinations

When we acquire new businesses, we allocate the purchase price to the acquired assets, including intangible assets, and the liabilities assumed based on their estimated fair values, with any amount in excess of such allocations designated as goodwill. Significant management judgments and assumptions are required in determining the fair value of acquired assets and liabilities, particularly acquired intangible assets. For example, it is necessary to estimate the portion of development efforts that are associated with technology that is in process and has no alternative future use. The valuation of purchased intangible assets is based on estimates of the future performance and cash flows from the acquired business. The use of different assumptions could materially impact the purchase price allocation and our financial position and results of operations.

Goodwill and Intangible Assets

We assess the impairment of goodwill and identifiable intangible assets on at least an annual basis and whenever events or changes in circumstances indicate that the carrying value of the asset may not be fully recoverable. Factors we consider important that could trigger an impairment review include significant underperformance relative to the historical or projected future operating results, significant negative industry or economic trends, unanticipated competition, loss of key personnel, a more-likely-than-not expectation that a reporting unit or component thereof will be sold or otherwise disposed of, significant changes in the manner of use of the acquired assets or the strategy for our overall business, a significant decline in our stock price for a sustained period, a reduction of our market capitalization relative to our net book value and other similar circumstances.

In accordance with ASC Subtopic 350-20, *Intangibles – Goodwill and Others – Goodwill*, we do not amortize goodwill. The goodwill impairment test prescribed by ASC 350-20 requires us to identify reporting units and to determine estimates of the fair values of our reporting units at the date we test for impairment. Our organizational structure in 2010 was based on a single reporting unit.

In our annual goodwill impairment analysis, the fair value of our single reporting unit is compared to its carrying value, including goodwill. We generally use a discounted cash flow valuation model to determine the fair value of our reporting unit. This model focuses on estimates of future revenues and profits for our reporting unit and also assumes a terminal value for the unit based on a constant growth valuation formula. We estimate these amounts by evaluating historical trends, current budgets, operating plans and industry data. The model also includes assumptions for, among others, working capital cash flow, growth rates, income tax rates, expected tax benefits and long term discount rates, all of which require significant judgments by management. We estimate the long-term discount rate based on our review of the weighted-average cost of capital and appropriate equity risk premium for our reporting unit. We also consider the reconciliation of our market capitalization to the fair value of our reporting unit. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss equal to the difference between the carrying value of the goodwill and its implied fair value.

We perform our annual goodwill impairment tests as of the end of the fourth quarter of each year. Our annual goodwill impairment testing in the fourth quarter of 2010 determined that no goodwill impairment existed.

When events or circumstances exist that indicate the carrying value of a reporting unit's goodwill may not be recoverable, we perform an interim goodwill impairment analysis. The interim analysis includes calculating the fair value of the reporting unit being tested using a model similar to that used for the annual goodwill impairment testing. The reporting unit's calculated fair value is then allocated among its tangible and intangible assets and liabilities to determine the implied fair value of the reporting unit's goodwill. The fair values of the intangible assets are estimated using various valuation models based on different approaches, such as the multi-period excess cash flows approach, royalty savings approach and avoided-cost approach. These approaches include assumptions for, among others, customer retention rates, trademark royalty rates, costs to complete in-process technology and long-term discount rates, all of which require significant judgments by management. If the carrying value of the reporting unit's goodwill exceeds the implied fair value, we record an impairment loss equal to the difference between the carrying value of the goodwill and its implied fair value.

Identifiable intangible assets are also tested for impairment in accordance with ASC Section 360-10-35, *Property, Plant and Equipment – Overall – Subsequent Measurement*, if events or circumstances exist that indicate the carrying value of an asset may not be recoverable. The fair value of each asset is compared to its carrying value, and if the asset's carrying value is not recoverable and exceeds its fair value, we record an impairment loss equal to the difference between the carrying value of the asset and its fair value. The carrying value of an asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Changes in business conditions or our assumptions could require that we record impairment charges related to our identifiable intangible assets.

Assumptions, judgments and estimates of future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or forecasts. Although we believe our past assumptions, judgments and estimates used in calculating fair values for goodwill and identifiable intangible asset impairment testing are reasonable and appropriate, different assumptions, judgments and estimates could materially affect our reported financial results.

Income Tax Assets and Liabilities

We record deferred tax assets and liabilities based on the net tax effects of tax credits, operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes compared to the amounts used for income tax purposes. We regularly review our deferred tax assets for recoverability with consideration for such factors as historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. ASC Topic 740, *Income Taxes*, requires us to record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based on our level of deferred tax assets at December 31, 2010 and our level of historical U.S. losses, we have determined that the uncertainty regarding the realization of these assets is sufficient to warrant the need for a full valuation allowance against our U.S. net deferred tax assets. We have also determined that a valuation allowance is warranted on a portion of our foreign deferred tax assets.

Our assessment of the valuation allowance on our U.S. and foreign deferred tax assets could change in the future based on our levels of pre-tax income and other tax-related adjustments. Reversal of the valuation allowance in whole or in part would result in a non-cash reduction in income tax expense during the period of reversal. To the extent some or all of our valuation allowance is reversed, future financial statements would reflect an increase in non-cash income tax expense until such time as our deferred tax assets are fully utilized.

The amount of income taxes we pay is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. We have taken and will continue to take tax positions based on our interpretation of such tax laws. There can be no assurance that a taxing authority will not have a different interpretation of applicable law and assess us with additional taxes. Should we be assessed with additional taxes, it could have a negative impact on our results of operations or financial condition.

ASC Topic 740 requires that a tax position must be more likely than not to be sustained before being recognized in the financial statements. It also requires the accrual of interest and penalties as applicable on our unrecognized tax positions. At December 31, 2010 and 2009, we had gross unrecognized tax benefits, including interest, of \$1.7 million and \$2.3 million, respectively, that, if recognized, would have resulted in a reduction of our effective tax rate.

RESULTS OF OPERATIONS

NET REVENUES

Net Revenues for the Years Ended December 31, 2010, 2009 and 2008

	(dollars in thousands)				
	2010	% Change	2009	% Change	2008
	Net Revenues	Compared to	Net Revenues	Compared to	Net Revenues
		Previous Year		Previous Year	
Video products revenues	\$ 282,263	8.9%	\$ 259,151	(39.1%)	\$ 425,719
Audio products revenues	277,644	11.0%	250,064	(13.3%)	288,513
Products revenues	<u>559,907</u>	10.0%	<u>509,215</u>	(28.7%)	<u>714,232</u>
Services revenues	<u>118,615</u>	(1.0%)	<u>119,755</u>	(8.4%)	<u>130,669</u>
Total net revenues	<u>\$ 678,522</u>	7.9%	<u>\$ 628,970</u>	(25.6%)	<u>\$ 844,901</u>

The 7.9% increase in our total revenues for 2010, compared to 2009, included a 10% increase in products revenues, partially offset by a 1.0% decrease in services revenues. The \$49.6 million increase in total revenues for 2010, which was primarily the result of higher sales volumes for many of our product lines, included a \$16.8 million increase resulting from our 2010 acquisitions and a \$6.1 million decrease for the unfavorable impact of currency exchange rates.

The 25.6% decrease in our total revenues for 2009, compared to 2008, was driven by decreases in both products and services revenues. The \$215.9 million decrease in our total revenues for 2009 included a \$59.6 million decrease related to divested or exited product lines. The remaining decrease in our total revenues was primarily the result of lower sales volumes for many of our product lines.

Sales to international customers accounted for 58% of our consolidated net revenues in 2010, compared to 59% in 2009 and 61% in 2008. The percentage decreases in our international revenues were largely driven by divested or discontinued product lines, which had a high percentage of international sales, and the unfavorable impact on revenues of the changes in currency exchange rates. International sales increased by \$21.9 million, or 6%, from 2009 to 2010, compared to our worldwide increase in sales of 8%. International sales decreased by \$149.9 million, or 29%, from 2008 to 2009, compared to our worldwide decrease in sales of 26%.

Net revenues derived through indirect sales channels were approximately 65%, 66% and 70% of our consolidated net revenues for 2010, 2009 and 2008, respectively. The decreases in the percentage of revenues derived through indirect channels were largely driven by the 2008 divestiture of our PCTV product lines and lower consumer-editing product sales, both of which were primarily sold through indirect channels.

Video Products Revenues

The 8.9% increase in revenues from our video products for 2010, compared to 2009, was primarily the result of increased revenues from sales of our ISIS shared storage systems and professional editors, as well as increased revenues from our Interplay production and media-asset management products and our broadcast newsroom product lines. The increase in our ISIS shared storage revenues was driven by increases in both volume and average selling price, while the increased revenues for professional editors and Interplay products were the result of increased volumes. The release of a new version of Media Composer during the second quarter of 2010 was a significant factor in the increased professional editor volumes. The increase for our broadcast newsroom product lines was driven by an increase in average selling price. These increases were partially offset by decreased revenues from our consumer editor product lines on lower sales volumes, which was due to overall weakness in that market and our lack of new product introductions. The increases in video product revenues for both periods were primarily in the Americas and Asia-Pacific regions, as our European revenues were impacted by unfavorable currency exchange rates.

The 39.1% decrease in revenues from our video products for 2009, compared to 2008, was the result of a decrease of \$53.4 million related to divested or exited product lines and a decrease of \$113.2 million related to our continuing product lines. The decrease for continuing product lines was the result of decreases in product revenues for all video products in all geographic regions largely due to lower sales volumes, which we believe was largely the result of unfavorable macroeconomic conditions. Throughout 2009 for example, broadcasters were challenged by decreasing advertising revenues, and capital expenditure budgets for many of our customers were reduced as a result of tight credit markets. Internationally, changes in currency exchange rates also contributed to the decrease in video product revenues.

Audio Products Revenues

The 11.0% increase in revenues from our audio products for 2010, compared to 2009, included revenues of \$11.4 million related to our April 2010 acquisition of Euphonix. While this accounted for 41% of the 2010 increase, revenues from our professional audio products and VENUE live sound product lines were higher in 2010 on increased sales volumes. The increased volumes for our professional audio products was due to increased sales volumes resulting from sales promotions offered during the first six months of 2010 and the introduction of Pro Tools 9 during the fourth quarter of 2010. The increase in audio product revenues was from all geographic regions despite the impact of unfavorable currency exchange rates on our European revenues.

The 13.3% decrease in audio product revenues for 2009, compared to 2008, was primarily due to lower revenues on lower volumes of our higher-end audio product lines, which we believe largely resulted from decreased capital expenditure budgets for our customers in this market segment. A proportionally larger decrease in audio product revenues in Europe, which we believe were largely attributable to unfavorable macroeconomic conditions and changes in currency exchange rates, was also a significant contributing factor to the decrease in audio product revenues.

Services Revenues

Services revenues are derived primarily from maintenance contracts, as well as professional and integration services and training. The decrease in services revenues for 2010, compared to 2009, was the result of decreases in maintenance and training revenues, partially offset by an increase in professional and integration services revenues, and included an increase of \$5.0 million resulting from our 2010 acquisitions. The decrease in maintenance revenues was largely the result of declining renewal rates for previously discontinued product lines.

The decrease in services revenues for 2009, compared to 2008, was the result of a decrease of \$6.2 million related to divested or exited product lines and \$4.7 million for continuing product lines. The decrease for continuing product lines was primarily due to a decrease in maintenance revenues, which was primarily the result of lower average maintenance contract values. The decrease in maintenance revenues was partially offset by an increase in professional services revenues.

COST OF REVENUES, GROSS PROFIT AND GROSS MARGIN PERCENTAGE

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;
- royalties for third-party software and hardware included in our products
- amortization of technology; and
- providing professional services and training.

Amortization of technology represents the amortization of developed technology assets acquired as part of acquisitions and is described further in the Amortization of Intangible Assets section below. For 2009 and 2008, cost of revenues also included restructuring charges of \$0.8 million and \$1.9 million, respectively, related to the write-down of inventory resulting from our decision to exit the PCTV product line.

Costs of Revenues for the Years Ended December 31, 2010, 2009 and 2008

	(dollars in thousands)				
	2010 Costs	% Change Compared to Previous Year	2009 Costs	% Change Compared to Previous Year	2008 Costs
Cost of products revenues	\$ 267,985	10.1%	\$ 243,362	(34.1%)	\$ 369,186
Cost of services revenues	56,490	(5.5%)	59,754	(19.1%)	73,888
Amortization of intangible assets	3,299	62.3%	2,033	(73.0%)	7,526
Restructuring costs	—	(100.0%)	799	(57.4%)	1,876
Total cost of revenues	\$ 327,774	7.1%	\$ 305,948	(32.4%)	\$ 452,476
Gross profit	\$ 350,748	8.6%	\$ 323,022	(17.7%)	\$ 392,425

Gross Margin Percentage

Gross margin percentage fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware and software included in the systems 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, sales of aftermarket hardware products such as disk drives, and currency exchange-rate fluctuations.

Gross Margin % for the Years Ended December 31, 2010, 2009 and 2008

	2010 Gross Margin %	Increase (Decrease) in Gross Margin %	2009 Gross Margin %	Increase in Gross Margin %	2008 Gross Margin %
Products	52.1%	(0.1%)	52.2%	3.9%	48.3%
Services	52.4%	2.3%	50.1%	6.6%	43.5%
Total	51.7%	0.3%	51.4%	5.0%	46.4%

Increased products costs resulted in a slight decrease in product gross margin percentage in 2010, compared to 2009. Increased freight costs resulting from increased shipment volumes, including the increased use of more expensive air freight to support new product introductions and meet increased demand for certain products, was a significant factor in the increased product costs. Additionally, the unfavorable impact on revenues of changes in foreign currency exchange rates was also a factor in our product gross margin percentage decrease in 2010.

Decreased products costs resulting from our transition to a single company-wide production and delivery organization and the divestiture of lower-margin product lines, were the most significant contributing factors to our improved product gross margin percentage for 2009, compared to 2008. In addition, a revised estimate for a royalty accrual, resulting in a favorable adjustment in 2009, also contributed to the improvement. These improvements were partially offset by the unfavorable impact on revenues of changes in foreign currency exchange rates.

The increase in services gross margin percentage for 2010, compared to 2009, primarily resulted from improved utilization of services resources. The increase in services gross margin percentage for 2009, compared to 2008, primarily resulted from reduced headcount resulting from our business transformation initiated in 2008.

OPERATING EXPENSES AND OPERATING LOSS

Operating Expenses and Operating Loss for the Years Ended December 31, 2010, 2009 and 2008

	(dollars in thousands)				
	2010 Expenses	% Change Compared to Previous Year	2009 Expenses	% Change Compared to Previous Year	2008 Expenses
Research and development expenses	\$ 120,229	(0.6%)	\$ 120,989	(18.6%)	\$ 148,598
Marketing and selling expenses	177,178	2.1%	173,601	(16.8%)	208,735
General and administrative expenses	64,345	5.3%	61,087	(22.3%)	78,591
Amortization of intangible assets	9,743	(7.3%)	10,511	(18.2%)	12,854
Impairment of goodwill and intangible assets	—	—	—	(100.0%)	129,972
Restructuring and other costs, net	20,450	(23.9%)	26,873	5.7%	25,412
Gain on sales of assets	(5,029)	n/m	(155)	n/m	(13,287)
Total operating expenses	<u>\$ 386,916</u>	(1.5%)	<u>\$ 392,906</u>	(33.5%)	<u>\$ 590,875</u>
Operating loss	\$ (36,168)	(48.2%)	\$ (69,884)	(64.8%)	\$ (198,450)

Research and Development Expenses

Research and development, or R&D, 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. We expect our 2011 R&D expenses to be approximately the same as than those incurred in 2010.

Research and Development Expenses for 2010 and 2009 Compared to the Prior Year

	(dollars in thousands)			
	2010 (Decrease) Increase From 2009		2009 (Decrease) Increase From 2008	
	\$	%	\$	%
Personnel-related expenses	\$ (3,599)	(4.5%)	\$ (23,919)	(22.6%)
Facilities and information technology expenses	(1,751)	(8.7%)	(1,422)	(6.6%)
Computer hardware and supplies expenses	(314)	(8.6%)	(2,139)	(37.0%)
Consulting and outside services expenses	5,538	57.2%	912	10.7%
Other expenses	(634)	(9.4%)	(1,041)	(14.9%)
Total research and development expenses decrease	<u>\$ (760)</u>	(0.6%)	<u>\$ (27,609)</u>	(18.6%)

The 0.6% decrease in R&D expenses for 2010, compared to 2009, was primarily due to a decrease in personnel-related expenses, lower facilities and information technology infrastructure costs and a decrease in computer hardware and supplies expenses; partially offset by higher consulting and outside services costs, which all primarily resulted from our increased use of offshore development resources. The overall decrease in R&D expenses was also offset by increased expenses resulting from our 2010 acquisitions of Blue Order and Euphonix. R&D expenses as a percentage of revenues decreased to 17.7% in 2010, from 19.2% in 2009, primarily as a result of the increase in revenues for 2010.

The 18.6% decrease in R&D expenses for 2009, compared to 2008, was primarily due to a decrease in personnel-related costs, lower facilities and information technology infrastructure costs and a decrease in computer hardware and supplies expenses. Restructuring activities and the divestiture of certain product lines during the fourth quarter of 2008 were significant contributing factors in the 2009 decrease in expenses. R&D expenses as a percentage of revenues increased to 19.2% in 2009, from 17.6% in 2008, primarily as a result of the decrease in revenues for 2009.

Marketing and Selling Expenses

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. We expect our 2011 marketing and selling expenses to be higher than those incurred in 2010.

Marketing and Selling Expenses for 2010 and 2009 Compared to the Prior Year

(dollars in thousands)

	2010 Increase (Decrease) From 2009		2009 (Decrease) Increase From 2008	
	\$	%	\$	%
Personnel-related expenses	\$ 7,455	4.8%	\$ (19,322)	(15.3%)
Facilities and information technology expenses	2,555	7.9%	(4,047)	(17.6%)
Foreign exchange losses (gains)	2,298	161.7%	(2,407)	(244.4%)
Tradeshaw and other promotional expenses	(5,791)	(30.3%)	(7,680)	(30.9%)
Bad debt expense	(1,725)	(89.9%)	(622)	(24.5%)
Consulting and outside services	69	0.5%	(1,782)	(21.2%)
Other expenses	(1,284)	(2.9%)	726	3.2%
Total marketing and selling expenses increase (decrease)	<u>\$ 3,577</u>	2.1%	<u>\$ (35,134)</u>	(16.8%)

The 2.1% increase in marketing and selling expenses for 2010, compared to 2009, was largely due to higher personnel-related costs, increased facilities and information technology infrastructure costs and unfavorable foreign exchange translations in 2010, partially offset by lower tradeshaw and other promotional expenses and decreased bad debt expense. The increase in personnel-related costs, which include travel and entertainment costs, was primarily due to higher compensation and benefits costs, including salaries and benefits costs for programs reinstated in 2010 that were suspended during much of 2009, and the expenses added by our 2010 acquisitions. Also during 2010, net foreign exchange losses (specifically, foreign exchange transaction and remeasurement gains and losses on net monetary assets denominated in foreign currencies, offset by non-designated foreign currency hedging gains and losses), which are included in marketing and selling expenses, were \$0.9 million, compared to gains of \$1.4 million for 2009, resulting in a \$2.3 million decrease in the offset to expense. The decrease in bad debt expense was primarily the result of a lease default in the first quarter of 2009, which initiated an increase in our lease recourse reserves during that period. Marketing and selling expenses as a percentage of revenues decreased to 26.1% in 2010, from 27.6% in 2009, as a result of the increase in revenues for 2010, partially offset by the effect of the increase in expenses.

The 16.8% decrease in marketing and selling expenses for 2009, compared to 2008, was largely due to lower personnel-related costs; decreased advertising, tradeshaw and other promotional expenses; lower facility and information technology infrastructure costs, decreased outside consulting and services costs, and favorable foreign exchange translations in 2009. The decrease in personnel-related costs was primarily due to decreased headcount, as well as lower travel and entertainment expenses. The decrease in facility and information technology infrastructure costs was the result of the closure of certain facilities and improved operating efficiencies related to our business transformation initiated in 2008. Also during 2009, net foreign exchange gains, which are included in marketing and selling expenses, were \$1.4 million, compared to net foreign exchange losses of (\$1.0) million in 2008, resulting in a \$2.4 million expense increase. Marketing and selling expenses as a percentage of revenues increased to 27.6% in 2009, from 24.7% in 2008, as a result of the decrease in revenues for 2009.

General and Administrative Expenses

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. We expect our 2011 general and administrative expenses to be approximately the same as than those incurred in 2010.

General and Administrative Expenses for 2010 and 2009 Compared to the Prior Year
(dollars in thousands)

	2010 Increase (Decrease) From 2009		2009 (Decrease) Increase From 2008	
	\$	%	\$	%
Legal settlement	\$ 5,600	n/m	\$ —	—
Personnel-related expenses	3,465	12.2%	(12,995)	(31.3%)
Mergers and acquisitions costs	(3,334)	(80.2%)	4,159	n/m
Consulting and outside services expenses	(2,385)	(48.0%)	(7,162)	(59.0%)
Other expenses	(88)	(0.4%)	(1,506)	(6.0%)
Total general and administrative expenses increase (decrease)	<u>\$ 3,258</u>	5.3%	<u>\$ (17,504)</u>	(22.3%)

The 5.3% increase in general and administrative expenses for 2010, compared to 2009, was primarily due to a 2010 legal settlement and higher personnel-related expenses, partially offset by lower mergers and acquisitions, or M&A, costs and decreased consulting and outside services expenses. The increase for the legal settlement was the result of a \$5.6 million payment to settle a legal complaint filed by David and Bryan Engelke against our Pinnacle subsidiary. The higher personnel-related expenses were the result of increased compensation and benefits costs, including salaries and benefits costs for programs reinstated in 2010 that were suspended during the 2009 periods, and the expenses added by our 2010 acquisitions. The decrease in M&A costs was the result of higher costs incurred in 2009, compared to 2010, as a result of lower M&A activities in 2010. The decrease in consulting and outside services expenses was primarily due to costs of \$2.7 million, not present in 2010, related to a 2009 internal revenue recognition investigation. General and administrative expenses as a percentage of revenues decreased to 9.5% in 2010, from 9.7% in 2009, as a result of the increase in revenues for 2010, partially offset by the effect of the increase in expenses.

The 22.3% decrease in general and administrative expenditures for 2009, compared to 2008, was primarily due to lower personnel-related costs, resulting from reduced headcount, and a decrease in consulting and outside services costs, partially offset by an increase in M&A costs. The decrease in consulting costs was largely the result of the absence of consulting costs related to the strategic review and transformation of our business, which were present in 2008, partially offset by costs of \$2.7 million related to a 2009 revenue recognition investigation. Starting in 2009 due to a change in accounting rules, we were required to expense diligence and transaction expenses related to M&A activities as they were incurred. General and administrative expenses as a percentage of revenues increased to 9.7% in 2009, from 9.3% in 2008, as a result of the decrease in revenues for 2009, partially offset by the effect of the decrease in expenses.

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.

Amortization of Intangible Assets for 2010 and 2009 Compared to the Prior Year

(dollars in thousands)

	2010 Increase (Decrease) From 2009		2009 (Decrease) Increase From 2008	
	\$	%	\$	%
Amortization of intangible assets recorded in cost of revenues	\$ 1,266	62.3%	\$ (5,493)	(73.0%)
Amortization of intangible assets recorded in operating expenses	(768)	(7.3%)	(2,343)	(18.2%)
Total amortization of intangible assets	\$ 498	4.0%	\$ (7,836)	(38.4%)

The increase in amortization of intangible assets recorded in cost of revenues during 2010, compared to 2009, was primarily the result of the amortization of intangible assets related to our 2010 acquisitions of Blue Order and Euphonix and the acquisition of MaxT Systems Inc. in the third quarter of 2009. The decrease in amortization of intangible assets recorded in operating expenses for the same period was the result of the completion of the amortization of certain intangible assets acquired as part of prior acquisitions, partially offset by amortization of intangible assets related to our acquisitions of Blue Order, Euphonix and MaxT.

The decrease in amortization of intangible assets recorded in cost of revenues during 2009, compared to 2008, was primarily the result of the completion during 2008 and early 2009 of the amortization of certain developed technologies related to our past acquisitions of Pinnacle, Sundance and M-Audio; partially offset by amortization resulting from the acquisition of MaxT. The decrease in amortization recorded in operating expenses for the same period was primarily the result of the impairments of intangible assets recorded in 2008.

The unamortized balance of the identifiable intangible assets related to all acquisitions was \$29.8 million at December 31, 2010. We expect amortization of these intangible assets to be approximately \$11 million in 2011, \$7 million in 2012, \$5 million in 2013, \$3 million in 2014, \$2 million in 2015, and \$2 million thereafter. See Notes I & K to our Consolidated Financial Statements in Item 8 regarding identifiable intangible assets related to acquisitions.

Impairment of Goodwill and Intangible Assets

We perform our annual goodwill impairment analysis in the fourth quarter of each year in accordance with ASC Subtopic 350-20. Our annual goodwill analysis performed in the fourth quarter of 2010 determined that the fair value of our single reporting unit, based on a discounted cash flow valuation, exceeded its carrying value, indicating there was no goodwill impairment.

Goodwill is also tested for impairment when events and circumstances occur that indicate that the recorded goodwill may be impaired. In September 2008, as a result of a decrease in market value for, and the expected sale of, our PCTV product line, which had historically accounted for a significant portion of former Consumer Video reporting unit revenues, we performed an interim impairment test on the goodwill assigned to our former Consumer Video reporting unit. Because the book value of the former Consumer Video goodwill exceeded the implied fair value by \$46.6 million, we recorded this amount as an impairment loss during the quarter ended September 30, 2008.

In connection with the goodwill impairment loss taken for the former Consumer Video reporting unit in the third quarter of 2008, we also tested the former Consumer Video reporting unit's identifiable intangible assets for impairment. As a result, we determined that the trade name intangible asset was impaired, and we recorded an impairment loss of \$4.7 million to write this asset down to its then-current fair value.

In the fourth quarter of 2008 due to the significant decline in our stock price, increased uncertainty of future revenue levels due to unfavorable macroeconomic conditions and the divestiture of our PCTV product line, our annual goodwill testing determined that the carrying values of the former Audio and former Consumer Video reporting units exceeded their fair values, indicating possible goodwill impairments for these reporting units. The fair values of these reporting units were then allocated among their respective tangible and intangible assets and liabilities to determine the implied fair value of each reporting unit's goodwill. Because the book values of the former Audio and former Consumer Video goodwill exceeded their implied fair values by approximately \$64.3 million and \$8.0 million, respectively, we recorded these amounts as impairment losses during the quarter ended December 31, 2008.

In connection with the goodwill impairment loss taken for the former Audio and former Consumer Video reporting units in the fourth quarter of 2008, we also reviewed the Audio and Consumer Video identifiable intangible assets for possible impairment. This analysis included grouping the intangible assets with other operating assets and liabilities of the former Consumer Video reporting unit 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 our company. The result of this analysis determined that the former Consumer Video reporting unit customer relationships and trade name intangible assets were impaired, and we recorded impairment losses of \$5.6 million and \$0.8 million, respectively, to write these assets down to their then-current fair values. The analysis for the former Audio reporting unit determined that no impairment existed for that reporting unit's identifiable intangible assets.

See Notes I and K to our Consolidated Financial Statements in Item 8 for further information on the goodwill and identifiable intangible assets resulting from our acquisitions.

Restructuring and Other Costs, Net

2010 Restructuring Plans

In December 2010, we initiated a company-wide restructuring plan designed to better align financial and human resources in accordance with our strategic plans for the upcoming fiscal year. In connection with the restructuring, we eliminated positions that were in lower growth geographies and markets and will reinvest in more strategic areas with greater opportunity for growth. The plan also calls for the streamlining of internal operations while making key investments in organizational efficiencies and closing portions of certain office facilities. During the fourth quarter of 2010, we recorded restructuring charges of \$11.7 million related to severance costs related to the elimination of 145 positions and \$1.4 million related to the partial closure of a facility. We expect to incur total restructuring charges of approximately \$15 million related to this plan, all of which represent cash expenditures. We expect to complete the actions under this plan during the first half of 2011.

During 2010, we also recorded acquisition-related restructuring charges of \$0.7 million and \$1.1 million, respectively, primarily for severance costs for approximately 24 former Euphonix employees and the closure of three Euphonix facilities. Additionally, during 2010, we recorded restructuring charges of \$2.1 million related to a 2008 restructuring plan, as discussed below, and a (\$0.2) million reduction for revised estimated obligations related to facilities closed under restructuring actions taken prior to 2008.

Also included in our results of operations under the caption "restructuring and other costs, net" for 2010, were costs of \$3.7 million related to our exit from our former headquarters lease.

2008 Restructuring Plans

In October 2008, we initiated a company-wide restructuring plan that included a reduction in force of approximately 500 positions, including employees related to our product line divestitures, and the closure of all or parts of some of our worldwide facilities. The restructuring plan was intended to improve operational efficiencies and bring our costs in line with expected revenues. In connection with the plan, during the fourth quarter of 2008, we recorded restructuring charges of \$20.4 million related to employee termination costs and \$0.5 million for the closure of three small facilities. In addition, as a result of the decision to sell the PCTV product line, we recorded a non-cash restructuring charge of \$1.9 million in cost of revenues related to the write-down of inventory.

During 2009, we recorded restructuring charges of \$27.7 million, consisting of charges of \$27.9 million related to the plan initiated in 2008 and a reduction of (\$0.2) million resulting from revised estimates for amounts recorded under previous restructuring plans. Charges under the plan included new restructuring charges of \$27.1 million and revisions to previously recorded estimates under the plan of \$0.8 million. The new restructuring charges included \$14.8 million related to employee termination costs, including those for approximately 320 additional employees; \$11.5 million related to the closure of all or part of eleven facilities; and \$0.8 million, recorded in cost of revenues, related to the write-down of PCTV inventory. The charges resulting from the reduction in force of 320 additional employees were recorded in the third and fourth quarters and were primarily the result of the expanded use of offshore development resources for R&D projects and our desire to better align our 2010 cost structure with revenue expectations. During 2010, we recorded restructuring charges under the plan totaling \$2.1 million, consisting of new charges of \$0.8 million as a result of the closure of all or part of four additional facilities, charges of \$1.7 million for revised estimates of facilities costs, and a reduction of (\$0.4) million for revised estimates of severance obligations previously recorded under this plan.

During the first nine months of 2008, we initiated restructuring plans within our former Professional Video business unit as well as corporate operations to eliminate duplicative business functions and improve operational efficiencies. In connection with these actions, we recorded restructuring charges of \$4.2 million related to employee termination costs for approximately 90 employees, primarily in the research and development, marketing and selling, and general and administrative teams. Also during 2008, we recorded restructuring charges totaling \$0.2 million for revised estimates of previously initiated restructuring plans.

Gain on Sales of Assets

In the fourth quarter of 2008, we sold our Softimage 3D animation product line, which was part of our former Professional Video segment, and our PCTV product line, which was part of our former Consumer Video segment. The Softimage 3D animation product line was sold to Autodesk, Inc., and \$26.5 million of the \$33.5 million dollar purchase price was received in the fourth quarter of 2008, with the remaining balance held in escrow with scheduled distribution dates in 2009 and 2010. During 2008, we recognized a gain of approximately \$11.5 million as a result of this transaction, which does not include the proceeds held in escrow. During 2010 and 2009, we recorded further gains of \$3.5 million in each year as a result of the release of the funds from escrow in accordance with the terms of the purchase and sale agreement.

The PCTV product line was sold to Hauppauge Digital, Inc. for total proceeds of approximately \$4.7 million, which included \$2.2 million in cash and a note valued at \$2.5 million. During 2008, we recognized a gain of approximately \$1.8 million as a result of this transaction. PCTV inventory valued at \$7.5 million was classified as held-for-sale within "other current assets" in our consolidated balance sheet at December 31, 2008. Under the terms of the asset purchase agreement, we are reimbursed for the cost of PCTV inventory sold by the buyer. During 2009, the buyer's sell through of inventory classified as held-for-sale was lower than anticipated, and, as a result, we recorded a loss on the sale of assets of \$3.2 million related to our sale of the PCTV product line. During 2010, we recorded a gain on the sale of assets of \$0.5 million related to the sale of the remaining inventory classified as held-for-sale.

During 2010, the sale of certain intangible assets for \$1.0 million was also recorded as a gain on sales of assets.

INTEREST AND OTHER INCOME (EXPENSE), NET

Interest and other income (expense), net, generally consists of interest income and interest expense.

Interest and Other Income (Expense) for the Years Ended December 31, 2010, 2009 and 2008					
	(dollars in thousands)				
	2010 Income (Expense)	% Change Compared to Previous Year	2009 Income (Expense)	% Change Compared to Previous Year	2008 Income (Expense)
Interest income	\$ 173	(79.6%)	\$ 848	(75.3%)	\$ 3,435
Interest expense	(864)	(4.6%)	(906)	(58.9%)	(570)
Other income (expense), net	301	563.1%	(65)	(191.5%)	71
Total interest and other income (expense), net	<u>\$ (390)</u>	<u>(217.1%)</u>	<u>\$ (123)</u>	<u>(104.2%)</u>	<u>\$ 2,936</u>

The change in interest and other income (expense), net for both 2010 and 2009, compared to the previous years, was primarily the result of lower interest rates paid on lower average cash balances. As a result of our revolving credit facilities, we expect our interest expense to increase starting in 2011. The magnitude of the increase will depend on the level of our borrowings.

PROVISION FOR (BENEFIT FROM) INCOME TAXES, NET

Provision for (Benefit from) Income Taxes, Net for the Years Ended December 31, 2010, 2009 and 2008

	(dollars in thousands)				
	2010 Provision	% Change Compared to Previous Year	2009 Benefit	% Change Compared to Previous Year	2008 Provision
Provision for (benefit from) income taxes, net	\$ 396	124.0%	\$ (1,652)	(162.0%)	\$ 2,663

The net tax provision of \$0.4 million for 2010 reflected a current tax provision of \$2.1 million and a deferred tax benefit of \$1.7 million mostly related to the foreign amortization of non-deductible acquisition-related intangible assets and the release of valuation allowance against deferred tax assets. The net tax benefit of \$1.7 million for 2009 reflected a current tax benefit of \$0.1 million and a deferred tax benefit of \$1.6 million mostly related to the foreign amortization of non-deductible acquisition-related intangible assets and the release of a valuation allowance on a portion of the deferred tax assets in our Canadian entity. The net tax provision of \$2.7 million for 2008 reflected a current tax provision of \$6.9 million and a deferred tax benefit of \$4.2 million mostly related to the foreign amortization of non-deductible acquisition-related intangible assets, as well as the write-down of deferred tax liabilities due to goodwill and intangible asset impairments.

Our effective tax rate, which represents our tax provision (benefit) as a percentage of profit or loss before tax, was 1%, (2%) and 1%, respectively, for 2010, 2009 and 2008. Our provision for (benefit from) income taxes and effective tax rate both changed from net benefits in 2009 to net provisions in 2010. These changes were the result of significant favorable discrete tax benefits in 2009 that exceeded the favorable discrete tax benefits in 2010, partially offset by a reduction in tax in 2010 from refinements in the way profit gets allocated among legal entities. The change from a tax provision in 2008 to a tax benefit in 2009 was the result of discrete tax benefits of \$2.9 million primarily related to the completion of a foreign tax audit, \$2.0 million for cumulative adjustments of prior year provisions to actual tax return filings and \$1.0 million from the utilization of unused R&D tax credits, all occurring in 2009. We generally recognize no significant U.S. tax benefit from acquisition-related amortization.

The tax rate in each year is affected by net changes in the valuation allowance against our deferred tax assets. Excluding the impact of the valuation allowance, our effective tax rate would have been (9%), (35%) and (14%), respectively, for the years 2010, 2009 and 2008. These rates differ from the Federal statutory rate of 35% primarily due to the mix of income and losses in foreign jurisdictions, which have tax rates that differ from the statutory rate, non-deductible impairment of goodwill expenses, and non-deductible acquisition-related expenses.

We file in multiple tax jurisdictions and from time to time are subject to audit in certain tax jurisdictions, but we believe that we are adequately reserved for these exposures. See Note Q to our Consolidated Financial Statements in Item 8 for further information on our unrecognized tax benefits at December 31, 2010 and 2009.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Sources of Cash

We have generally funded our operations in recent years through the use of existing cash balances as well as from the proceeds of the issuance of common stock under our employee stock plans. At December 31, 2010 and 2009, our principal sources of liquidity included cash, cash equivalents and marketable securities totaling \$42.8 million and \$108.9 million, respectively.

On October 1, 2010, Avid Technology, Inc., or Avid Technology, and certain of our subsidiaries entered into a Credit Agreement with Wells Fargo Capital Finance LLC, or Wells Fargo. Pursuant to the Credit Agreement, Wells Fargo agreed to provide revolving credit facilities up to a maximum of \$40 million in domestic borrowings and up to a maximum of an additional \$20 million for our Avid Technology International B.V., or Avid Europe, subsidiary. The borrowing availability under the credit facilities is based on the lesser of (1) the foregoing commitments for Avid Technology and Avid Europe, as applicable, and (2) a borrowing base which is a percentage of accounts receivable and inventory of Avid Technology or that of Avid Europe, as applicable. The actual amounts available to borrow will vary depending upon changes in the level of their respective accounts receivable and inventory, and is subject to other terms and conditions which are more specifically described in the Credit Agreement. The borrowing availability is also subject to other reserve requirements which may be established by Wells Fargo as provided in the Credit Agreement. The credit facilities have a maturity of four years, at which time Wells Fargo's commitments to provide additional credit shall be terminated and all outstanding borrowings must be repaid. Prior to the maturity of the credit facilities, any amounts borrowed may be repaid and, subject to the terms and conditions of the Credit Agreement, reborrowed in whole or in part without penalty. The Credit Agreement contains customary representations and warranties, covenants, mandatory prepayments, and events of default under which the payment obligations of Avid Technology and Avid Europe may be accelerated.

Interest accrues on outstanding borrowings under the credit facilities at a rate of either LIBOR plus 2.75% or a base rate (as defined in the Credit Agreement) plus 1.75%, at our option. We must also pay Wells Fargo a monthly unused line fee at a rate of 0.625% per annum on an amount equal to (1) the average lending commitments under the credit facilities during the immediately preceding month less (2) the average daily amount of the outstanding borrowings plus the undrawn amount of any outstanding letters of credit under the credit facilities during the immediately preceding month. During the term of the credit facilities, we are entitled to reduce the maximum amounts of Wells Fargo's commitments, subject to the payment of certain fees based on the amount of any reduction.

We have provided guarantees and liens on substantially all of our assets and those of certain of our subsidiaries to secure our obligations under the Credit Agreement. The Credit Agreement requires that Avid Technology maintain liquidity (comprised of unused availability under the domestic portion of the credit facilities plus certain unrestricted cash and cash equivalents) of \$10 million, at least \$5 million of which must be from unused availability under the domestic portion of the credit facilities. Avid Europe is required to maintain liquidity (comprised of unused availability under Avid Europe's portion of the credit facilities plus certain unrestricted cash and cash equivalents) of \$5 million, at least \$2.5 million of which must be from unused availability under Avid Europe's portion of the credit facilities.

We expect to borrow against the line from time-to-time to cover short-term cash requirements in certain geographies or to otherwise meet the funding needs of the business. During the fourth quarter of 2010, our U.S. operations borrowed \$5.0 million against the credit facilities to meet certain short-term cash requirements. All amounts borrowed were repaid during the quarter, and at December 31, 2010, we had no outstanding borrowings against the line. At December 31, 2010, we had available borrowings of approximately \$36.3 million and \$19.6 million under the Avid Technology and Avid Europe credit facilities, respectively. Subsequent to December 31, 2010, the date of these financial statements, our U.S. operations borrowed \$8.0 million against the credit facilities to meet short-term cash requirements. None of the amounts borrowed had been repaid as of the filing date of this annual report.

Our cash requirements vary depending on factors such as the growth of our business, changes in working capital, capital expenditures, acquisitions of businesses or technologies and obligations under restructuring programs. We believe that we have sufficient cash, cash equivalents, funds generated from operations and funds available under the credit facilities to meet our operational and strategic objectives for at least the next twelve months.

The following table summarizes our cash flows for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Net cash (used in) provided by operating activities	\$ (12,671)	\$ (13,471)	\$ 10,151
Net cash used in investing activities	(34,566)	(19,955)	(1,205)
Net cash (used in) provided by financing activities	(396)	120	(92,443)
Effect of foreign currency exchange rates on cash and cash equivalents	(1,102)	3,031	(3,330)
Net decrease in cash and cash equivalents	<u>\$ (48,735)</u>	<u>\$ (30,275)</u>	<u>\$ (86,827)</u>

Cash Flows from Operating Activities

For the year ended December 31, 2010, net cash used in operating activities primarily reflected changes in working capital items, in particular increases in inventories and accounts receivable, partially offset by an increase in accounts payable. These changes were also partially offset by the positive impact of our net loss after adjustment for non-cash items, in particular depreciation and amortization and stock-based compensation expense. For the year ended December 31, 2009, net cash used in operating activities primarily reflected our net loss adjusted for depreciation and amortization and stock-based compensation expense, as well as changes in working capital items, in particular decreases in deferred revenues and accrued liabilities, partially offset by decreases in accounts receivable and inventory. For the year ended December 31, 2008, net cash provided by operating activities primarily reflected our net loss adjusted for depreciation and amortization, goodwill and intangible asset impairment losses, stock-based compensation expense, and the gain on the sale of our Softimage 3D animation and PCTV product lines, as well as changes in working capital items, in particular decreases in accounts receivable and inventories and an increase in accrued expenses.

Accounts receivable increased by \$21.5 million to \$101.2 million at December 31, 2010 from \$79.7 million at December 31, 2009. 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. Days sales outstanding in accounts receivable, or DSO, was 47 days at December 31, 2010, compared to 41 days at December 31, 2009. Our accounts receivable aging at December 31, 2010 has improved slightly from the December 31, 2009 aging, and we believe the DSO of 47 days is the result of the timing of revenue recognition and customer receipts.

Inventories increased by \$31.2 million to \$108.4 million at December 31, 2010 from \$77.2 million at December 31, 2009. These balances included 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 in inventories at December 31, 2010 was primarily the result of increased stocking levels to meet increased demand, as well as a buildup of inventory related to new product introductions. During much of 2010, we experienced certain supply chain issues that impacted our ability to meet the demand for certain of our products. At our current inventory levels, we believe we have improved our ability to meet product demand in 2011. At December 31, 2010, compared to December 31, 2009, we reported decreases in raw materials and work in process, offset by an increase in finished goods, related to our increased use of contractors to manufacture our products, components and subassemblies. 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.

Accounts payable increased by \$17.1 million to \$47.3 million at December 31, 2010 from \$30.2 million at December 31, 2009. This increase in accounts payable is primarily the result of the timing of cash payments to our vendors.

Accrued liabilities increased by \$1.2 million to \$82.1 million at December 31, 2010 from \$80.9 million at December 31, 2009. Our accrued liabilities include obligations incurred in connection with restructuring activities during 2010 and prior periods. At December 31, 2010, we had restructuring accruals of \$12.0 million and \$6.9 million related to severance and lease obligations, respectively. Our future cash obligations for leases for which we have vacated the underlying facilities total approximately \$12.5 million. The lease accruals represent the present value of the excess of our lease commitments on the vacated space over expected payments to be received on subleases of the relevant facilities. The lease payments will be made over the remaining terms of the leases, which have varying expiration dates through 2017, unless we are able to negotiate earlier terminations. The severance payments will be made during the next twelve months. Cash payments resulting from restructuring obligations totaled approximately \$14.4 million during 2010. All payments related to restructuring actions are expected to be funded through working capital. See Note R to our Consolidated Financial Statements in Item 8 for the activity in the restructuring and other costs accrual for 2010.

Cash Flows from Investing Activities

For the year ended December 31, 2010, the net cash flow used in investing activities primarily reflected \$28.9 million used for the purchase of property and equipment and \$27.0 million paid to acquire Blue Order and Euphonix, partially offset by net proceeds of \$17.4 million resulting from the timing of the sale and purchase of marketable securities and the release of escrow holdings totaling \$3.5 million related to the 2008 sale of our Softimage 3D animation product line. For the year ended December 31, 2009, the net cash flow used in investing activities primarily reflected \$18.7 million used for the purchase of property and equipment, a \$10 million facility-related escrow deposit into a long-term asset account and \$4.4 million paid for our acquisition of MaxT, partially offset by net proceeds of \$8.6 million resulting from the timing of the sale and purchase of marketable securities and the release of escrow holdings totaling \$3.5 million also related to the 2008 sale of our Softimage 3D animation product line. The \$10 million facility-related escrow deposit in 2009 was related to our leases for new headquarters facilities in Burlington, Massachusetts. For the year ended December 31, 2008, the net cash flow used in investing activities primarily reflected \$15.4 million for the purchase of property and equipment and net purchases of \$10.1 million resulting from the timing of the sale and purchase of marketable securities, partially offset by proceeds, net of transaction costs, of \$26.3 million from the sale of our Softimage 3D animation and PCTV product lines.

Our purchases of property and equipment typically consist of computer hardware and software to support our R&D activities and information systems. The increase in property and equipment purchases in the 2010 period primarily resulted from leasehold improvement, furniture and equipment costs associated with the relocation of our corporate offices to Burlington, Massachusetts in June 2010. During 2010, leasehold improvements furniture and equipment related to this relocation were placed in service and resulted in fixed asset additions of approximately \$31.7 million, of which \$15.7 million represented cash expenditures during the period. During the same period, we wrote off fixed assets with gross book values and net book values of approximately \$22.7 million and \$0.1 million, respectively, that were related to the closure of our former headquarters facility.

Cash Flows from Financing Activities

For the year ended December 31, 2010, the net cash flow used in financing activities primarily reflected the issuance costs for our revolving credit facilities and costs associated with tax withholding obligations resulting from the issuance of common stock under employee stock plans, partially offset by proceeds from the issuance of common stock under employee stock plans. Also during 2010, our U.S. operations borrowed and repaid \$5.0 million against our revolving credit facilities to meet certain short-term cash requirements. For the year ended December 31, 2009, the net cash flow provided by financing activities in 2009 reflected proceeds from the issuance of stock related to the exercise of stock options and purchases under our employee stock purchase plan, partially offset by costs associated with tax withholding obligations resulting from the issuance of common stock under employee stock plans and \$0.5 million used to repurchase stock options during the second quarter of 2009. For the year ended December 31, 2008, the net cash flow used in financing activities was the result of \$93.2 million used for a stock repurchase program, slightly offset by proceeds from the exercise of stock options and purchases under our employee stock purchase plan.

During 2007 and 2008, our board of directors approved a stock repurchase program that authorized the repurchase of up to \$200 million of our common stock through transactions on the open market, in block trades or otherwise. During 2008, we repurchased 4,254,397 shares of our common stock for a total purchase price, including commissions, of \$93.2 million. No shares of our common stock were repurchased under this program in 2009 or 2010. The stock repurchase program is being funded through working capital and has no expiration date and has a remaining balance of \$80.3 million authorized for future repurchases.

Fair Value Measurements

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 E to our Condensed Consolidated Financial Statements included in Item 8 of this annual report for disclosure of the fair values and the inputs used to determine the fair values of our financial assets and financial liabilities.

CONTRACTUAL AND COMMERCIAL OBLIGATIONS

The following table sets forth future payments that we were obligated to make at December 31, 2010 under existing lease agreements and commitments to purchase inventory (in thousands):

	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Operating leases	\$ 107,124	\$ 21,040	\$ 32,009	\$ 22,483	\$ 31,592
Unconditional purchase obligations	76,996	76,996	—	—	—
	<u>\$ 184,120</u>	<u>\$ 98,036</u>	<u>\$ 32,009</u>	<u>\$ 22,483</u>	<u>\$ 31,592</u>

Other contractual arrangements or unrecognized tax positions that may result in cash payments consisted of the following at December 31, 2010 (in thousands):

	Total(a)	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Transactions with recourse	\$ 996	\$ 996	\$ —	\$ —	\$ —
Unrecognized tax positions and related interest	1,735	—	—	—	—
Stand-by letters of credit	3,653	337	—	750	2,566
	<u>\$ 6,384</u>	<u>\$ 1,333</u>	<u>\$ —</u>	<u>\$ 750</u>	<u>\$ 2,566</u>

- (a) At December 31, 2010, liability related to unrecognized tax positions and related interest was \$1.7 million, and we were unable to reasonably estimate the timing of the liability in individual years due to uncertainties in the timing of the effective settlement of the positions.

Our transactions with recourse are related to lease financing options, which we have historically offered to our customers through a third-party lessor. This program was terminated by mutual agreement among the parties in late 2008; however, balances outstanding as of the termination date continue to be collected by the third-party lessors as they become due. During the terms of these financing arrangements, which were generally for three years, we may remain liable for a portion of the unpaid principal balance in the event of a default on the lease by the end user, but our liability is limited in the aggregate based on a percentage of initial amounts funded or, in certain cases, amounts of unpaid balances. At December 31, 2010, our maximum exposure under these programs was approximately \$1.0 million.

We have three letters of credit at a bank that are used as security deposits in connection with our leased Burlington, Massachusetts headquarters office space. In the event of default on the underlying leases, the landlords would, at December 31, 2010, be eligible to draw against the letters of credit to a maximum of approximately \$2.6 million in the aggregate. The letters of credit are subject to aggregate reductions of approximately \$0.4 million at the end of each of the second, third and fifth years, provided that we are not in default of the underlying leases and meet certain financial performance conditions. In no case will the letters of credit amounts be reduced to below \$1.3 million in the aggregate throughout the lease periods, all of which extend to May 2020. At December 31, 2010, we were not in default of any of the underlying leases.

We also have a stand-by letter of credit at a bank that is used as a security deposit in connection with our Daly City, California office space lease. In the event of a default on this lease, the landlord would be eligible to draw against this letter of credit to a maximum, at December 31, 2010, of \$0.8 million. The letter of credit will remain in effect at this amount throughout the remaining lease period, which runs through September 2014. At December 31, 2010, we were not in default of this lease.

We operate our business globally and, consequently, our results from operations are exposed to movements in foreign currency exchange rates. We enter into forward exchange contracts, which generally have one-month maturities, to reduce exposures associated with the foreign exchange risks of certain forecasted third-party and intercompany receivables, payables and cash balances. At December 31, 2010, we had foreign currency forward contracts outstanding with an aggregate notional value of \$47.4 million, denominated in the euro, British pound, Japanese yen, Canadian dollar, Singapore dollar and Danish kroner, as a hedge against forecasted foreign currency denominated receivables, payables and cash balances.

OFF-BALANCE SHEET ARRANGEMENTS

Other than operating leases, we do not engage in off-balance sheet financing arrangements or have any variable-interest entities. At December 31, 2010, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, *Revenue Recognition*, and Accounting Standards Update No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software – Revenue Recognition* (the “Updates”). See our critical accounting policy for “Revenue Recognition and Allowances for Product Returns and Exchanges” found previously in this Item 7 under the heading “Critical Accounting Policies and Estimates” for a further discussion of this guidance.

ITEM 7A. 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 affect our revenues, net income and cash flow.

We use derivatives in the form of foreign currency forward contracts to manage our short-term exposures to fluctuations in the foreign currency exchange rates that exist as part of our ongoing international business operations. We do not enter into any derivative instruments for trading or speculative purposes. The success of our hedging programs 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.

As required by FASB ASC Topic 815, *Derivatives and Hedging*, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as hedges of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of its risks, even though we elect not to apply hedge accounting under FASB ASC Topic 815.

During 2010, we executed foreign currency forward contracts to hedge the foreign exchange currency risk associated with certain forecasted euro-denominated sales transactions. These contracts are designated and qualify as cash flow hedges under the criteria of FASB ASC Topic 815. The effective portion of the changes in the fair value of derivatives designated and qualifying as cash flow hedges is initially reported as a component of accumulated other comprehensive income (loss) in stockholders’ equity and subsequently reclassified into revenues at the time the hedged transactions affect earnings. The ineffective portion of the change in fair value is recognized directly into earnings. To date, no amounts have been recorded as a result of hedging ineffectiveness.

At December 31, 2010, we did not have foreign currency forward contracts outstanding as a hedge against forecasted euro-denominated sales transactions. For the year ended December 31, 2010, net losses of \$1.8 million resulting from such forward contracts were included in our revenues.

As a 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 this foreign currency forward-contract program: (1) to offset any foreign exchange currency risk associated with cash receipts expected to be received from our customers and cash payments expected to be made to our vendors 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.

At December 31, 2010, we had foreign currency forward contracts outstanding with an aggregate notional value of \$47.4 million, denominated in the euro, British pound, Japanese yen, Canadian dollar, Singapore dollar and Danish kroner, as a hedge against actual and forecasted foreign-currency-denominated receivables, payables and cash balances. The mark-to-market effect associated with foreign currency forward contracts was a net unrealized gain of \$0.4 million at December 31, 2010. For the year ended December 31, 2010, net gains of \$3.2 million resulting from forward contracts and \$4.1 million of net transaction and remeasurement losses on the related assets and liabilities were included in our marketing and selling expenses.

As it relates to our use of foreign currency forward contracts, a hypothetical 10% change in foreign currency rates would not have a material impact on our financial position, results of operations or cash flows, assuming the above-mentioned forecasts of foreign currency exposure are accurate, because the impact on the forward contracts as a result of a 10% change would at least partially offset the impact on the revenues and asset and liability positions of our foreign subsidiaries.

Interest Rate Risk

At December 31, 2010, we held \$42.8 million in cash and cash equivalents. Due to the short maturities on any instruments held, a hypothetical 10% increase or decrease in interest rates would not have a material impact on our financial position, results of operations or cash flows. In 2010, we established revolving credit facilities that allow us to borrow up to \$60 million. A hypothetical 10% increase or decrease in interest rates paid on outstanding borrowings under the credit line would not have a material impact on our financial position, results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

AVID TECHNOLOGY, INC.

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Schedules other than those listed above have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information is included in the consolidated financial statements or the notes thereto.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on this assessment, management has concluded that as of December 31, 2010 the Company's internal control over financial reporting is effective based on the criteria set forth by the COSO.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's financial statements included in this annual report on Form 10-K, has issued an attestation report on the Company's internal controls over financial reporting as of December 31, 2010. Please see page 47.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Avid Technology, Inc.

We have audited Avid Technology, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Avid Technology, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Avid Technology, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Avid Technology, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 of Avid Technology, Inc. and our report dated March 14, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 14, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Avid Technology, Inc.

We have audited the accompanying consolidated balance sheets of Avid Technology, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the index in Item 15(a) 2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Avid Technology, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note I to the consolidated financial statements, Avid Technology, Inc. changed its method of accounting for business combinations with the adoption of the guidance originally issued in FASB Statement No. 141(R), *Business Combinations* (codified in ASC Topic 805, *Business Combinations*) effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Avid Technology, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 14, 2011

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

	For the Year Ended December 31,		
	2010	2009	2008
Net revenues:			
Products	\$ 559,907	\$ 509,215	\$ 714,232
Services	118,615	119,755	130,669
Total net revenues	<u>678,522</u>	<u>628,970</u>	<u>844,901</u>
Cost of revenues:			
Products	267,985	243,362	369,186
Services	56,490	59,754	73,888
Amortization of intangible assets	3,299	2,033	7,526
Restructuring costs	—	799	1,876
Total cost of revenues	<u>327,774</u>	<u>305,948</u>	<u>452,476</u>
Gross profit	<u>350,748</u>	<u>323,022</u>	<u>392,425</u>
Operating expenses:			
Research and development	120,229	120,989	148,598
Marketing and selling	177,178	173,601	208,735
General and administrative	64,345	61,087	78,591
Amortization of intangible assets	9,743	10,511	12,854
Impairment of goodwill and intangible assets	—	—	129,972
Restructuring and other costs, net	20,450	26,873	25,412
Gain on sales of assets	(5,029)	(155)	(13,287)
Total operating expenses	<u>386,916</u>	<u>392,906</u>	<u>590,875</u>
Operating loss	<u>(36,168)</u>	<u>(69,884)</u>	<u>(198,450)</u>
Interest income	173	848	3,435
Interest expense	(864)	(906)	(570)
Other income (expense), net	301	(65)	71
Loss before income taxes	<u>(36,558)</u>	<u>(70,007)</u>	<u>(195,514)</u>
Provision for (benefit from) income taxes, net	396	(1,652)	2,663
Net loss	<u>\$ (36,954)</u>	<u>\$ (68,355)</u>	<u>\$ (198,177)</u>
Net loss per common share – basic and diluted	<u>\$ (0.98)</u>	<u>\$ (1.83)</u>	<u>\$ (5.28)</u>
Weighted-average common shares outstanding – basic and diluted	37,895	37,293	37,556

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

AVID TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,782	\$ 91,517
Marketable securities	—	17,360
Accounts receivable, net of allowances of \$17,149 and \$16,347 at December 31, 2010 and 2009, respectively	101,171	79,741
Inventories	108,357	77,243
Deferred tax assets, net	1,068	770
Prepaid expenses	7,688	7,789
Other current assets	16,130	22,516
Total current assets	<u>277,196</u>	<u>296,936</u>
Property and equipment, net	62,519	37,217
Intangible assets, net	29,750	29,235
Goodwill	246,997	227,195
Other assets	10,109	20,455
Total assets	<u>\$ 626,571</u>	<u>\$ 611,038</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 47,340	\$ 30,230
Accrued compensation and benefits	41,101	25,281
Accrued expenses and other current liabilities	40,986	55,591
Income taxes payable	4,640	3,228
Deferred revenues	40,585	39,107
Total current liabilities	<u>174,652</u>	<u>153,437</u>
Long-term liabilities	25,309	14,483
Total liabilities	<u>199,961</u>	<u>167,920</u>
Commitments and contingencies (Notes M and Q)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 1,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value, 100,000 shares authorized; 42,339 shares and 42,339 shares issued and 38,175 and 37,486 outstanding at December 31, 2010 and 2009, respectively	423	423
Additional paid-in capital	1,005,198	992,489
Accumulated deficit	(495,254)	(444,661)
Treasury stock at cost, net of reissuances, 4,164 shares and 4,853 shares at December 31, 2010 and 2009, respectively	(91,025)	(112,389)
Accumulated other comprehensive income	7,268	7,256
Total stockholders' equity	<u>426,610</u>	<u>443,118</u>
Total liabilities and stockholders' equity	<u>\$ 626,571</u>	<u>\$ 611,038</u>

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

AVID TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Shares of Common Stock		Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Issued	In Treasury						
Balances at December 31, 2007	42,339	(1,245)	\$423	\$968,339	(\$155,722)	(\$45,823)	\$12,566	\$779,783
Stock repurchased		(4,254)		(128)		(93,059)		(93,187)
Stock issued pursuant to employee stock plans		292		(1,333)	(11,532)	14,055		1,190
Stock-based compensation				14,074				14,074
Tax benefit associated with stock option exercises and forfeitures				(389)				(389)
Stock recovery for payment of withholding tax		(1)				(25)		(25)
Comprehensive loss:								
Net loss					(198,177)			(198,177)
Net change in unrealized gains (losses) on defined benefit plan and marketable securities							(352)	(352)
Translation adjustment							(10,262)	(10,262)
Other comprehensive loss								(10,614)
Comprehensive loss								(208,791)
Balances at December 31, 2008	42,339	(5,208)	423	980,563	(365,431)	(124,852)	1,952	492,655
Stock issued pursuant to employee stock plans		369		(942)	(10,875)	12,635		818
Stock-based compensation				13,394				13,394
Stock option purchase				(526)				(526)
Stock recovery for payment of withholding tax		(14)				(172)		(172)
Comprehensive loss:								
Net loss					(68,355)			(68,355)
Net change in unrealized gains (losses) on defined benefit plan and marketable securities							31	31
Translation adjustment							5,273	5,273
Other comprehensive income								5,304
Comprehensive loss								(63,051)
Balances at December 31, 2009	42,339	(4,853)	423	992,489	(444,661)	(112,389)	7,256	443,118
Stock issued pursuant to employee stock plans		370		(1,212)	(8,807)	10,872		853
Stock-based compensation				13,921				13,921
Issuance of common stock in connection with acquisitions		327			(4,832)	10,608		5,776
Stock recovery for payment of withholding tax		(8)				(116)		(116)
Comprehensive loss:								
Net loss					(36,954)			(36,954)
Net change in unrealized gains (losses) on defined benefit plan and marketable securities							(85)	(85)
Translation adjustment							97	97
Other comprehensive income								12
Comprehensive loss								(36,942)
Balances at December 31, 2010	42,339	(4,164)	\$423	\$1,005,198	(\$495,254)	(\$91,025)	\$7,268	\$426,610

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

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

	For the Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net loss	\$ (36,954)	\$ (68,355)	\$ (198,177)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	33,551	32,130	42,842
Provision for doubtful accounts	194	1,930	2,583
Impairment of goodwill and intangible assets	—	—	129,972
Non-cash provision for restructuring	417	3,140	1,893
Gain on sales of assets	(5,029)	(155)	(13,287)
(Gain) loss on disposal of fixed assets	(78)	43	17
Compensation expense from stock grants and options	13,921	13,394	13,941
Changes in deferred tax assets and liabilities, excluding initial effects of acquisitions	(1,160)	(1,634)	(4,173)
Changes in operating assets and liabilities, excluding initial effects of acquisitions:			
Accounts receivable	(17,847)	24,771	23,992
Inventories	(27,672)	17,766	11,539
Prepaid expenses and other current assets	8,842	8,980	(64)
Accounts payable	15,941	739	(5,445)
Accrued expenses, compensation and benefits and other liabilities	718	(13,517)	15,069
Income taxes payable	1,669	(6,330)	(1,709)
Deferred revenues	816	(26,373)	(8,842)
Net cash used in operating activities	(12,671)	(13,471)	10,151
Cash flows from investing activities:			
Purchases of property and equipment	(28,892)	(18,689)	(15,436)
Payments for other long-term assets	(523)	(11,432)	(2,024)
Payments for business acquisitions, net of cash acquired	(27,008)	(4,413)	—
Proceeds from sales of assets, net	4,502	3,502	26,307
Proceeds from notes receivable	—	2,500	—
Purchases of marketable securities	(2,250)	(55,741)	(56,907)
Proceeds from sales of marketable securities	19,605	64,318	46,855
Net cash used in investing activities	(34,566)	(19,955)	(1,205)
Cash flows from financing activities:			
Payments related to stock option purchase	—	(526)	—
Purchases of common stock for treasury	—	—	(93,187)
Proceeds from issuance of common stock under employee stock plans, net	736	646	1,133
Proceeds from revolving credit facilities	5,000	—	—
Payments on revolving credit facilities	(5,000)	—	—
Payments for credit facility issuance costs	(1,132)	—	—
Tax deficiencies from stock option exercises	—	—	(389)
Net cash (used in) provided by financing activities	(396)	120	(92,443)
Effect of exchange rate changes on cash and cash equivalents	(1,102)	3,031	(3,330)
Net decrease in cash and cash equivalents	(48,735)	(30,275)	(86,827)
Cash and cash equivalents at beginning of period	91,517	121,792	208,619
Cash and cash equivalents at end of period	\$ 42,782	\$ 91,517	\$ 121,792

See Notes H, I, Q and V for supplemental disclosures.

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

AVID TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. ORGANIZATION AND OPERATIONS

Avid Technology, Inc. (“Avid” or the “Company”) develops, markets, sells and supports a wide range of software and hardware for digital media content production, management and distribution. Digital media are video, audio or graphic elements in which the image, sound or picture is recorded and stored as digital values, as opposed to analog, or tape-based, signals. The Company’s products are used worldwide in production and post-production facilities; film studios; network, affiliate, independent and cable television stations; recording studios; live-sound performance venues; advertising agencies; government and educational institutions; corporate communication departments; and by Internet professionals and consumers. Projects produced using Avid’s products include major motion pictures, prime-time television programs, music, video and other recordings.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company’s significant accounting policies follows:

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated.

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. Actual results could differ from those estimates. The most significant estimates reflected in these financial statements include revenue recognition, stock-based compensation, accounts receivable and sales allowances, inventory valuation, goodwill and intangible asset valuation, divestitures, fair value measurements and income tax valuation allowances.

During 2010, the Company determined it was appropriate to revise the way it classifies certain portions of its inventory. As a result, approximately \$3.1 million of inventory previously reported as work in process at December 31, 2009 has been included as finished goods inventory for the current presentation. See Note G for the presentation of the inventory classifications at December 31, 2010 and 2009.

In the later part of 2009, the Company completed the reorganization of its business around functional groups rather than product categories. The Company’s evaluation of the discrete financial information that is regularly reviewed by the chief operating decision makers determined that in 2010 the Company had only one reportable segment. Effective January 1, 2010, the Company began reporting based on a single reportable segment and has reclassified its 2009 and 2008 segment reporting to conform to the 2010 presentation. The change to the current presentation did not affect the Company’s consolidated operating results. See Note S for the Company’s reporting based on one reportable segment for the years ended December 31, 2010, 2009 and 2008.

The Company evaluated subsequent events to determine if any event since December 31, 2010, the date of these financial statements, required disclosure in these statements. The evaluation determined that the Company’s borrowings under its credit facilities subsequent to the date of these financial statements should be disclosed (see Note U). The Company further determined that no other recognized or unrecognized subsequent events required recognition or disclosure.

Translation of Foreign Currencies

The functional currency of each of the Company's foreign subsidiaries is the local currency, except for the Irish manufacturing branch whose functional currency is the U.S. dollar due to the extensive interrelationship of the operations of the Irish branch and the U.S. parent and the high volume of intercompany transactions between that branch and the parent. The assets and liabilities of the subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars at the current exchange rate in effect at the balance sheet date. Income and expense items for these entities are translated using rates that approximate those in effect during the period. Cumulative translation adjustments are included in accumulated other comprehensive income (loss), which is reflected as a separate component of stockholders' equity.

The U.S. parent company and its Irish manufacturing branch, both of whose functional currency is the U.S. dollar, carry certain monetary assets and liabilities denominated in currencies other than the U.S. dollar. These assets and liabilities typically include cash, accounts receivable and intercompany operating balances denominated in the euro, pound sterling, Japanese yen, Swedish krona, Danish kroner, Norwegian krone, Canadian dollar, Singapore dollar, Australian dollar and Korean won. These assets and liabilities are remeasured into the U.S. dollar at the current exchange rate in effect at the balance sheet date. Foreign currency transaction and remeasurement gains and losses are included within marketing and selling expenses in the results of operations.

The U.S. parent company and various other wholly owned subsidiaries have long-term intercompany loan balances denominated in foreign currencies that are remeasured into the U.S. dollar at the current exchange rate in effect at the balance sheet date. Such loan balances are not expected to be settled in the foreseeable future. Any gains and losses relating to these loans are included in the cumulative translation adjustment account in the balance sheet.

Cash, Cash Equivalents and Marketable Securities

Cash equivalents consist primarily of commercial paper, money market investments and certificates of deposit. The Company considers all debt instruments purchased with an original maturity of three months or less to be cash equivalents. Marketable securities have historically consisted of certificates of deposit, commercial paper, asset-backed securities, discount notes, and corporate, municipal, agency and foreign bonds. The Company generally invests in securities that mature within one year from the date of purchase. The Company classifies its cash equivalents and marketable securities as "available for sale" and reports them at fair value, with unrealized gains and losses excluded from earnings and reported as an adjustment to other comprehensive income (loss), which is reflected as a separate component of stockholders' equity. Amortization or accretion of premium or discount is included in interest income (expense) in the results of operations. See Note C for costs (amortized costs of debt instruments) and fair values of the Company's available-for-sale securities.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash investments, foreign currency forward contracts and trade receivables. The Company may place its excess cash in marketable investment grade securities and uses foreign currency forward contracts to manage certain of its short-term exposures to fluctuations in foreign currency exchange rates. The Company places its cash, cash equivalents, investments and foreign currency forward contracts with financial institutions with high credit standing, and, generally, there are no significant concentrations in any one issuer of debt securities. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers that make up the Company's customer base and their dispersion across different regions. No individual customer accounted for more than 10% of the Company's net accounts receivable at December 31, 2010 or 2009. The Company also maintains reserves for potential credit losses and such losses have been within management's expectations.

Foreign Currency Risk

The Company has significant international operations and, therefore, the Company's revenues, earnings, cash flows and financial position are exposed to foreign currency risk from foreign-currency-denominated receivables, payables and sales transactions, as well as net investments in foreign operations. The Company derives more than half of its 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, the Company is exposed to the risks that changes in foreign currency could adversely affect its revenues, net income, cash flow and financial position. The Company uses derivatives in the form of foreign currency forward contracts to manage its short-term exposures to fluctuations in the foreign currency exchange rates that exist as part of its ongoing international business operations. The Company does not enter into any derivative instruments for trading or speculative purposes.

As required by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as hedges of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. Under hedge accounting, the determination of hedge effectiveness is dependent upon whether the gain or loss on the hedging derivative is highly effective in offsetting the gain or loss in the value of the item being hedged. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks and may apply hedge accounting to certain of the contracts as required by ASC Topic 815 (see Note D).

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out or moving-average basis) or market value. Management regularly reviews inventory quantities on hand and writes down inventory to its realizable value to reflect estimated obsolescence or lack of marketability based on assumptions about future inventory demand (generally for the following twelve months) and market conditions. Inventory in the digital-media market, including the Company's inventory, is subject to rapid technological change or obsolescence; therefore, utilization of existing inventory may differ from the Company's estimates.

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the remaining term of the lease. Expenditures for maintenance and repairs are expensed as incurred. Upon retirement or other disposition of assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in other income (expense) in the results of operations. A significant portion of the property and equipment is subject to rapid technological obsolescence; as a result, the depreciation and amortization periods could ultimately be shortened to reflect changes in future technology.

Business Combinations

FASB ASC Topic 805 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. It also requires the acquirer to recognize direct acquisition costs as an expense in the statement of operations and 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.

When the Company acquires a new business, the purchase price is allocated to the acquired assets, including intangible assets, and the liabilities assumed based on their estimated fair values, with any amount in excess of such allocations designated as goodwill. Significant management judgments and assumptions are required in determining the fair value of acquired assets and liabilities, particularly acquired intangible assets. For example, it is necessary to estimate the portion of development efforts that are associated with technology that is in process. The valuation of purchased intangible assets is based on estimates of the future performance and cash flows from the acquired business. The use of different assumptions could materially impact the purchase price allocation and the Company's financial position and results of operations.

Acquisition-Related Intangible Assets and Goodwill

Acquisition-related intangible assets, which consist primarily of customer relationships, developed technology, trade names and non-compete agreements, resulted from the Company's acquisitions (see Notes I and K). These assets were accounted for under the purchase method. The Company also evaluates acquired in-process research and development ("IPR&D") projects as of the date of acquisition and estimates their fair value. No amounts have been recorded for IPR&D intangible assets as a result of the Company's recent acquisitions.

Finite-lived acquisition-related intangible assets are reported at fair value, net of accumulated amortization. Identifiable intangible assets, with the exception of developed technology, are amortized on a straight-line basis over their estimated useful lives of two years to twelve years. Straight-line amortization is used because no other pattern over which the economic benefits will be consumed can be reliably determined. Acquired developed technology is generally amortized on a product-by-product basis over the greater of the amount calculated using the ratio of current quarter revenues to the total of current quarter and anticipated future revenues over the estimated useful lives of two years to four years, or the straight-line method over each product's remaining respective useful life.

Goodwill is the amount by which the cost of acquired net assets exceeded the fair value of those net assets on the date of acquisition. The Company assesses goodwill for impairment during the fourth quarter of each year, or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. In accordance with FASB ASC Subtopic 350-20, *Intangibles – Goodwill and Others – Goodwill*, the goodwill impairment analysis compares the fair value of the Company's one reporting unit to its carrying value, including goodwill. The Company generally uses a discounted cash flow valuation model, reconciled to quoted market prices adjusted for a control premium, to determine the fair values of its reporting unit. The discounted cash flow valuation model focuses on estimates of future revenues and profits for the Company's one reporting unit and also assumes a terminal value for the unit using a constant growth valuation formula. These amounts are estimated by evaluating historical trends, current budgets, operating plans and industry data. The model also includes assumptions for, among others, working capital cash flow, growth rates, income tax rates, expected tax benefits and long term discount rates, all of which require significant judgments by management. The Company also considers the reconciliation of the Company's market capitalization to the fair value of its single reporting unit. If the reporting unit's carrying value exceeds its fair value, an impairment loss equal to the difference between the carrying value of the goodwill and its implied fair value is recorded.

Assets Held-for-Sale and Gain on Sales of Assets

Assets and liabilities of a business are classified as held-for-sale when the Company approves and commits to a formal plan of sale and it is probable that the sale will be completed. Depreciation and amortization expense associated with assets held-for-sale is ceased at that time.

When the Company measures the gain (loss) on sale of a disposal group that is part of the Company's single reporting unit, we determine whether a portion of the goodwill of the reporting unit should be allocated to the disposal group if it constitutes a business, under the guidance of ASC Topic 805, *Business Combinations*. If the disposal group is considered a business, the Company allocates the goodwill of the reporting unit based on the relative fair values of the disposal group and the portion of the reporting unit remaining.

Long-Lived Assets

The Company periodically evaluates its long-lived assets, other than goodwill, for events and circumstances that indicate a potential impairment. A long-lived asset is assessed for impairment when the undiscounted expected future cash flows derived from that asset are less than its carrying value. The cash flows used for this analysis take into consideration a number of factors including past operating results, budgets and economic projections, market trends and product development cycles. The amount of any impairment would be equal to the difference between the estimated fair value of the asset, based on a discounted cash flow analysis, and its carrying value.

Revenue Recognition and Allowance for Doubtful Accounts

The Company generally recognizes revenues from sales of software and software-related products upon receipt of a signed purchase order or contract and product shipment to distributors or end users, provided that collection is reasonably assured, the fee is fixed or determinable and all other revenue recognition criteria of ASC Subtopic 985-605, *Software – Revenue Recognition*, are met. The Company often receives multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists. In addition, for certain transactions where the Company's services are non-routine or essential to the delivered products, the Company records revenues upon satisfying the criteria of ASC Subtopic 985-605 and obtaining customer acceptance. For certain audio products, software is incidental to the delivered products and services. For these products, the Company records revenues based on satisfying the criteria in ASC Subtopic 605-25, *Revenue Recognition – Multiple Element Arrangements*, and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition*. In connection with many of the Company's product sale transactions, customers may purchase a maintenance and support agreement. The Company generally recognizes revenues from maintenance contracts on a ratable basis over their term and from training, installation and other services as the services are performed.

The Company generally uses the residual method to recognize revenues when an order includes one or more elements to be delivered at a future date and evidence of the fair value of all undelivered elements exists. Under the residual method, assuming all other separation criteria are met, the fair values of the undelivered elements, typically professional services, maintenance or both, are deferred and the remaining portion of the total arrangement fee is recognized as revenues related to the delivered elements. If evidence of the fair value of one or more undelivered elements does not exist, revenues are deferred and recognized when delivery of those elements occurs or when fair value can be established. Fair value is typically based on the price charged when the same element is sold separately to customers. However, for certain transactions, fair value of maintenance is based on the renewal price that is offered as a contractual right to the customer, provided that such renewal price is substantive. The Company's current pricing practices are influenced primarily by product type, purchase volume, term and customer location. Management reviews services revenues sold separately and corresponding renewal rates on a periodic basis and updates, when appropriate, the fair value for services used for revenue recognition purposes to ensure that it reflects the Company's recent pricing experience.

In most cases, the products the Company sells do not require significant production, modification or customization of software. Installation of the products is generally routine, requires minimal effort and does not have to be performed by the Company. However, certain transactions for video products, typically those orders that include a significant number of products and may involve multiple customer sites, require that the Company perform an installation effort that is deemed to be non-routine and complex. In these situations, the Company does not recognize revenues for either the products shipped or the services performed until the installation is complete. In addition, if such orders include a customer acceptance provision, no revenues are recognized until the customer's formal acceptance of the products and services has been received.

Technical support, enhancements and unspecified upgrades typically are provided at no additional charge during an initial warranty period (generally between 30 days and twelve months), which precedes commencement of any maintenance contracts. The Company defers the fair value of this support and recognizes the related revenues ratably over the initial warranty period. The Company also from time to time offers certain customers free upgrades or specified future products or enhancements. For each of these elements that are undelivered at the time of product shipment, and provided that the Company has vendor-specific objective evidence of fair value for the undelivered element, the Company defers the fair value of the specified upgrade, product or enhancement and recognizes the related revenues only upon later delivery or at the time at which the remaining contractual terms relating to the upgrade have been satisfied.

A significant portion of the Company's revenues are derived from indirect sales channels, including authorized resellers and distributors. Resellers and distributors are generally not granted rights to return products to the Company after purchase, and actual product returns from them have been insignificant to date. However, certain channel partners are offered limited rights of return, stock rotation and price protection. In accordance with ASC Subtopic 605-15, *Revenue Recognition – Products*, the Company records a provision for estimated returns and other allowances as a reduction of revenues in the same period that related revenues are recorded. Management estimates must be made and used in connection with establishing and maintaining a sales allowance for expected returns and other credits. In making such estimates, the Company analyzes historical returns and credits and the amounts of products held by major resellers and considers the impact of new product introductions, changes in customer demand, current economic conditions and other known factors. The amount and timing of the Company's revenues for any period may be affected if actual product returns or other reseller credits prove to be materially different from the Company's estimates. To date actual returns and other allowances have not differed materially from management's estimates.

A portion of the Company's revenues from sales of consumer video-editing and audio products is derived from transactions with channel partners who have unlimited return rights and from whom payment is contingent upon the product being sold through to their customers. Accordingly, revenues for these channel partners are recognized when the products are sold through to the customer instead of being recognized at the time products are shipped to the channel partners.

The Company from time to time offers rebates on purchases of certain products or rebates based on purchasing volume that are accounted for as reductions to revenues upon shipment of related products or expected achievement of purchasing volumes. In accordance with ASC Subtopic 605-50, *Revenue Recognition – Customer Payments and Incentives*, consideration given to customers or resellers under a rebate program is recorded as a reduction to revenues because the Company does not receive an identifiable benefit that is sufficiently separable from the sale of the Company's products.

At the time of a sale transaction, the Company makes an assessment of the collectibility of the amount due from the customer. Revenues are recognized only if it is probable that collection will occur. In making this assessment, the Company considers customer credit-worthiness and historical payment experience. If the Company determines from the outset of the arrangement that collection is not probable based on the Company's credit review process, revenues are recognized on a cash-collected basis to the extent that the other criteria of ASC Subtopic 985-605 and SAB 104 are satisfied. At the outset of the arrangement, the Company assesses whether the fee associated with the order is fixed or determinable and free of contingencies or significant uncertainties. In assessing whether the fee is fixed or determinable, the Company considers the payment terms of the transaction, collection experience in similar transactions without making concessions and the Company's involvement, if any, in third-party financing transactions, among other factors.

If the fee is not fixed or determinable, revenues are recognized only as payments become due from the customer, provided that all other revenue recognition criteria are met. If a significant portion of the fee is due after the Company's normal payment terms, which are generally 30 days, but can be up to 90 days, after the invoice date, the Company evaluates whether there is sufficient history of successfully collecting past transactions with similar terms. If that collection history is successful, then revenues are recognized upon delivery of the products, assuming all other revenue recognition criteria are satisfied.

The Company maintains allowances for estimated bad debt losses resulting from the inability of its customers to make required payments for products or services. When evaluating the adequacy of the allowances, the Company analyzes accounts receivable balances, historical bad debt experience, customer concentrations, customer credit worthiness and current economic trends. To date, actual bad debts have not differed materially from management's estimates. If the financial condition of certain customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required.

The Company records as revenues all amounts billed to customers for shipping and handling costs and records its actual shipping costs as a component of cost of revenues. Reimbursements received from customers for out-of-pocket expenses are recorded as revenues, with related costs recorded as cost of revenues. The Company presents revenues net of any taxes collected from customers and remitted to a government authority.

In October 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, *Revenue Recognition*, and ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software – Revenue Recognition* (the "Updates"). ASU No. 2009-13 requires the allocation of revenue, based on the relative selling price of each deliverable, to each unit of accounting for multiple element arrangements. It also changes the level of evidence of standalone selling price required to separate deliverables by allowing a best estimate of the standalone selling price of deliverables when more objective evidence of fair value, such as vendor-specific objective evidence or third-party evidence, is not available. ASU No. 2009-14 amends Subtopic 985-605 to exclude sales of tangible products that contain both software and non-software components that function together to deliver the tangible products essential functionality from the scope of revenue recognition requirements for software arrangements. The Updates also include new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The Updates must be adopted in the same period using the same transition method and are effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, or January 1, 2011 for Avid. Early adoption is also permitted; however, early adoption during an interim period requires retrospective application from the beginning of the fiscal year. The Company will adopt the Updates prospectively on January 1, 2011 and does not believe that adoption will have a material impact on the Company's financial position or results of operations.

Advertising Expenses

All advertising costs are expensed as incurred and are classified as marketing and selling expenses. Advertising expenses during 2010, 2009 and 2008 were \$3.5 million, \$6.3 million and \$10.0 million, respectively.

As part of its advertising initiatives, the Company maintains a cooperative marketing program for certain of its resellers. Participating resellers can earn reimbursement credits of up to 1% of qualified purchases from Avid. Consideration given to these resellers is included in marketing and selling expenses in accordance with ASC Subtopic 605-50 as the Company receives an identifiable benefit that is sufficiently separable from the sale of the Company's products and can reasonably estimate the fair value of that benefit. The Company records the cooperative marketing credit earned by the reseller at the date the related revenue is recognized based on an estimate of claims to be made. To date, actual claims have not differed materially from management's estimates.

Research and Development Costs

Research and development ("R&D") costs are expensed as incurred, except for costs of internally developed or externally purchased software that qualify for capitalization. Development costs for software to be sold that are incurred subsequent to the establishment of technological feasibility, but prior to the general release of the product, are capitalized in accordance with ASC Subtopic 985-20, *Software – Costs of Software to be Sold, Leased or Marketed*. Internally developed software costs capitalized during the years ended December 31, 2010, 2009 or 2008 were not material. Upon general release, these costs are amortized using the straight-line method over the expected life of the related products, generally 12 to 36 months. The straight-line method generally results in approximately the same amount of expense as that calculated using the ratio that current period gross product revenues bear to total anticipated gross product revenues. Capitalized software development costs amortized to cost of product revenues were \$1.0 million, \$1.4 million and \$1.6 million, respectively, for the years ended December 31, 2010, 2009 and 2008.

The Company evaluates the net realizable value of capitalized software at each balance sheet date, considering a number of business and economic factors. Unamortized capitalized software development costs were \$1.6 million and \$1.5 million at December 31, 2010 and 2009, respectively.

Income Taxes

The Company accounts for income taxes under ASC Topic 740, *Income Taxes*. ASC Topic 740 defines an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. ASC Topic 740 further requires that a tax position must be more likely than not to be sustained before being recognized in the financial statements, as well as the accrual of interest and penalties as applicable on unrecognized tax positions.

Computation of Net Income (Loss) Per Common Share

Net income (loss) per common share is presented for both basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). Basic EPS is based on the weighted-average number of common shares outstanding during the period, excluding non-vested restricted stock held by employees. Diluted EPS is based on the weighted-average number of common and potential common shares outstanding during the period. Potential common shares result from the assumed exercise of outstanding stock options and warrants as well as non-vested restricted stock and restricted stock units, the proceeds and remaining unrecorded compensation expense of which are then assumed to have been used to repurchase outstanding common stock using the treasury stock method. For periods when the Company reports a loss, all potential common stock is considered anti-dilutive. For periods when the Company reports net income, potential common shares with combined purchase prices and unamortized compensation cost in excess of the Company's average common stock fair value for the related period or that are contingently issuable are considered anti-dilutive. The contingently issuable potential common shares result from certain stock options and restricted stock units granted to the Company's executive officers that vest based on performance and market conditions (see Note O).

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), which includes foreign currency translation adjustments and unrealized gains and losses on certain investments. For the purposes of comprehensive income disclosures, the Company does not record tax provisions or benefits for the net changes in the foreign currency translation adjustment, as the Company intends to permanently reinvest undistributed earnings in its foreign subsidiaries.

Accumulated other comprehensive income consisted of the following at December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Cumulative translation adjustments	\$ 7,717	\$ 7,620
Net unrealized losses on defined benefit plan and marketable securities	(449)	(364)
Accumulated other comprehensive income	<u>\$ 7,268</u>	<u>\$ 7,256</u>

Accounting for Stock-Based Compensation

The Company's stock-based employee compensation plans, which are described more fully in Note O, allow the Company to grant stock awards, options, or other equity-based instruments, or a combination thereof, as part of its overall compensation strategy. For stock-based awards granted, the Company records stock-based compensation cost based on the fair value estimated in accordance with ASC Topic 718, *Compensation – Stock Compensation*, over the requisite service periods for the individual awards, which generally equals the vesting period. The vesting of stock-based award grants may be based on time, performance, market conditions or a combination of performance and market conditions.

The fair values of restricted stock and restricted stock unit awards with time-based vesting are based on the intrinsic values of the awards at the date of grant. As permitted under ASC Topic 718, the Company uses the Black-Scholes option pricing model to estimate the fair value of stock option grants with time-based vesting. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. The assumed dividend yield of zero is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected stock-price volatility assumption is based on recent (six-month trailing) implied volatility calculations. These calculations are performed on exchange traded options of the Company's common stock, based on the implied volatility of long-term (9- to 39-month term) exchange-traded options, which is consistent with the requirements of ASC Topic 718. The Company believes 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, the Company considers the exercise behavior of past grants and models the pattern of aggregate exercises.

The following table sets forth the weighted-average key assumptions and fair value results for stock options with time-based vesting granted during the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	1.77%	1.94%	2.49%
Expected volatility	45.9%	55.6%	41.0%
Expected life (in years)	4.54	4.58	4.47
Weighted-average fair value of options granted (per share)	\$5.58	\$6.12	\$7.95

The Company also issues stock option grants or restricted stock unit awards with vesting based on market conditions, specifically the Company's stock price, or a combination of performance, generally the Company's return on equity, and market conditions. The compensation costs and derived service periods for such grants are 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 are also estimated using the Black-Scholes valuation method factored for the estimated probability of achieving the performance goals, and compensation costs for these grants are recorded based on the higher estimate for each vesting tranche. For restricted stock unit awards with vesting based on a combination of performance and market conditions, the compensation costs are also estimated based on the intrinsic values of the awards at the date of grant factored for the estimated probability of achieving the performance goals, and compensation costs for these grants are also recorded based on the higher estimate for each vesting tranche. For each stock option grant and restricted stock award with vesting based on a combination of performance and market conditions where vesting will occur if either condition is met, the related compensation costs are recognized over the shorter of the derived service period or implicit service period.

The following table sets forth the weighted-average key assumptions and fair value results for stock options with vesting based on market conditions or a combination of performance and market conditions granted during the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	2.86%	3.25%	3.53%
Expected volatility	46.0%	54.3%	40.3%
Expected life (in years)	3.51	3.79	4.33
Weighted-average fair value of options granted (per share)	\$4.44	\$5.41	\$6.44

The following table sets forth the weighted-average key assumptions and fair value results for restricted stock units with vesting based on market conditions or a combination of performance and market conditions granted during the years ended December 31, 2010 and 2008. No restricted stock units with vesting based on market conditions or a combination of performance and market conditions were granted during the year ended December 31, 2009.

	<u>2010</u>	<u>2008</u>
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	4.09%	3.29%
Expected volatility	46.7%	39.0%
Expected life (in years)	4.49	4.17
Weighted-average fair value of awards granted	\$10.71	\$18.61

During 2010, the Company modified the vesting terms of certain outstanding stock options that had vesting based on market conditions. The modifications, which affected 16 employees, provide that the vesting of the underlying shares can also occur based on the achievement of certain additional performance-based criteria and resulted in a total incremental compensation charge of \$0.9 million, which is being recognized over the remaining derived service period of the stock options. The incremental compensation costs for the option modifications were based on the excess fair values of the modified options immediately after the modification, which were estimated using the Black Scholes valuation method factored for the estimated probability of achieving the performance goals, compared to the fair values immediately before the modification estimated using the Monte Carlo valuation method.

The Company estimates forfeiture rates at the time awards are made based on historical and estimated future turnover rates and applies these rates in the calculation of estimated compensation cost. The estimation of forfeiture rates includes a quarterly review of historical turnover rates and an update of the estimated forfeiture rates to be applied to employee classes for the calculation of stock-based compensation. During 2010 and 2009, forfeiture rates for the calculation of stock-based compensation were estimated and applied based on three classes, non-employee directors, executive management staff and other employees. At December 31, 2010, the Company's annualized estimated forfeiture rates were 0% for non-employee director awards and 10% for both executive management staff and other employee awards. Then-current estimated forfeiture rates are also applied quarterly to all outstanding stock options and non-vested restricted stock awards, which may result in a revised estimate of compensation costs related to these stock-based grants.

If factors change and the Company employs different assumptions for estimating stock-based compensation expense in future periods, or if the Company decides to use a different valuation model, the stock-based compensation expense recognized in future periods may differ significantly from what has been recorded in the current period and could materially affect the Company's 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 the Company's option grants.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC topic 605, *Revenue Recognition*, and Accounting Standards Update No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC subtopic 985-605, *Software – Revenue Recognition*. See the section titled "Revenue Recognition and Allowance for Doubtful Accounts" in this note for a further discussion of this guidance.

C. CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash and Cash Equivalents

The Company held no available for sale securities classified as cash equivalents at December 31, 2010.

The costs (amortized costs of debt instruments) and fair values of the Company's available for sale securities classified as cash equivalents at December 31, 2009 were as follows (in thousands):

	<u>Costs</u>	<u>Net Unrealized Losses</u>	<u>Fair Values</u>
Money market	\$ 10,977	\$ —	\$ 10,977
Certificates of deposit	750	—	750
Commercial paper	1,500	(1)	1,499
	<u>\$ 13,227</u>	<u>\$ (1)</u>	<u>\$ 13,226</u>

Marketable Securities

The Company held no marketable securities at December 31, 2010.

The costs (amortized cost of debt instruments) and fair values of marketable securities at December 31, 2009 were as follows (in thousands):

	<u>Costs</u>	<u>Net Unrealized Gains (Losses)</u>	<u>Fair Values</u>
Certificates of deposit	\$ 3,400	\$ 1	\$ 3,401
Commercial paper	1,000	(1)	999
Municipal bonds	7,465	1	7,466
Corporate bonds	1,256	3	1,259
Foreign bonds	2,477	—	2,477
Asset-backed securities	6	—	6
Agency bonds	1,001	1	1,002
Agency discount notes	750	—	750
	<u>\$ 17,355</u>	<u>\$ 5</u>	<u>\$ 17,360</u>

Realized gains and losses from the sale of marketable securities were not material for the years ended December 31, 2010, 2009 and 2008.

D. FOREIGN CURRENCY FORWARD CONTRACTS

During 2010, the Company began to use foreign currency forward contracts to hedge the foreign exchange currency risk associated with certain forecasted euro-denominated sales transactions. These contracts are designated and qualify as cash flow hedges under the criteria of ASC Topic 815. Changes in the fair value of the effective portion of derivatives designated and qualifying as cash flow hedges is initially reported as a component of accumulated other comprehensive income in stockholders' equity and subsequently reclassified into revenues at the time the hedged transactions affect earnings. The ineffective portion of the change in fair value is recognized directly into earnings. To date no amounts have been recorded as a result of hedging ineffectiveness.

At December 31, 2010, the Company did not hold any foreign currency forward contracts as hedges against forecasted foreign-currency-denominated sales transactions.

The following tables set forth the effect of the Company's foreign currency forward contracts designated as hedging instruments on the Company's statements of operations during the year ended December 31, 2010 (in thousands):

Derivatives Designated as Hedging Instruments under ASC Topic 815	Amount of Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Revenues (Effective Portion)
Foreign currency forward contracts	(\$1,761)

As a hedge against the foreign exchange exposure of certain forecasted receivables, payables and cash balances of foreign subsidiaries, the Company enters into short-term foreign currency forward contracts. The changes in fair value of the foreign currency forward contracts intended to offset foreign currency exchange risk on cash flows associated with net monetary assets are recorded as gains or losses in the Company's statement of operations in the period of change, because they do not meet the criteria of ASC Topic 815 to be treated as hedges for accounting purposes. There are two objectives of the Company's foreign currency forward contract program: (1) to offset any foreign currency exchange risk associated with cash receipts expected to be received from the Company's customers and cash payments expected to be made to the Company's vendors over the next 30-day period and (2) to offset the impact of foreign currency exchange on the Company's 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.

At December 31, 2010 and 2009, the Company had foreign currency forward contracts outstanding with notional values of \$47.4 million and \$46.2 million, respectively, as hedges against forecasted foreign-currency-denominated receivables, payables and cash balances. The following table sets forth the balance sheet locations and fair values of the Company's foreign currency forward contracts at December 31, 2010 and 2009 (in thousands):

Derivatives Not Designated as Hedging Instruments under ASC Topic 815	Balance Sheet Location	Fair Value at December 31, 2010	Fair Value at December 31, 2009
Financial assets:			
Foreign currency forward contracts	Other current assets	\$389	\$1,162
Financial liabilities:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	\$1	\$546

The following table sets forth the net foreign exchange gains and losses recorded as marketing and selling expenses in the Company's statements of operations during the years ended December 31, 2010, 2009 and 2008 that resulted from the Company's foreign exchange contracts not designated as hedging instruments and the revaluation of the related hedged items (in thousands):

Derivatives Not Designated as Hedging Instruments under ASC Topic 815	Net (Loss) Gain Recorded in Marketing and Selling Expenses		
	2010	2009	2008
Foreign currency forward contracts	(\$880)	\$1,416	(\$984)

See Note E for additional information on the fair value measurements for all financial assets and liabilities, including derivative assets and derivative liabilities, that are measured at fair value on a recurring basis.

E. FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements and Disclosure*, 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

On a recurring basis, the Company measures certain financial assets and liabilities at fair value, including cash equivalents, marketable securities and foreign-currency forward contracts. All of the Company's financial assets and liabilities were classified as either Level 1 or Level 2 in the fair value hierarchy at December 31, 2010 and 2009. Instruments valued using quoted market prices in active markets and classified as Level 1 are primarily money market securities and deferred compensation investments. Instruments valued based on other observable inputs and classified as Level 2 include commercial paper; certificates of deposit; asset-backed obligations; discount notes; foreign currency contracts; corporate, municipal, agency and foreign bonds; and benefit-related contracts.

The following tables summarize the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis at December 31, 2010 and 2009 (in thousands):

	December 31, 2010	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:				
Benefit plan and deferred compensation assets	\$ 1,795	\$ 998	\$ 797	\$ —
Foreign currency forward contracts	389	—	389	—
Financial Liabilities:				
Benefit plan and deferred compensation obligations	\$ 4,226	\$ 998	\$ 3,228	\$ —
Foreign currency forward contracts	1	—	1	—

	December 31, 2009	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 (a)	\$ 30,586	\$ 10,977	\$ 19,609	\$ —
Benefit plan and deferred compensation assets	1,292	808	484	—
Foreign currency forward contracts	1,162	—	1,162	—
Financial Liabilities:				
Benefit plan and deferred compensation obligations	\$ 1,656	\$ 808	\$ 848	\$ —
Foreign currency forward contracts	546	—	546	—

(a) At December 31, 2009, available for sale securities valued using quoted market prices in active markets and classified as Level 1 were primarily money market securities. Available for sale securities valued using other observable inputs and classified as Level 2 include commercial paper; certificates of deposit; asset-backed obligations; discount notes; and corporate, municipal, agency and foreign bonds.

The Company uses the following valuation techniques to determine fair values of its available for sale securities.

- **Money Market:** The fair value of the Company's money market fund investment is determined using the unadjusted quoted price from an active market of identical assets.
- **Commercial Paper and Certificates of Deposit:** The fair values for the Company's commercial paper holdings and certificates of deposit are derived from a pricing model, using the straight-line amortized cost method, and incorporating observable inputs including maturity date, issue date, credit rating of the issuer, current commercial paper rate and settlement date.
- **Corporate, Municipal and Foreign Bonds:** The determination of the fair value of corporate, municipal and foreign bonds includes the use of observable inputs from market sources and incorporating relative credit information, observed market movements and sector news into a pricing model.

- **Asset-Backed Obligations:** The fair value of asset-backed obligations is determined using a pricing methodology based on observable market inputs including an analysis of pricing, spread and volatility of similar asset-backed obligations. Using the market inputs, cash flows are generated for each tranche, the benchmark yield is determined and deal collateral performance and other market information is incorporated to determine the appropriate spreads.
- **Agency Bonds & Discount Notes:** The fair value of agency bonds and discount note investments is determined using observable market inputs for benchmark yields, base spreads, yield to maturity and relevant trade data.

Foreign currency forward contracts are measured at fair value on a recurring basis based on the changes in fair value of the foreign currency forward contracts. See Note D for information on the Company's foreign currency forward contracts.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following tables summarize the Company's fair value hierarchy for assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2010 and 2009 (in thousands):

	Year Ended December 31, 2010	Fair Value Measurements Using			Total Related Expenses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Liabilities:					
Facilities-related restructuring accruals	\$ 4,718	\$ —	\$ 4,718	\$ —	\$ 4,718

	Year Ended December 31, 2009	Fair Value Measurements Using			Total Related Expenses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:					
Assets held-for-sale	\$ 408	\$ —	\$ 408	\$ —	\$ 3,198
Liabilities:					
Facilities-related restructuring accruals	\$ 11,446	\$ —	\$ 11,446	\$ —	\$ 11,446

The Company typically uses the following valuation techniques to determine fair values of assets and liabilities measured on a nonrecurring basis:

- **Goodwill:** When performing goodwill impairment tests, the Company estimates the fair value of its reporting units using an income approach, which is generally a discounted cash flow methodology that includes assumptions for, among other things, forecasted revenues, gross profit margins, operating profit margins, working capital cash flow, growth rates, income tax rates, expected tax benefits and long-term discount rates, all of which require significant judgments by management. The Company also considers comparable market data based on multiples of revenue as well as the reconciliation of the Company's market capitalization to the total fair value of its reporting units. If the estimated fair value of any reporting unit is less than its carrying value, an impairment exists.
- **Intangible Assets:** When performing an intangible asset impairment test, the Company estimates the fair value of the asset using a discounted cash flow methodology, which includes assumptions for, among other things, budgets and economic projections, market trends, product development cycles and long-term discount rates. If the estimated fair value of the asset is less than its carrying value, an impairment exists.
- **Assets Held-for-Sale:** A disposal group classified as held-for-sale is measured at the lower of its carrying amount or fair value less the cost to sell. The Company estimates the fair value of assets held-for-sale at the lower of cost or the average selling price in available markets. The assets held-for-sale at December 31, 2009 were related to the Company's sale of the PCTV product line in 2008.

- **Facilities-Related Restructuring Accruals:** During the years ended December 31, 2010 and 2009, the Company recorded accruals associated with exiting all or portions of certain leased facilities. The Company estimates the fair value of such liabilities, which are discounted to net present value at an assumed risk-free interest rate, based on observable inputs, including the remaining payments required under the existing lease agreements, utilities costs based on recent invoice amounts, and potential sublease receipts based on quoted market prices for similar sublease arrangements.

F. ACCOUNTS RECEIVABLE

Accounts receivable, net of allowances, consisted of the following at December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 118,320	\$ 96,088
Less:		
Allowance for doubtful accounts	(3,051)	(3,219)
Allowance for sales returns and rebates	(14,098)	(13,128)
	<u>\$ 101,171</u>	<u>\$ 79,741</u>

The accounts receivable balances at December 31, 2010 and 2009, exclude approximately \$16.1 million and \$17.3 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.

G. INVENTORIES

Inventories consisted of the following at December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Raw materials	\$ 12,147	\$ 14,592
Work in process	411	2,559
Finished goods	95,799	60,092
	<u>\$ 108,357</u>	<u>\$ 77,243</u>

At December 31, 2010 and 2009, the finished goods inventory included inventory at customer locations of \$12.5 million and \$10.6 million, respectively, associated with products shipped to customers for which revenues had not yet been recognized.

During 2010, the Company determined it was appropriate to revise the way it classifies certain portions of its inventory. As a result, approximately \$3.1 million of inventory previously reported as work in process at December 31, 2009 has been included as finished goods inventory for the current presentation.

The decrease in raw materials and work in process at December 31, 2010, which was offset by an increase in finished goods, was related to the Company's increased use of contractors to manufacture our products, components and subassemblies.

H. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2010 and 2009 (in thousands):

	<u>Depreciable Life</u>	<u>2010</u>	<u>2009</u>
Computer and video equipment and software	2 to 5 years	\$ 125,690	\$ 115,248
Manufacturing tooling and testbeds	3 to 5 years	6,234	6,428
Office equipment	3 to 5 years	2,158	3,404
Furniture and fixtures	3 to 8 years	12,745	10,378
Leasehold improvements	1 to 10 years	39,629	31,777
		<u>186,456</u>	<u>167,235</u>
Less accumulated depreciation and amortization		<u>123,937</u>	<u>130,018</u>
		<u>\$ 62,519</u>	<u>\$ 37,217</u>

During 2010, leasehold improvements, furniture and equipment related to the relocation of the Company's corporate offices to Burlington, Massachusetts were placed in service and resulted in fixed asset additions of approximately \$31.7 million, including a non-cash addition of \$6.0 million resulting from landlord leasehold improvement funding. During the same period, the Company wrote off fixed assets related to the closure of the Company's former headquarters facility with gross book values and net book values of approximately \$22.7 million and \$0.1 million, respectively.

The Company wrote off fixed assets with gross values of \$26.0 million, \$2.2 million and \$27.6 million in 2010, 2009 and 2008, respectively. Depreciation and amortization expense related to property and equipment was \$19.4 million, \$18.2 million and \$20.9 million for the years ended December 31, 2010, 2009 and 2008, respectively.

I. ACQUISITIONS

On January 1, 2009, the Company adopted ASC topic 805, *Business Combinations* (formerly SFAS No. 141 (revised 2007), *Business Combinations*), which made significant changes to the accounting and reporting standards for business acquisitions. ASC topic 805 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. It also requires the acquirer to recognize direct acquisition costs as an expense in the statement of operations and 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. Additionally, ASC topic 805 provides guidance for, among other things, the impairment testing of acquired research and development intangible assets and assets that the acquirer intends not to use. The Company applied the accounting provisions of ASC topic 805 to acquisitions completed during 2009 and 2010, and the impact of adoption of ASC topic 805 is reflected in the Company's consolidated financial statements as of and for the years ended December 31, 2010 and 2009.

Euphonix, Inc.

On April 21, 2010, the Company acquired Euphonix, Inc. (“Euphonix”), a California-based provider of large-format digital audio consoles, media controllers and peripherals, for cash, net of cash acquired, of \$10.9 million and 327,439 shares of the Company’s common stock valued at \$5.8 million. A preliminary allocation performed from the date of acquisition through December 31, 2010 allocated the purchase price as follows (in thousands):

Tangible assets acquired, net	\$ 1,832
Identifiable intangible assets:	
Developed technology	2,200
Customer relationships	1,700
Trademarks and trade name	700
Non-compete agreement	200
Goodwill	10,525
Deferred tax liabilities, net	(460)
Total assets acquired	<u>\$ 16,697</u>

The Company used the income approach to determine the values of the identifiable intangible assets. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset discounted to present value. The weighted-average discount rate (or rate of return) used to determine the value of Euphonix’s intangible assets was 23% and the effective tax rate used was 35%.

The values of the customer relationships, trademarks and trade names and non-compete agreement are being amortized on a straight-line basis over their estimated useful lives of four years, two years and two years, respectively. The value of the developed technology is being amortized over the greater of the amount calculated using the ratio of current quarter revenues to the total of current quarter and anticipated future revenues, and the straight-line method, over the estimated useful life of three years. The weighted-average amortization period for these amortizable identifiable intangible assets is approximately 3.2 years. Amortization expense for Euphonix identifiable intangible assets totaled \$1.1 million for the year ended December 31, 2010.

The goodwill, which is not deductible for tax purposes, reflects the value of the assembled workforce and the company-specific synergies the Company expects to realize by selling Euphonix’s digital audio consoles, media controllers and peripherals to its existing customers.

The Company is continuing its evaluation of the information necessary to determine the fair value of the acquired assets and liabilities of Euphonix. Once this evaluation is complete, which in no event will occur more than one year from the date of acquisition, the Company will finalize the purchase price allocation.

The results of operations of Euphonix have been included prospectively in the results of operations of the Company since the date of acquisition. The Company’s results of operations giving effect to the Euphonix acquisition as if it had occurred at the beginning of 2009 would not differ materially from reported results.

Blue Order Solutions AG

On January 5, 2010, the Company acquired all the outstanding shares of Blue Order Solutions AG (“Blue Order”), a Germany-based developer and provider of workflow and media asset management solutions, for cash, net of cash acquired, of \$16.1 million. A preliminary allocation of the purchase price performed from the date of acquisition through December 31, 2010 allocated the purchase price as follows (in thousands):

Tangible liabilities assumed, net	\$ (2,480)
Identifiable intangible assets:	
Core technology	4,597
Customer relationships	3,160
Non-compete agreements	1,293
Trademarks and trade name	287
Goodwill	9,816
Deferred tax liabilities, net	(586)
Total assets acquired	<u>\$ 16,087</u>

The Company used the cost approach to value the core technology intangible asset and the income approach to determine the values of the customer relationships, non-compete agreements and trademarks and trade names intangible assets. The cost approach measures the value of an asset by quantifying the aggregate expenditures that would be required to replace the asset. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset discounted to present value. The weighted-average discount rate (or rate of return) used to determine the value of Blue Order’s intangible assets was 20% and the effective tax rate used was 30%.

The values of the customer relationships, non-compete agreements, and trademarks and trade names are being amortized on a straight-line basis over their estimated useful lives of four years, three years and two years, respectively. The value of the developed technology is being amortized over the greater of the amount calculated using the ratio of current quarter revenues to the total of current quarter and anticipated future revenues, and the straight-line method, over the estimated useful life of three and one-half years. The weighted-average amortization period for these amortizable identifiable intangible assets is approximately 3.6 years. Amortization expense for Blue Order identifiable intangible assets totaled \$2.4 million for the year ended December 31, 2010.

The goodwill, which is not deductible for tax purposes, reflects the value of the assembled workforce and the customer-specific synergies the Company expects to realize by incorporating Blue Order’s workflow and media asset management technology into future solutions offered to customers.

The Company is continuing its evaluation of the information necessary to determine the fair value of the acquired assets and liabilities of Blue Order. Once this evaluation is complete, which in no event will occur more than one year from the date of acquisition, the Company will finalize the purchase price allocation.

The results of operations of Blue Order have been included prospectively in the results of operations of the Company since the date of acquisition. The Company’s results of operations giving effect to the Blue Order acquisition as if it had occurred at the beginning of 2009 would not differ materially from reported results.

MaxT Systems Inc.

On July 31, 2009, the Company acquired all the outstanding shares of MaxT Systems Inc. (“MaxT”), a Canada-based developer of server-based media management and editing technology, for cash, net of cash acquired, of \$4.4 million. The results of operations of MaxT have been included prospectively in the results of operations of the Company since the date of acquisition. The Company’s results of operations giving effect to the MaxT acquisition as if it had occurred at the beginning of 2008 would not differ materially from reported results.

J. DIVESTITURES

In November 2008, the Company sold its Softimage 3D animation product line, which was part of its former Professional Video segment, to Autodesk, Inc. The Company received \$26.5 million of the \$33.5 million dollar purchase price in the fourth quarter of 2008, with the remaining balance to be held in escrow with scheduled distribution dates in 2009 and 2010. Goodwill of \$15.8 million and amortizing intangible assets of \$0.2 million were included in the assets sold as part of this divestiture. In 2008, the Company recognized a gain of approximately \$11.5 million as a result of this transaction, which did not include the proceeds held in escrow. In 2009 and 2010, the Company recorded further gains of \$3.5 million in each year as a result of the release of funds from escrow.

In accordance with ASC Topic 805, *Business Combinations*, the Company determined that the Softimage 3D animation product line constituted a business, and, therefore, the gain on sale of this business included an allocation of \$15.8 million of goodwill from the former Professional Video reporting unit. Even though the Softimage 3D animation product line constituted a business, the Company determined that this business did not represent a component of the Company that would require the presentation of the divestiture as a discontinued operation. This decision was based on the fact that the Softimage 3D animation product line did not have operations or cash flows that were clearly distinguishable and largely independent from the rest of the former Professional Video reporting unit.

In December 2008, the Company sold its PCTV product line, which was part of its former Consumer Video segment, to Hauppauge Digital, Inc. for total proceeds of approximately \$4.7 million comprised of \$2.2 million in cash and a note valued at \$2.5 million. The note was fully paid in 2009. Amortizing intangible assets with a value of \$1.6 million were included in the assets sold as part of this divestiture. In 2008, the Company recognized a gain of approximately \$1.8 million as a result of this transaction. In accordance with ASC Topic 805, the Company determined that the divested PCTV product line assets would not be able to continue as a normal, self-sustaining operation and, therefore, did not constitute a business and also should not be reported as a discontinued operation.

At the time of the divestiture, PCTV inventory valued at \$7.5 million was classified as held-for-sale by the Company in accordance with ASC Section 360-10-45, *Property, Plant and Equipment – Overall – Other Presentation Matters*, and included in “other current assets” in the Company’s consolidated balance sheet. As a condition of the sale, the buyer was required to reimburse the Company for any PCTV inventory sold by the buyer. During 2009, the Company recorded a loss on the sale of assets of \$3.2 million related to the Company’s sale of the PCTV product line as a result of the write-down of PCTV inventory classified as held-for-sale. At December 31, 2009, the Company had inventory classified as held-for-sale of \$0.4 million that was included in “other current assets” in the Company’s consolidated balance sheets. During 2010, this remaining inventory was sold and the Company recorded a gain on the sale of assets of \$0.5 million.

K. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

Goodwill resulting from the Company’s acquisitions consisted of the following at December 31, 2010, 2009 and 2008 (in thousands):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Goodwill acquired	\$ 418,897	\$ 399,095	\$ 397,275
Accumulated impairment losses	(171,900)	(171,900)	(171,900)
Goodwill	<u>\$ 246,997</u>	<u>\$ 227,195</u>	<u>\$ 225,375</u>

Changes in the carrying amount of the Company's goodwill consisted of the following (in thousands):

	Total
Goodwill balance at December 31, 2008	\$ 225,375
MaxT acquisition purchase accounting allocation	1,919
Foreign exchange and other adjustments	(99)
Goodwill balance at December 31, 2009	227,195
Blue Order acquisition purchase accounting allocation	9,816
Euphonix acquisition purchase accounting allocation	10,525
Foreign exchange and other adjustments	(539)
Goodwill balance at December 31, 2010	\$ 246,997

As described in Note B, the Company performs its annual goodwill impairment analysis in the fourth quarter of each year. In accordance with ASC Subtopic 350-20, *Intangibles – Goodwill and Others – Goodwill*, a two step process is used to test for goodwill impairment. The first step determines if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value including existing goodwill. Upon an indication of impairment from the first step, a second step is performed to determine if goodwill impairment exists. To estimate the fair value of its reporting unit for step one, the Company utilizes a combination of income and market approaches. The income approach, specifically a discounted cash flow methodology, includes assumptions for, among others, forecasted revenues, gross profit margins, operating profit margins, working capital cash flow, growth rates, income tax rates, expected tax benefits and long term discount rates, all of which require significant judgments by management. The market approach considers the reconciliation of the Company's market capitalization to the total fair value of its reporting unit. The Company's annual goodwill analysis performed in the fourth quarter of 2010 indicated there was no goodwill impairment at December 31, 2010.

In the fourth quarter of 2008, due to the significant decline in the Company's stock price, increased uncertainty of future revenue levels due to unfavorable macroeconomic conditions and the divestiture of the PCTV product line, the Company's step one testing determined that the carrying values of the former Audio and former Consumer Video reporting units exceeded their fair values, indicating possible goodwill impairments for these reporting units. No impairment was indicated for the former Professional Video reporting unit. As required, the Company initiated step two of the goodwill impairment test for the former Audio and former Consumer Video reporting units. The fair values of these reporting units were then allocated among their respective tangible and intangible assets and liabilities to determine the implied fair value of each reporting unit's goodwill. The fair values of the intangible assets were estimated using various valuation models based on different approaches, including the multi-period excess cash flows approach, royalty savings approach and avoided-cost approach. These approaches include assumptions for, among others, customer retention rates, trademark royalty rates, costs to complete in-process technology and long-term discount rates, all of which require significant judgments by management. Because the book values of the former Audio and former Consumer Video reporting units' goodwill exceeded the implied fair values by approximately \$64.3 million and \$8.0 million, respectively, the Company recorded these amounts as impairment losses during the quarter ended December 31, 2008.

In September 2008, as a result of a decrease in market value for, and the expected sale of, the Company's PCTV product line, which had historically accounted for a significant portion of the former Consumer Video segment revenues, the Company tested the goodwill assigned to its former Consumer Video reporting unit for impairment. An estimate of the fair value of the former Consumer Video reporting unit was calculated using a discounted cash flow valuation model similar to that used in valuing the 2005 acquisition of Pinnacle and updated for then-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 goodwill. Because the book value of Consumer Video goodwill exceeded the implied fair value by \$46.6 million, the Company recorded this amount as an impairment loss during the quarter ended September 30, 2008.

Amortizing Identifiable Intangible Assets

Amortizing identifiable intangible assets related to the Company's acquisitions consisted of the following at December 31, 2010 and 2009 (in thousands):

	2010			2009		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Completed technologies and patents (a)	\$ 74,820	\$ (68,026)	\$ 6,794	\$ 68,186	\$ (64,609)	\$ 3,577
Customer relationships (a)	68,330	(47,344)	20,986	63,653	(40,221)	23,432
Trade names (a)	14,772	(13,737)	1,035	13,800	(11,668)	2,132
License agreements	560	(560)	—	560	(560)	—
Non-compete covenants (a)	1,576	(641)	935	162	(68)	94
	<u>\$ 160,058</u>	<u>\$ (130,308)</u>	<u>\$ 29,750</u>	<u>\$ 146,361</u>	<u>\$ (117,126)</u>	<u>\$ 29,235</u>

(a) The December 31, 2010 gross amounts include the additions of \$9.3 million for intangible assets related to the January 2010 acquisition of Blue Order and \$4.8 million for intangible assets related to the April 2010 acquisition of Euphonix, partially offset by foreign currency translation adjustments of approximately \$0.4 million. See Note 1 for further information regarding the identifiable intangible assets acquired from Blue Order and Euphonix.

Amortization expense related to all intangible assets in the aggregate was \$13.0 million, \$12.5 million and \$20.4 million, respectively, for the years ended December 31, 2010, 2009 and 2008. The Company expects amortization of these intangible assets to be approximately \$11 million in 2011, \$7 million in 2012, \$5 million in 2013, \$3 million in 2014, \$2 million in 2015 and \$2 million thereafter.

In connection with the goodwill impairment loss taken for the former Audio and former Consumer Video reporting units in the fourth quarter of 2008, the Company reviewed the Audio and Consumer Video identifiable intangible assets for possible impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (now ASC Section 360-10-35, *Property, Plant and Equipment – Overall – Subsequent Measurement*). This analysis included grouping the intangible assets with other operating assets and liabilities in the former Consumer Video reporting unit 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. The Audio analysis determined that the undiscounted cash flows of the long-lived assets were greater than their carrying value, indicating no impairment existed. The Consumer Video analysis determined that the undiscounted cash flows of that reporting unit's 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 of this analysis, it was determined that the Consumer Video customer relationships and trade name intangible assets were impaired, and the Company recorded impairment losses of \$5.6 million and \$0.8 million, respectively.

In September 2008, as a result of a decrease in market value for, and the then expected sale of, the Company's PCTV product line, the Company tested the former Consumer Video reporting unit's identifiable intangible assets for impairment. The Company's 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 an impairment loss of \$4.7 million to write this asset down to its current fair value.

L. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Long-term deferred tax liabilities, net	\$ 2,154	\$ 2,519
Long-term deferred revenue	8,923	7,296
Long-term deferred rent	11,094	1,974
Long-term accrued restructuring	3,138	2,694
	<u>\$ 25,309</u>	<u>\$ 14,483</u>

M. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases its office space and certain equipment under non-cancelable operating leases. The future minimum lease commitments under these non-cancelable leases at December 31, 2010 were as follows (in thousands):

<u>Year</u>		
2011	\$	21,040
2012		16,642
2013		15,367
2014		13,373
2015		9,110
Thereafter		31,592
Total	<u>\$</u>	<u>107,124</u>

Included in the operating lease commitments above are obligations under leases for which the Company has vacated the underlying facilities as part of various restructuring plans. These leases expire at various dates through 2017 and represent an aggregate obligation of \$12.5 million through 2017. The Company does not currently have sublease income related to portions of the restructured space. The Company has restructuring accruals of \$6.9 million at December 31, 2010, which represents the difference between this aggregate future obligation and expected future sublease income under actual or estimated potential sublease agreements, on a net present value basis, as well as other facilities-related obligations (see Note R).

The Company's leases for corporate office space in Burlington, Massachusetts, which expire in May 2020, contain renewal options to extend the respective terms of each lease for up to two additional five year periods. The Company has some leases for office space that have early termination options, which, if exercised by the Company, would result in penalties of approximately \$0.6 million in the aggregate. The future minimum lease commitments above include the Company's obligations through the original lease terms and do not include these penalties.

The accompanying consolidated results of operations reflect rent expense on a straight-line basis over the term of the leases. Total rent expense under operating leases, net of operating subleases, was approximately \$19.2 million, \$19.2 million and \$22.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. Total rent received from the Company's operating subleases was approximately \$1.1 million, \$1.8 million and \$2.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company has three letters of credit at a bank that are used as security deposits in connection with the Company's Burlington, Massachusetts office space. In the event of default on the underlying leases, the landlords would, at December 31, 2010, be eligible to draw against the letters of credit to a maximum of \$2.6 million in the aggregate. The letters of credit are subject to aggregate reductions of approximately \$0.4 million at the end of each of the second, third and fifth years, provided the Company is not in default of the underlying leases and meets certain financial performance conditions. In no case will the letters of credit amounts be reduced to below \$1.3 million in the aggregate throughout the lease periods, all of which extend to May 2020. At December 31, 2010, the Company was not in default of any of the underlying leases.

The Company also has a standby letter of credit at a bank that is used as a security deposit in connection with the Company's Daly City, California office space lease. In the event of default on this lease, the landlord would, at December 31, 2010, be eligible to draw against this letter of credit to a maximum of \$0.8 million. The letter of credit will remain in effect at this amount throughout the remaining lease period, which extends to September 2014. At December 31, 2010, the Company was not in default of this lease.

Purchase Commitments and Sole-Source Suppliers

At December 31, 2010, the Company had entered into non-cancelable purchase commitments for certain inventory components used in its normal operations. The purchase commitments covered by these agreements are generally less than one year and in the aggregate total approximately \$77.0 million.

The Company depends on sole-source suppliers for certain key hardware components of its products. If any of these sole-source suppliers cease, suspend or otherwise limit production or shipment of their hardware components, or adversely modify purchasing terms or pricing structures, the Company's ability to sell and service its products may be impaired. The Company procures product components and builds inventory based on forecasts of product life cycle and customer demand. If the Company is unable to provide accurate forecasts or manage inventory levels in response to shifts in customer demand, the Company may have insufficient, excess or obsolete product inventory.

Transactions with Recourse

The Company has in the past, through third parties, provided lease financing options to its customers, including end users and, on a limited basis, resellers. This program was terminated by mutual agreement among the parties in the fourth quarter of 2008; however, balances outstanding as of the termination date continue to be collected by the third-party lessors as they become due. During the terms of these leases, which are generally three years, the Company may remain 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 December 31, 2010 and 2009, the Company's maximum recourse exposure totaled approximately \$1.0 million and \$2.5 million, respectively. The Company recorded revenues from these transactions upon the shipment of products, provided that all other revenue recognition criteria, including collectibility being reasonably assured, were met. The Company maintains a reserve for estimated losses under recourse lease programs based on these historical default rates applied to the funded amount outstanding at period end. At December 31, 2010 and 2009, the Company's accruals for estimated losses were \$0.5 million and \$1.3 million, respectively.

Contingencies

The Company 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.

Opengate SpA, (“Opengate”) an entity in liquidation, represented by the Trustee in Bankruptcy Dr. Marco Fiorentini, brought a claim against the Company’s subsidiary, Pinnacle Systems GmbH (“Pinnacle GmbH”), in the Varese, Italy Tribunal on July 21, 2009. The Trustee in Bankruptcy is seeking to recover €2,700,000 in payments made by Opengate to Pinnacle GmbH between 2002 and 2003, the year prior to Opengate being placed into administration. The initial Writ of Summons, dated in September 2009, was never received by the Company and was declared improperly served at a May 2010 hearing on the matter, which the Company did not attend. The Writ was later received by the Company in September 2010. A hearing is scheduled to be held in this matter on May 6, 2011, at which Pinnacle GmbH intends to submit its defense. Because the Company cannot predict the outcome of this action at this time, no costs have been accrued for any loss contingency; however, this matter is not expected to have a material effect on the Company’s financial position or results of operations.

The Company’s Canadian subsidiary, Avid Technology Canada Corporation, was assessed and paid to the Ministry of Revenue Quebec (“MRQ”) approximately CAN\$1.7 million for social tax assessments on Canadian employee stock-based compensation related to the Company’s stock plans. The Company is currently attempting to recover the payments against these assessments through litigation with the MRQ. The payment amounts were recorded in “other current assets” in the Company’s consolidated balance sheet at December 31, 2010. Because the company cannot predict the outcome of the litigation at this time, no costs have been accrued for any loss contingency; however, this matter is not expected 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 the Company’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, the Company 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 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 the activity in the product warranty accrual account for the years ended December 31, 2010 and 2009 (in thousands):

Accrual balance at December 31, 2008	\$	5,193
Accruals for product warranties		5,694
Cost of warranty claims		(6,433)
Accrual balance at December 31, 2009		4,454
Acquired product warranty		339
Accruals for product warranties		5,046
Cost of warranty claims		(5,347)
Accrual balance at December 31, 2010	\$	4,492

N. CAPITAL STOCK

Preferred Stock

The Company has authorized up to one million shares of preferred stock, \$0.01 par value per share, for issuance. Each series of preferred stock shall have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as may be determined by the Company's board of directors.

Common Stock Repurchases

A stock repurchase program was approved by the Company's board of directors in April 2007, which authorized the Company to repurchase up to \$100 million of the Company's common stock through transactions on the open market, in block trades or otherwise. In February 2008, the Company's board of directors approved a \$100 million increase in the authorized funds for the repurchase of the Company's common stock. During 2007, the Company repurchased 809,236 shares of the Company's common stock under the program for a total purchase price, including commissions, of \$26.6 million, or \$32.92 per share. During 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 2008, including commissions, was \$21.90. At December 31, 2010, \$80.3 million remained available for future stock repurchases under the program. This stock repurchase program is being funded through working capital and has no expiration date.

Under some of the Company's equity compensation plans, employees have the option or may be required to satisfy any withholding tax obligations by tendering to the Company a portion of the common stock received under the award. During the years ended December 31, 2010, 2009 and 2008, the Company received approximately 7,929 shares, 14,447 shares and 1,373 shares, respectively, of its common stock in exchange for \$116,000, \$172,000 and \$25,000, respectively, of employee withholding liabilities paid by the Company.

O. STOCK-BASED COMPENSATION

Stock Incentive Plans

Under its stock incentive plans, 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. Shares available for issuance under the Company's Amended and Restated 2005 Stock Incentive Plan totaled 4,224,067 at December 31, 2010, including 893,862 shares that may alternatively be issued as awards of restricted stock or restricted stock units.

Information with respect to options granted under all stock option plans for the year ended December 31, 2010 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2009	4,290,422	\$21.80		
Granted (a)	1,678,010	\$13.90		
Exercised	(69,672)	\$12.32		
Forfeited or canceled	(656,862)	\$18.94		
Options outstanding at December 31, 2010 (b)	<u>5,241,898</u>	\$19.76	5.19	\$11,325
Options vested at December 31, 2010 or expected to vest	<u>4,540,171</u>	\$20.02	5.19	\$9,714
Options exercisable at December 31, 2010	<u>1,424,882</u>	\$25.93	4.55	\$1,971

(a) Options granted during the year ended December 31, 2010 included 192,395 options that had vesting based on either market conditions or a combination of performance and market conditions.

(b) Options outstanding at December 31, 2010 included 1,734,155 options that had vesting based on either market conditions or a combination of performance and market conditions.

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2010, 2009 and 2008 was approximately \$0.2 million, \$0.2 million and \$0.8 million, respectively. Cash received from the exercise of stock options for the years ended December 31, 2010, 2009 and 2008 was approximately \$0.9 million, \$0.5 million and \$1.2 million, respectively. The Company did not realize any actual tax benefit from the tax deductions for stock option exercises during the years ended December 31, 2010, 2009 or 2008 due to the full valuation allowance on the Company's U.S. deferred tax assets.

Information with respect to non-vested restricted stock units for the year ended December 31, 2010 is as follows:

	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, 2009	643,355	\$25.14		
Granted (a)	288,000	\$11.08		
Vested	(281,296)	\$25.30		
Forfeited	(76,795)	\$23.99		
Non-vested at December 31, 2010	<u>573,264</u>	\$18.15	1.71	\$10,003
Expected to vest	<u>483,760</u>	\$19.08	1.52	\$8,442

(a) Restricted stock units granted during the 2010 included 238,500 units that had vesting based on either market conditions or a combination of performance and market conditions.

(b) Non-vested restricted stock units at December 31, 2010 included 243,300 units that had vesting based on either market conditions or a combination of performance and market conditions.

The weighted-average grant date fair value of restricted stock units granted during the years ended December 31, 2009 and 2008 was \$12.20 and \$22.96, respectively. The total fair value of restricted stock units vested during the years ended December 31, 2010, 2009, and 2008, was \$3.8 million, \$2.8 million, and \$4.3 million, respectively.

Information with respect to non-vested restricted stock for the year ended December 31, 2010 is as follows:

	Non-Vested Restricted Stock			Aggregate Intrinsic Value (in thousands)
	Shares	Weighted- Average Grant-Date Fair Value	Weighted- Average Remaining Contractual Term	
Non-vested at December 31, 2009	50,000	\$25.41		
Granted	—	—		
Vested	(25,000)	\$25.41		
Forfeited	—	—		
Non-vested at December 31, 2010	<u>25,000</u>	\$25.41	0.97	\$436

There were no grants of restricted stock during the years ended December 31, 2009 and 2008. The total fair value of restricted stock vested during the years ended December 31, 2010, 2009 and 2008, was \$0.4 million, \$0.6 million, and \$0.1 million, respectively.

Stock Option Purchase

In June 2009, the Company completed a cash tender offer for certain employee stock options. The tender offer applied to 547,133 outstanding stock options having an exercise price equal to or greater than \$40.00 per share and granted under the Company's Amended and Restated 2005 Stock Incentive Plan, Amended and Restated 1999 Stock Option Plan (including the U.K. sub-plan), 1998 Stock Option Plan, 1997 Stock Option Plan, 1997 Stock Incentive Plan, as amended, and 1994 Stock Option Plan, as amended. Members of the Company's Board of Directors, officers who file reports under Section 16(a) of the Securities Exchange Act of 1934 and members of the Company's executive staff were not eligible to participate in this offer. Under the offer, eligible options with exercise prices equal to or greater than \$40.00 and less than \$50.00 per share were eligible to receive a cash payment of \$1.50 per share, and eligible options with exercise prices equal to or greater than \$50.00 per share were eligible to receive a cash payment of \$1.00 per share.

Options to purchase a total of 419,042 shares of the Company's common stock, of which 366,769 shares became available for future grant, were tendered under the offer for an aggregate purchase price of approximately \$0.5 million paid in exchange for the cancellation of the eligible options. As a result of the tender offer, the Company incurred stock-based compensation charges of approximately \$0.1 million in its condensed consolidated statements of operations during the second quarter of 2009. This was the first time the Company offered to purchase outstanding stock options in exchange for cash, and there is no current intent to make another such offer in the future.

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 (as amended, 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 termination date. Shares issued under the ESPP are considered compensatory under ASC subtopic 718-50, *Compensation – Stock Compensation – Employee Share Purchase Plans*. Accordingly, the Company was 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 termination date, and shares offered under this arrangement were considered noncompensatory.

The Company uses the Black-Scholes option pricing model to calculate the fair value of shares issued under the ESPP. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. The following table sets forth the weighted-average key assumptions and fair value results for shares issued under the ESPP for the years ended December 31, 2010 and 2009 and the eight months ended December 31, 2008:

	Year Ended December 31, 2010	Year Ended December 31, 2009	Eight Months Ended December 31, 2008
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	1.18%	1.40%	2.21%
Expected volatility	45.1%	54.4%	45.1%
Expected life (in years)	0.24	0.25	0.25
Weighted-average fair value of shares issued (per share)	\$2.14	\$1.94	\$3.11

The following table sets forth the quantities and average prices of shares issued under the ESPP for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Shares issued under the ESPP	107,748	129,949	76,044
Average price of shares issued	\$11.17	\$9.70	\$17.41

A total of 736,726 shares remained available for issuance under the ESPP at December 31, 2010.

Stock-Based Compensation Expense

Stock-based compensation expense of \$13.9 million, \$13.4 million and \$14.2 million was included in the following captions in the Company's consolidated statements of operations for the years ended December 31, 2010, 2009 and 2008, respectively (in thousands):

	2010	2009	2008
Cost of products revenues	\$ 724	\$ 859	\$ 616
Cost of services revenues	1,054	1,154	539
Research and development expenses	2,227	2,454	2,820
Marketing and selling expenses	4,109	3,596	4,005
General and administrative expenses	5,807	5,331	6,221
	<u>\$ 13,921</u>	<u>\$ 13,394</u>	<u>\$ 14,201</u>

At December 31, 2010, there was approximately \$22 million of total unrecognized compensation cost, before forfeitures, related to non-vested stock-based compensation awards granted under the Company's stock-based compensation plans. The Company expects this amount to be amortized as follows: \$12 million in 2011, \$6 million in 2012, \$3 million in 2013 and \$1 million in 2014. The weighted-average recognition period of the total unrecognized compensation cost is 1.22 years.

P. EMPLOYEE BENEFIT PLANS

Employee Benefit Plans

The Company has a defined contribution employee benefit plan under Section 401(k) of the Internal Revenue Code covering substantially all U.S. employees. The 401(k) plan allows employees to make contributions up to a specified percentage of their compensation. The Company may, upon resolution by the Company's board of directors, make discretionary contributions to the plan. The Company's contribution to the plan, which was suspended for much of 2009, is generally 50% of up to the first 6% of an employee's salary contributed to the plan by the employee. The Company's contributions to the plan totaled \$2.8 million, \$1.3 million and \$3.5 million in 2010, 2009 and 2008, respectively.

In addition, the Company has various retirement and post-employment plans covering certain international employees. Certain of the plans allow the Company to match employee contributions up to a specified percentage as defined by the plans. The Company's contributions to these plans, which were suspended for certain plans for most of 2009, totaled \$1.2 million, \$0.9 million and \$2.1 million in 2010, 2009 and 2008, respectively. We also sponsor a defined benefit pension plan in Japan with aggregate projected benefit obligations and aggregate net funded status (net liabilities) of \$0.8 million and \$0.4 million, respectively, at both December 31, 2010 and 2009. The defined benefit plan expense was \$0.1 million in 2010. The plan is not considered material for full reporting in accordance with ASC Topic 715, *Compensation – Retirement Benefits*.

Deferred Compensation Plans

The Company's board of directors has approved a nonqualified deferred compensation plan (the "Deferred Plan"). The Deferred Plan covers senior management and members of the Company's board of directors as approved by the Company's Compensation Committee. The plan provides for a trust to which participants can contribute varying percentages or amounts of eligible compensation for deferred payment. Payouts are generally made upon termination of employment with the Company. The benefits payable under the Deferred Plan represent an unfunded and unsecured contractual obligation of the Company to pay the value of the deferred compensation in the future, adjusted to reflect the trust's investment performance. The assets of the trust, as well as the corresponding obligations, were approximately \$1.0 million and \$0.8 million at December 31, 2010 and 2009, respectively, and were recorded in "other current assets" and "accrued compensation and benefits" at those dates.

In connection with its acquisition of Blue Order, the Company assumed the assets and liabilities of a deferred compensation arrangement for a single individual in Germany. The arrangement represents a contractual obligation of the Company to pay a fixed euro amount for a period specified in the contract. At December 31, 2010, the Company's assets and liabilities related to the arrangement consisted of assets recorded in "other current assets" of \$0.4 million, representing the value of related insurance contracts, and liabilities recorded in "accrued expenses and other current liabilities" of \$2.4 million, representing the actuarial present value of the estimated benefits to be paid under the contract.

Q. INCOME TAXES

Loss before income taxes and the components of the income tax provision (benefit) consisted of the following for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Income (loss) before income taxes:			
United States	\$ 1,825	\$ (91,090)	\$ (204,796)
Foreign	(38,383)	21,083	9,282
Total loss before income taxes	<u>\$ (36,558)</u>	<u>\$ (70,007)</u>	<u>\$ (195,514)</u>
Provision for (benefit from) income taxes:			
Current tax expense (benefit):			
Federal	\$ (56)	\$ (1,490)	\$ (404)
State	188	89	250
Foreign benefit of net operating losses	(4,211)	(636)	(1,777)
Other foreign	6,161	1,940	8,835
Total current tax expense (benefit)	<u>2,082</u>	<u>(97)</u>	<u>6,904</u>
Deferred tax benefit:			
Federal	(767)	(7)	(1,058)
Other foreign	(919)	(1,548)	(3,183)
Total deferred tax benefit	<u>(1,686)</u>	<u>(1,555)</u>	<u>(4,241)</u>
Total provision for (benefit from) income taxes	<u>\$ 396</u>	<u>\$ (1,652)</u>	<u>\$ 2,663</u>

Net cash payments for income taxes in 2010, 2009 and 2008 were approximately \$2.3 million, \$4.3 million, and \$5.5 million, respectively.

The cumulative amount of undistributed earnings of foreign subsidiaries, which is intended to be indefinitely reinvested and for which U.S. income taxes have not been provided, totaled approximately \$108.9 million at December 31, 2010. It is not practical to estimate the amount of additional taxes that might be payable upon repatriation of foreign earnings.

Net deferred tax assets (liabilities) consisted of the following at December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Tax credit and net operating loss carryforwards	\$ 129,832	\$ 119,098
Allowances for bad debts	1,564	1,807
Difference in accounting for:		
Revenue	4,973	3,037
Costs and expenses	65,942	53,402
Inventories	7,186	7,530
Acquired intangible assets	24,344	37,413
Gross deferred tax assets	<u>233,841</u>	<u>222,287</u>
Valuation allowance	<u>(217,897)</u>	<u>(207,209)</u>
Deferred tax assets after valuation allowance	<u>15,944</u>	<u>15,078</u>
Deferred tax liabilities:		
Difference in accounting for:		
Costs and expenses	(2,760)	(2,449)
Acquired intangible assets	(10,813)	(10,439)
Other	(311)	—
Gross deferred tax liabilities	<u>(13,884)</u>	<u>(12,888)</u>
Net deferred tax assets	<u>\$ 2,060</u>	<u>\$ 2,190</u>
Recorded as:		
Current deferred tax assets, net	1,068	770
Long-term deferred tax assets, net (in other assets)	3,460	3,939
Current deferred tax liabilities, net (in accrued expenses and other current liabilities)	(314)	—
Long-term deferred tax liabilities, net	<u>(2,154)</u>	<u>(2,519)</u>
Net deferred tax assets	<u>\$ 2,060</u>	<u>\$ 2,190</u>

Deferred tax assets and liabilities reflect the net tax effects of the tax credits and net operating loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The ultimate realization of the net deferred tax assets is dependent upon the generation of sufficient future taxable income in the applicable tax jurisdictions.

For U.S. federal and state income tax purposes at December 31, 2010, the Company has tax credit carryforwards of approximately \$66.7 million, which will expire between 2011 and 2030, and net operating loss carryforwards of approximately \$330.5 million, which will expire between 2019 and 2030. The federal net operating loss and tax credit amounts are subject to annual limitations under Section 382 change of ownership rules of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The Company completed an assessment in the second quarter of 2010 of whether there may have been a Section 382 ownership change and concluded that it is more likely than not that none of the Company's net operating loss and tax credit amounts are subject to any Section 382 limitation. Based on the level of the deferred tax assets at December 31, 2010 and the level of historical U.S. losses, management has determined that the uncertainty regarding the realization of these assets warranted a full valuation allowance at December 31, 2010.

Additionally, the Company has foreign net operating loss carryforwards of \$22.4 million and tax credit carryforwards of \$2.9 million which begin to expire in 2027. The Company has determined there is uncertainty regarding the realization of a portion of these assets and has recorded a valuation allowance against \$14.0 million of net operating losses and \$2.6 million of tax credits at December 31, 2010.

The Company's assessment of the valuation allowance on the U.S. and foreign deferred tax assets could change in the future based on its levels of pre-tax income and other tax related adjustments. Removal of the valuation allowance in whole or in part would result in a non-cash reduction in income tax expense during the period of removal. As a result of the 2010 acquisition of Euphonix, the Company was able to remove \$0.5 million of valuation allowance on previously existing deferred tax assets. In addition, during 2010 the Company removed \$0.3 million of valuation allowance on previously existing alternative minimum tax deferred tax credits. As a result of the 2009 acquisition of MaxT, the Company was able to remove \$0.6 million of valuation allowance on previously existing deferred tax assets in 2009.

Excluded from the above deferred tax schedule at December 31, 2010 are tax assets totaling \$69.8 million resulting from the exercise of employee stock options. In accordance with ASC Topic 740, *Income Taxes*, and ASC Topic 718, *Compensation – Stock Compensation*, recognition of these assets would occur upon utilization of these deferred tax assets to reduce taxes payable and would result in a credit to additional paid-in capital within stockholders' equity rather than the provision for income taxes. In 2008, the Company recorded a decrease of \$0.4 million to additional paid in capital as a cumulative catch-up for prior year amounts recorded in excess of the final deductions reflected on tax returns. In 2009 and 2010, no adjustment to additional paid-in-capital related to exercises of employee stock options was required.

The following table sets forth a reconciliation of the Company's income tax provision (benefit) to the statutory U.S. federal tax rate for the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutory rate	(35)%	(35)%	(35)%
Tax credits	(9)	(7)	(3)
Foreign operations	32	5	-
State taxes, net of federal benefit	-	-	-
Other	3	2	-
Goodwill impairment	-	-	21
Divestiture of Softimage 3D animation product line	-	-	3
Increase in valuation allowance	<u>10</u>	<u>33</u>	<u>15</u>
Effective tax rate	1%	(2)%	1%

ASC Topic 740 requires that a tax position must be more likely than not to be sustained before being recognized in the financial statements. It also requires the accrual of interest and penalties as applicable on unrecognized tax positions. At January 1, 2008, the Company had \$4.7 million of unrecognized tax benefits, of which \$2.1 million would affect the Company's effective tax rate if recognized. In 2008, the statute of limitations expired on previously open tax years related to certain tax filings in the U.S. and Germany. As a result, the Company recognized \$0.4 million of previously unrecognized tax benefits and recorded reductions to goodwill and translation adjustment of \$0.5 million and \$0.2 million, respectively. The Company also settled tax audits in both Canada and the U.K., resulting in the recognition of \$0.6 million of previously unrecognized tax benefits and a \$0.1 million reduction in translation adjustment. At December 31, 2008, the Company's unrecognized tax benefits and related accrued interest and penalties totaled \$3.7 million, of which \$1.4 million would affect the Company's effective tax rate if recognized. In 2009, there was a decrease in the previously unrecognized tax benefits, primarily related to the settlement of tax audits in Germany. At December 31, 2009, the Company's unrecognized tax benefits and related accrued interest and penalties totaled \$2.3 million, all of which would affect the Company's effective tax rate if recognized. In 2010, there was a decrease in the previously unrecognized tax benefits, primarily related to the expiration of the statutes of limitations in various jurisdictions. At December 31, 2010, the Company's unrecognized tax benefits and related accrued interest and penalties totaled \$1.7 million, all of which would affect the Company's effective tax rate if recognized. The Company anticipates that in the next twelve months the liability for unrecognized tax benefits for uncertain tax positions could decrease by as much as \$0.6 million due to the expiration of statutes of limitations and other factors.

The following table sets forth a reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding the impact of interest and penalties, for the years ended December 31, 2010, 2009 and 2008 (in thousands):

Unrecognized tax benefits at January 1, 2008	\$ 4,000
Increases for tax positions taken during a prior period	900
Increases for tax positions taken during the current period	—
Decreases for tax positions taken during a prior period	(1,100)
Decreases related to settlements	(700)
Unrecognized tax benefits at December 31, 2008	3,100
Increases for tax positions taken during a prior period	2,000
Increases for tax positions taken during the current period	—
Decreases for tax positions taken during a prior period	(2,600)
Decreases related to settlements	(200)
Decreases related to the lapse of applicable statutes of limitations	(300)
Unrecognized tax benefits at December 31, 2009	2,000
Increases for tax positions taken during a prior period	—
Increases for tax positions taken during the current period	—
Decreases for tax positions taken during a prior period	(100)
Decreases related to settlements	(100)
Decreases related to the lapse of applicable statutes of limitations	(400)
Unrecognized tax benefits at December 31, 2010	<u>\$ 1,400</u>

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2010, 2009 and 2008, respectively, the Company had approximately \$0.3 million, \$0.3 million and \$0.6 million of accrued interest related to uncertain tax positions.

The tax years 2003 through 2009 remain open to examination by taxing authorities in the jurisdictions in which the Company operates.

R. RESTRUCTURING COSTS AND ACCRUALS

2010 Restructuring Plans

In December 2010, the Company initiated a worldwide restructuring plan designed to better align financial and human resources in accordance with its strategic plans for the upcoming fiscal year. In connection with the restructuring, the Company intends to eliminate positions that are in lower growth geographies and markets and reinvest in more strategic areas with greater opportunity for growth. The plan also calls for streamlining internal operations while making key investments in organizational efficiencies and to close portions of certain office facilities. During the fourth quarter of 2010, the Company recorded restructuring charges of \$11.7 million related to severance costs for the elimination of 145 positions and \$1.4 million related to the partial closure of a facility. Total restructuring charges of approximately \$15 million are expected to be recorded under the plan, all of which represent cash expenditures. The Company expects to complete the actions under the plan during the first half of 2011.

During 2010, the Company also recorded acquisition-related restructuring charges of \$0.7 million and \$1.1 million, respectively, primarily for severance costs for approximately 24 former Euphonix employees and the closure of three Euphonix facilities. Additionally, during 2010, the Company recorded restructuring charges of \$2.1 million related to one of its 2008 restructuring plans as detailed below and a (\$0.2) million reduction for revisions of estimated obligations related to facilities closed under restructuring actions taken prior to 2008.

For 2010, also included in the Company's results of operations under the caption "restructuring and other costs, net" were costs of \$3.7 million related to the exit from its Tewksbury, Massachusetts headquarters lease.

2008 Restructuring Plans

In October 2008, the Company initiated a company-wide restructuring plan (the "Plan") that included a reduction in force of approximately 500 positions, including employees related to product line divestitures, and the closure of all or parts of some facilities worldwide. The Plan is intended to improve operational efficiencies and bring costs in line with expected revenues. In connection with the Plan, during the fourth quarter of 2008 the Company recorded restructuring charges of \$20.4 million related to employee termination costs and \$0.5 million for the closure of three small facilities. In addition, as a result of the decision to sell the PCTV product line, the Company recorded a non-cash restructuring charge of \$1.9 million in cost of revenues related to the write-down of inventory.

During 2009, the Company recorded restructuring charges of \$27.7 million, consisting of charges of \$27.9 million related to the Plan and a reduction of (\$0.2) million resulting from revised estimates for amounts recorded under previous restructuring plans. Charges under the Plan included new restructuring charges of \$27.1 million and revisions to previously recorded estimates under the Plan of \$0.8 million. The new restructuring charges included \$14.8 million related to employee termination costs, including those for approximately 320 additional employees; \$11.5 million related to the closure of all or part of eleven facilities; and \$0.8 million, recorded in cost of revenues, related to the write-down of PCTV inventory. The charges resulting from the reduction in force of 320 additional employees were recorded in the third and fourth quarters and were primarily the result of the expanded use of offshore development resources for R&D projects and the Company's desire to better align its 2010 cost structure with revenue expectations.

During 2010, the Company recorded restructuring charges under the Plan of \$2.1 million, consisting of charges of \$0.8 million as a result of the closure of all or part of four additional facilities, charges of \$1.7 million for revised estimates of facilities costs, and a reduction of (\$0.4) million for revised estimates of severance obligations previously recorded under the Plan.

During the first nine months of 2008, the Company initiated restructuring plans within its former Professional Video business unit as well as corporate operations to eliminate duplicative business functions and improve operational efficiencies. In connection with these actions, the Company recorded restructuring charges of \$4.2 million related to employee termination costs for approximately 90 employees, primarily in the research and development, marketing and selling, and general and administrative teams. Also during 2008, restructuring charges totaling \$0.2 million were recorded for revised estimates of previously initiated restructuring plans.

Accounting for Restructuring Plans

The Company recorded the facility-related restructuring charges and, prior to the fourth quarter of 2008, the employee-related restructuring charges in accordance with the guidance of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (now ASC Topic 420, *Liabilities: Exit or Disposal Cost Obligations*). Since the fourth quarter of 2008, as a result of changes in the Company's policies related to the calculation and payment of severance benefits, the Company has accounted for employee-related restructuring charges as an ongoing benefit arrangement in accordance with ASC topic 712, *Compensation – Nonretirement Postemployment Benefits*. 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.

The following table sets forth the activity in the restructuring accruals for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	Non-Acquisition-Related Restructuring Liabilities		Acquisition-Related Restructuring Liabilities		Total
	Employee- Related	Facilities- Related & Other	Employee- Related	Facilities- Related	
Accrual balance at December 31, 2007	\$ 1,186	\$ 3,256	\$ 2	\$ 2,041	\$ 6,485
New restructuring charges – operating expenses	24,413	690	—	—	25,103
New restructuring charges – cost of revenues	—	1,876	—	—	1,876
Revisions of estimated liabilities	(85)	450	(2)	(186)	177
Accretion	—	88	—	52	140
Cash payments for employee-related charges	(11,274)	—	—	—	(11,274)
Cash payments for facilities, net of sublease income	—	(2,054)	—	(739)	(2,793)
Non-cash write-offs	—	(1,892)	—	—	(1,892)
Foreign exchange impact on ending balance	849	(215)	—	(339)	295
Accrual balance at December 31, 2008	15,089	2,199	—	829	18,117
New restructuring charges – operating expenses	14,835	11,496	—	—	26,331
New restructuring charges – cost of revenues	—	799	—	—	799
Revisions of estimated liabilities	593	(4)	—	(47)	542
Accretion	—	239	—	38	277
Cash payments for employee-related charges	(20,726)	—	—	—	(20,726)
Cash payments for facilities, net of sublease income	—	(4,611)	—	(425)	(5,036)
Non-cash write-offs	—	(3,140)	—	—	(3,140)
Foreign exchange impact on ending balance	(557)	283	—	77	(197)
Accrual balance at December 31, 2009	9,234	7,261	—	472	16,967
New restructuring charges – operating expenses	11,664	2,190	725	1,064	15,643
Revisions of estimated liabilities	(405)	1,498	—	(34)	1,059
Accretion	—	210	—	10	220
Cash payments for employee-related charges	(8,591)	—	(531)	—	(9,122)
Cash payments for facilities, net of sublease income	—	(4,772)	—	(510)	(5,282)
Non-cash write-offs	—	(327)	—	(90)	(417)
Foreign exchange impact on ending balance	(67)	(18)	8	(29)	(106)
Accrual balance at December 31, 2010	\$ 11,835	\$ 6,042	\$ 202	\$ 883	\$ 18,962

The employee-related accruals at December 31, 2010 represent severance and outplacement costs to former employees that will be paid out within the next twelve months and are, therefore, included in the caption “accrued expenses and other current liabilities” in the Company’s consolidated balance sheet at December 31, 2010.

The facilities-related accruals at December 31, 2010 represent estimated losses, net of subleases, on space vacated as part of the Company’s restructuring actions. The leases, and payments against the amounts accrued, extend through 2017 unless the Company is able to negotiate earlier terminations. Of the total facilities-related accruals, \$3.8 million is included in the caption “accrued expenses and other current liabilities” and \$3.1 million is included in the caption “long-term liabilities” in the Company’s consolidated balance sheet at December 31, 2010.

S. SEGMENT INFORMATION

The Company provides digital media content-creation products and solutions for film, video, audio and broadcast professionals, as well as artists and home enthusiasts, which the Company classifies as two types, video and audio. The Company also classifies all its maintenance, professional services and training revenues as a third type, services revenues. ASC Section 280-10-50, *Segment Reporting – Overall – Disclosure*, defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. In the later part of 2009, the Company completed the reorganization of its business around functional groups rather than product categories. The Company's evaluation of the discrete financial information that is regularly reviewed by the chief operating decision makers determined that in 2010 the Company had only one reportable segment. Effective January 1, 2010, the Company began reporting based on a single reportable segment and has reclassified its 2009 and 2008 segment reporting to conform to the 2010 presentation. The change to the current presentation did not affect the Company's consolidated operating results.

The Company's video products include hardware and software solutions designed to improve the productivity of video and film editors and broadcasters by enabling them to edit video, film and sound; manage media assets; and automate workflows in a faster, easier, and more cost-effective manner. Professional video-editing software and hardware products include the Media Composer product line widely used to edit television programs, commercials and films; the NewsCutter and Instinct editors designed for the fast-paced world of news production; and Avid Symphony Nitris DX and Avid DS, which are used during the "online" or "finishing" stage of post production. Professional video-editing products accounted for approximately 13%, 13% and 14% of the Company's consolidated net revenues for 2010, 2009 and 2008, respectively. Video products also include Avid ISIS shared storage and Interplay workflow solutions that provide complete network, storage and database solutions based on the Company's Avid Unity MediaNetwork technology and enable users to simultaneously share and manage media assets throughout a project or organization. The Company's video storage and workflow solutions accounted for approximately 18%, 16% and 16% of our consolidated net revenues in 2010, 2009 and 2008, respectively. The Company's Pinnacle Studio and Avid Studio video-editing product line that allows users to create, edit, view and distribute video media using a personal computer. The Company's video products accounted for approximately 42%, 41% and 50% of the Company's consolidated net revenues in 2010, 2009 and 2008, respectively. The 2008 video products revenues include revenues from the Company's former Softimage 3D animation and PCTV product lines that were sold in the fourth quarter of 2008 (see Note J).

The Company's audio products include digital audio software and workstation solutions, control surfaces and live sound systems that provide music creation; audio recording, editing, and mixing; and live performance solutions for a broad range of customers. Audio products include Pro Tools digital audio software and workstation solutions to facilitate the audio production process, including music and sound creation, recording, editing, signal processing, integrated surround mixing and mastering, and reference video playback. Our digital audio software and workstation solutions accounted for approximately 16%, 15% and 13% of our consolidated net revenues in 2010, 2009 and 2008, respectively. Audio products also include the ICON (Integrated Console System) systems, including the D-Control and D-Command mixing surfaces, and the VENUE live-sound mixing consoles. The Company's audio products accounted for approximately 41%, 40% and 34% of the Company's consolidated net revenues in 2010, 2009 and 2008, respectively.

The Company's services revenues are primarily derived from the sale of maintenance contracts and professional services. The Company provides online and telephone support and access to software upgrades for customers whose products are under warranty or covered by a maintenance contract. The Company's professional services team provides installation, integration, planning, consulting and training services. Services revenues accounted for approximately 17%, 19% and 16% of the Company's consolidated net revenues in 2010, 2009 and 2008, respectively.

The following is a summary of the Company's revenues by type for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Video product revenues (a)	\$ 282,263	\$ 259,151	\$ 425,719
Audio product revenues	277,644	250,064	288,513
	<u>559,907</u>	<u>509,215</u>	<u>714,232</u>
Services revenues (b)	118,615	119,755	130,669
Total net revenues	<u>\$ 678,522</u>	<u>\$ 628,970</u>	<u>\$ 844,901</u>

(a) Video product revenues for the years ended December 31, 2009 and 2008 include revenues of \$1.9 million and \$55.3 million, respectively, attributable to divested or exited product lines.

(b) Services revenues for the year ended December 31, 2008 includes revenues of \$6.2 million related to divested or exited product lines.

The following table is a summary of the Company's revenues by country for the years ended December 31, 2010, 2009 and 2008 (in thousands). The categorization of revenues is based on the country in which the end user customer resides. No individual country, other than the United States, accounted for 10% or more of the Company's revenues in any of the last three years.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
United States	\$ 287,570	\$ 259,992	\$ 325,989
Other countries	390,952	368,978	518,912
Total revenues	<u>\$ 678,522</u>	<u>\$ 628,970</u>	<u>\$ 844,901</u>

The Company does not identify or allocate by geography its goodwill and intangible assets acquired through acquisitions. The following table presents the Company's long-lived assets, excluding goodwill and intangible assets, by geography at December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Long-lived assets:		
United States	\$ 59,587	\$ 42,064
Other countries	13,041	15,608
Total long-lived assets	<u>\$ 72,628</u>	<u>\$ 57,672</u>

T. NET LOSS PER SHARE

The following table sets forth (in thousands) potential common shares, on a weighted-average basis, that were considered anti-dilutive securities and excluded from the Diluted EPS calculations either because the sum of the exercise price per share and the unrecognized compensation cost per share was greater than the average market price of the Company's common stock for the relevant period, or because they were considered contingently issuable. The contingently issuable potential common shares result from certain stock options and restricted stock units granted to the Company's executive officers that vest based on performance and market conditions.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Options	5,008	4,308	4,121
Warrant (a)	—	—	679
Non-vested restricted stock and restricted stock units	186	707	1,075
Anti-dilutive potential common shares	<u>5,194</u>	<u>5,015</u>	<u>5,875</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. The weighted-average potential common share amount for 2008 reflects expiration of the warrant on August 3, 2008.

During periods of net loss, certain potential common shares that would otherwise be included in the Diluted EPS calculation are excluded because the effect would be anti-dilutive. The following table sets forth (in thousands) common stock equivalents that were excluded from the calculation of Diluted EPS due to the net loss for the relevant period.

	2010	2009	2008
Options	13	12	128
Non-vested restricted stock and restricted stock units	55	15	11
Total anti-dilutive common stock equivalents	68	27	139

U. CREDIT AGREEMENT

In October 2010, Avid Technology, Inc. (“Avid Technology”) and certain of its subsidiaries entered into a Credit Agreement with Wells Fargo Capital Finance LLC (“Wells Fargo”). Pursuant to the Credit Agreement, Wells Fargo agreed to provide revolving credit facilities for Avid Technology of up to a maximum of \$40 million and for the Avid Technology International B.V. (“Avid Europe”) subsidiary of up to a maximum of an additional \$20 million. The borrowing availability under the credit facilities is based on the lesser of (1) the foregoing commitments for Avid Technology and Avid Europe (the “Borrowers”), as applicable, and (2) a borrowing base which is a percentage of the accounts receivable and inventory of the Borrowers, as applicable. The actual amount of credit available to the Borrowers will vary depending upon changes in the level of their respective accounts receivable and inventory, and is subject to other terms and conditions which are more specifically described in the Credit Agreement. The borrowing availability is also subject to other reserve requirements which may be established by Wells Fargo as provided in the Credit Agreement. The credit facilities have a maturity of four years, at which time Wells Fargo’s commitments to provide additional credit shall be terminated and all outstanding borrowings by the Borrowers must be repaid. Prior to the maturity of the credit facilities, any amounts borrowed may be repaid and, subject to the terms and conditions of the Credit Agreement, reborrowed in whole or in part without penalty. The Credit Agreement contains customary representations and warranties, covenants, mandatory prepayments, and events of default under which the Borrower’s payment obligations may be accelerated.

Interest accrues on outstanding borrowings under the credit facilities at a rate of either LIBOR plus 2.75% or a base rate (as defined in the Credit Agreement) plus 1.75%, at the option of Avid Technology or Avid Europe, as applicable. The Borrowers must also pay Wells Fargo a monthly unused line fee at a rate of 0.625% per annum on an amount equal to (1) the average lending commitments under the credit facilities during the immediately preceding month less (2) the average daily amount of the outstanding borrowings plus the undrawn amount of any outstanding letters of credit under the credit facilities during the immediately preceding month. During the term of the credit facilities, the Borrowers are entitled to reduce the maximum amounts of Wells Fargo’s commitments, subject to the payment of certain fees based on the amount of any reduction.

Avid Technology and certain of its subsidiaries have provided guarantees and liens on substantially all of their assets to secure their obligations under the Credit Agreement. The Credit Agreement requires that Avid Technology maintain liquidity (comprised of unused availability under Avid Technology’s portion of the credit facilities plus certain unrestricted cash and cash equivalents) of \$10 million, at least \$5 million of which must be from unused availability under Avid Technology’s portion of the credit facilities. Avid Europe is required to maintain liquidity (comprised of unused availability under Avid Europe’s portion of the credit facilities plus certain unrestricted cash and cash equivalents) of \$5 million, at least \$2.5 million of which must be from unused availability under Avid Europe’s portion of the credit facilities.

The Company expects to borrow against the line from time-to-time to cover short-term cash requirements in certain geographies or to otherwise meet the funding needs of the business. During the fourth quarter of 2010, the Company’s U.S. operations borrowed \$5.0 million against the credit facilities to meet certain short-term cash requirements. All amounts borrowed were repaid during the quarter, and at December 31, 2010, there were no outstanding borrowings against the line. At December 31, 2010, the Company had available borrowings of approximately \$36.3 million and \$19.6 million under the Avid Technology and Avid Europe credit facilities, respectively. Subsequent to December 31, 2010, the date of these financial statements, the Company’s U.S. operations borrowed \$8.0 million against the credit facilities to meet short-term cash requirements. None of the amounts borrowed had been repaid as of the date of issuance of these financial statements.

V. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reflects supplemental cash flow investing activities related to the acquisitions of Blue Order and Euphonix during the year ended December 31, 2010 and the acquisition of MaxT during the year ended December 31, 2009. There were no supplemental cash flow investing activities during the year ended December 31, 2008.

	2010	2009
Fair value of:		
Assets acquired and goodwill	\$ 48,598	\$ 7,332
Liabilities assumed	(14,228)	(2,152)
Total consideration	34,370	5,180
Less: cash acquired	(1,586)	(767)
Less: equity consideration	(5,776)	—
Net cash paid for acquisitions	\$ 27,008	\$ 4,413

Cash paid for interest was \$0.9 million, \$0.9 million and \$0.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

W. QUARTERLY RESULTS (UNAUDITED)

The following information has been derived from unaudited consolidated financial statements that, in the opinion of management, include all normal recurring adjustments necessary for a fair presentation of such information.

(In thousands, except per share data)

	Quarters Ended							
	2010				2009			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Net revenues	\$195,347	\$165,059	\$162,160	\$155,956	\$174,679	\$152,119	\$150,543	\$151,629
Cost of revenues	89,575	78,615	78,976	77,309	82,827	70,683	72,519	77,087
Amortization of intangible assets	642	745	946	966	568	519	426	520
Restructuring costs	—	—	—	—	—	—	—	799
Gross profit	105,130	85,699	82,238	77,681	91,284	80,917	77,598	73,223
Operating expenses:								
Research & development	30,881	28,929	30,268	30,151	30,015	29,262	30,661	31,051
Marketing & selling	47,759	43,199	44,474	41,746	46,121	44,705	41,994	40,781
General & administrative	16,166	19,698	13,879	14,602	21,322	12,093	12,559	15,113
Amortization of intangible assets	2,186	2,283	2,417	2,857	2,732	2,782	2,622	2,375
Restructuring and other costs, net	14,918	185	4,007	1,340	9,741	7,891	5,019	4,222
(Gain) loss on sale of assets	(3,502)	(1,527)	—	—	(3,553)	3,398	—	—
Total operating expenses	108,408	92,767	95,045	90,696	106,378	100,131	92,855	93,542
Operating loss	(3,278)	(7,068)	(12,807)	(13,015)	(15,094)	(19,214)	(15,257)	(20,319)
Other income (expense), net	(258)	(30)	(102)	—	(94)	(240)	58	153
Loss before income taxes	(3,536)	(7,098)	(12,909)	(13,015)	(15,188)	(19,454)	(15,199)	(20,166)
(Benefit from) provision for income taxes, net	(2,965)	2,897	(3)	467	2,733	(2,246)	750	(2,889)
Net loss	(\$571)	(\$9,995)	(\$12,906)	(\$13,482)	(\$17,921)	(\$17,208)	(\$15,949)	(\$17,277)
Net loss per share – basic and diluted	(\$0.01)	(\$0.26)	(\$0.34)	(\$0.36)	(\$0.48)	(\$0.46)	(\$0.43)	(\$0.47)
Weighted-average common shares outstanding – basic and diluted	38,101	38,045	37,909	37,516	37,415	37,341	37,282	37,130
High common stock price	\$18.83	\$13.82	\$17.99	\$14.84	\$15.42	\$15.29	\$15.48	\$12.18
Low common stock price	\$12.23	\$11.04	\$12.26	\$12.26	\$11.52	\$10.81	\$9.00	\$8.40

The Company's quarterly operating results fluctuate as a result of a number of factors including, without limitation, the timing of new product introductions; the timing of, and costs incurred in association with, the recognition of large enterprise sales to customers; marketing expenditures; promotional programs; and periodic discounting due to competitive factors.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 December 31, 2010. 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 Securities 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 December 31, 2010, 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.

Management's report on our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's related audit report are included in Item 8 of this Form 10-K and are incorporated herein by reference.

No change in our internal control over financial reporting occurred during the fiscal year ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 14, 2011, Avid Technology, Inc. (the "Company") and Gary G. Greenfield, the Company's Chairman of the Board of Directors, President and Chief Executive Officer, executed an Amended and Restated Executive Employment Agreement (the "Agreement") to replace and supersede the Executive Employment Agreement dated December 19, 2007 and previously amended and restated on December 20, 2010, between Mr. Greenfield and the Company. The Agreement extends the term, which was due to expire on December 31, 2012, to March 14, 2014. The term of the Agreement will be automatically extended for periods of one year each if neither Mr. Greenfield nor the Company provides written notice to the other party of its intent to terminate at least 180 days prior to the end of the then-current term. The term will also be automatically extended in the event of a change-in-control of the Company (as defined in the Agreement) or a potential change-in-control of the Company (as defined in the Agreement) occurring in the 12-month period prior to the end of the then-current term. All other terms of the Agreement remain unchanged. The foregoing summary of certain terms of the Agreement is qualified in its entirety by the text of the Agreement, which is filed as an exhibit hereto.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Business Conduct and Ethics applicable to all our employees, including our principal executive officer, principal financial officer and principal accounting officer. We will provide any person, without charge, with a copy of our Code of Business Conduct and Ethics upon written request to Avid, 75 Network Drive, Burlington, MA 01803, Attention: Corporate Secretary. Our Code of Business Conduct and Ethics is also available in the Investor Relations section of our website at www.avid.com. If we ever were to amend or waive any provision of our Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or any person performing similar functions, we intend to satisfy our disclosure obligations with respect to any such waiver or amendment by posting such information on our Internet website set forth above rather than by filing a Form 8-K.

The remainder of the response to this item is contained in our Proxy Statement for our 2011 Annual Meeting of Stockholders, or the 2011 Proxy Statement, under the captions “Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Board Committees,” all of which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The response to this item is contained in our 2011 Proxy Statement under the captions “Director Compensation,” “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation” and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The response to this item is contained in our 2011 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” and is incorporated herein by reference.

The disclosures required for securities authorized for issuance under equity compensation plans are contained in the 2011 Proxy Statement under the caption “Equity Compensation Plan Information” and are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The response to this item is contained in our 2011 Proxy Statement under the captions “Board Committees” and “Related Person Transaction Policy” and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The response to this item is contained in our 2011 Proxy Statement under the caption “Independent Registered Public Accounting Firm Fees” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. FINANCIAL STATEMENTS

The following consolidated financial statements are included in Item 8:

- Management's Report on Internal Control Over Financial Reporting
- Reports of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008
- Consolidated Balance Sheets as of December 31, 2010 and 2009
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008
- Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008
- Notes to Consolidated Financial Statements

(a) 2. FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statement schedule is included immediately following the signature page on page F-1:

Schedule II – Valuation and Qualifying Accounts

Schedules other than that listed above have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

(a) 3. LISTING OF 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.

SIGNATURES

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

AVID TECHNOLOGY, INC.
(Registrant)

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

Date: March 14, 2011

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

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

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

By: /s/ Jason Burke
Jason Burke
Vice President of Finance
(Principal Accounting Officer)

Date: March 14, 2011

Date: March 14, 2011

Date: March 14, 2011

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

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Gary G. Greenfield</u> Gary G. Greenfield	Director	March 14, 2011
<u>/s/ Robert M. Bakish</u> Robert M. Bakish	Director	March 14, 2011
<u>/s/ George H. Billings</u> George H. Billings	Director	March 14, 2011
<u>/s/ Elizabeth M. Daley</u> Elizabeth M. Daley	Director	March 14, 2011
<u>/s/ Nancy Hawthorne</u> Nancy Hawthorne	Director	March 14, 2011
<u>/s/ Louis Hernandez, Jr.</u> Louis Hernandez, Jr.	Director	March 14, 2011
<u>/s/ Youngme E. Moon</u> Youngme E. Moon	Director	March 14, 2011
<u>/s/ David B. Mullen</u> David B. Mullen	Director	March 14, 2011
<u>/s/ John H. Park</u> John H. Park	Director	March 14, 2011

AVID TECHNOLOGY, INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2010, 2009 and 2008
(in thousands)

Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to costs and expenses	Charged to other accounts		
Allowance for doubtful accounts					
December 31, 2010	\$3,219	\$489	—	(\$657) (a)	\$3,051
December 31, 2009	3,504	1,359	—	(1,644) (a)	3,219
December 31, 2008	2,160	2,224	—	(880) (a)	3,504
Sales returns and allowances					
December 31, 2010	\$13,128	—	\$15,811 (b)	(\$14,841) (c)	\$14,098
December 31, 2009	19,678	—	16,110 (b)	(22,660) (c)	13,128
December 31, 2008	18,624	—	34,519 (b)	(33,465) (c)	19,678
Allowance for transactions with recourse					
December 31, 2010	\$1,256	(\$295) (e)	(\$299) (d)(e)	(\$203) (f)	\$459
December 31, 2009	784	571	571 (e)	(670) (f)	1,256
December 31, 2008	777	359	255 (e)	(607) (f)	784
Deferred tax asset valuation allowance					
December 31, 2010	\$207,209	\$11,025	(\$337) (g)	—	\$217,897
December 31, 2009	203,473	967	2,769 (g)	—	207,209
December 31, 2008	140,486	19,295	43,692 (g)	—	203,473

- (a) Amount represents write-offs, net of recoveries and foreign exchange gains (losses).
(b) Provisions for sales returns and volume rebates are charged directly against revenues.
(c) Amount represents credits for returns, volume rebates and promotions.
(d) During 2010, bad debt expenses related to transactions with recourse were in a credit position due to decreased bad debt requirements on lower receivables balances resulting from the termination of the Company's leasing program.
(e) A portion of the provision for transactions with recourse is charged directly against revenues.
(f) Amount represents defaults, net of recoveries.
(g) Amount represents adjustments to the valuation allowance recorded in purchase accounting related to acquired deferred tax assets and liabilities, net operating losses and tax credits, and other miscellaneous items.

EXHIBIT INDEX

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form or Schedule	SEC Filing Date	SEC File Number
3.1	Certificate of Amendment of the Third Amended and Restated Certificate of Incorporation of the Registrant		8-K	July 27, 2005	000-21174
3.2	Third Amended and Restated Certificate of Incorporation of the Registrant		10-Q	November 14, 2005	000-21174
3.3	Amended and Restated By-Laws of the Registrant, as amended		10-K	March 16, 2010	000-21174
4.1	Specimen Certificate representing the Registrant's Common Stock		S-1	March 11, 1993*	033-57796
10.1	Credit Agreement by and among Avid Technology, Inc., Avid Technology International B. V., Pinnacle Systems, Inc., Avid General Partner B.V., each of the lenders party thereto, and Wells Fargo Capital Finance, LLC, as agent, dated October 1, 2010		8-K	October 7, 2010	000-21174
10.2	Network Drive at Northwest Park Office Lease dated as of November 20, 2009 between Avid Technology, Inc. and Netview 5 and 6 LLC (for premises at 65 Network Drive, Burlington, Massachusetts)		8-K	November 25, 2009	000-21174
10.3	Network Drive at Northwest Park Office Lease dated as of November 20, 2009 between Avid Technology, Inc. and Netview 1,2,3,4 & 9 LLC (for premises at 75 Network Drive, Burlington, Massachusetts)		8-K	November 25, 2009	000-21174
10.4	Northwest Park Lease dated as of November 20, 2009 between Avid Technology, Inc. and N.W. Building 28 Trust (for premises at 10 North Avenue, Burlington, Massachusetts)		8-K	November 25, 2009	000-21174
#10.5	1993 Director Stock Option Plan, as amended		10-K	February 29, 2008	000-21174
#10.6	Second Amended and Restated 1996 Employee Stock Purchase Plan, as amended		10-K	March 16, 2010	000-21174
#10.7	1997 Stock Option Plan		10-K	March 27, 1998	000-21174
#10.8	1997 Stock Incentive Plan, as amended		10-Q	May 14, 1997	000-21174
#10.9	Second Amended and Restated Non-Qualified Deferred Compensation Plan		10-K	February 29, 2008	000-21174
#10.10	1998 Stock Option Plan		10-K	March 16, 2005	000-21174
#10.11	Amended and Restated 1999 Stock Option Plan		10-K	March 16, 2005	000-21174
#10.12	Midiman, Inc. 2002 Stock Option/Stock Issuance Plan		10-Q	November 9, 2004	000-21174
#10.13	Amended and Restated 2005 Stock Incentive Plan		10-Q	August 7, 2008	000-21174
#10.14	Rules of the Sibelius Software Limited Enterprise Management Incentive Scheme		10-K	March 1, 2007	000-21174
#10.15	Form of Incentive Stock Option Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.16	Form of Nonstatutory Stock Option Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.17	Form of Nonstatutory Stock Option Agreement for Outside Directors under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.18	Form of Restricted Stock Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.19	Form of Restricted Stock Agreement for Outside Directors under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.20	Form of Restricted Stock Unit Agreement under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.21	Form of Restricted Stock Unit Agreement for Outside Directors under the Registrant's Amended and Restated 2005 Stock Incentive Plan		8-K	July 8, 2008	000-21174
#10.22	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 8, 2008	000-21174
#10.23	Form of Nonstatutory Stock Option Grant Terms and Conditions (under the 1997 Stock Incentive Plan)		8-K	February 21, 2007	000-21174
#10.24	Form of Incentive Stock Option Grant Terms and Conditions (under the 1997 Stock Incentive Plan)		8-K	February 21, 2007	000-21174
#10.25	2010 Executive Bonus Plan		8-K	February 12, 2010	000-21174
#10.26	Amended and Restated Executive Employment Agreement	X			

	dated March 14, 2011 between the Registrant and Gary G. Greenfield			
#10.27	Nonstatutory Stock Option Agreement dated December 19, 2007 between the Registrant and Gary G. Greenfield	8-K	December 19, 2007	000-21174
#10.28	Restricted Stock Agreement dated December 19, 2007 between the Registrant and Gary G. Greenfield	8-K	December 19, 2007	000-21174
#10.29	Amended and Restated Executive Employment Agreement dated December 20, 2010 between the Registrant and Kenneth A. Sexton			X
#10.30	Restricted Stock Unit Award Agreement dated January 28, 2008 between the Registrant and Kenneth A. Sexton	8-K	January 28, 2008	000-21174
#10.31	Nonstatutory Stock Option Agreement dated January 28, 2008 between the Registrant and Kenneth A. Sexton	8-K	January 28, 2008	000-21174
#10.32	Amended and Restated Executive Employment Agreement dated December 20, 2010 between the Registrant and Kirk E. Arnold			X
#10.33	Amended and Restated Executive Employment Agreement dated December 22, 2010 between the Registrant and Christopher C. Gahagan			X
#10.34	Amended and Restated Executive Employment Agreement dated December 22, 2010 between the Registrant and Ronald S. Greenberg			X
#10.35	Amended and Restated Executive Employment Agreement dated December 20, 2010 between the Registrant and Paige Parisi			X
#10.36	Form of Executive Officer Employment Agreement as of January 1, 2011			X
#10.37	Form of Amended and Restated Employment Agreement used prior to January 1, 2011			X
#10.38	2011 Executive Bonus Plan	8-K	February 17, 2011	000-21174
21	Subsidiaries of the Registrant			X
23.1	Consent of Ernst & Young LLP			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.

* Effective date of Form S-1.



AVID TECHNOLOGY, INC.

**AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT,
AS AMENDED March 14, 2011**

This Amended and Restated Executive Employment Agreement (this "Agreement") is entered into as of March 14, 2011, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and Gary G. Greenfield ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of December 19, 2007 and amended and restated on December 20, 2010 (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above, to provide that the term of this Agreement shall continue until March 14, 2014, with automatic annual extensions thereafter unless either party provides the requisite advance notice of intent to terminate this Agreement and with certain automatic extensions in the event of a Change-in-Control of the Company (as defined below) or a Potential Change-in-Control Period (as defined below).

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. **Service.** Commencing on December 19, 2007 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as the Chief Executive Officer of the Company 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") and to devote his full working time and attention to such duties.

Following the Effective Date, Executive shall be permitted to continue serving on, and only on, the boards of directors (and committees thereof) of three companies on which Executive serves as of the Effective Date (the "Existing Directorships"); provided, however, that if Executive resigns or otherwise ceases to serve with respect to any Existing Directorship, Executive shall not serve on the boards of directors or advisory committees of more than two companies (public or private) without prior Board approval. Executive's service on the Board shall not be taken into account for purposes of the limitations set forth in this paragraph.

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 Board of Directors (excluding Executive), 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), attend to his personal investments, so long as such activities do not interfere with the performance of his duties hereunder, and, until December 31, 2007, continue to satisfy obligations with respect to his prior employer.

1.4. Board Membership. Executive shall be appointed a member of the Board of Directors as of the Effective Date and shall serve as a member of the Board without additional compensation. During the Term, at each annual meeting of the Company's stockholders at which Executive's membership on the Board has expired, the Company will nominate Executive to serve as a member of the Board. Executive's service as a member of the Board will be subject to any required stockholder approval. Upon termination of Executive's employment with the Company for any reason, unless the Board affirmatively requests that Executive remain on the Board, Executive will be deemed to have resigned from the Board voluntarily as of the last day of employment with the Company; and at the Board's request, Executive will execute any documents necessary to reflect such resignation.

1.5. Chairman of Board. Executive will be named Chairman of the Board within 12 months after the Effective Date.

Article 2. Term

2.1. Term. The term of this Agreement (the "Term") shall commence on the Effective Date and shall expire on March 14, 2014 unless the Term is:

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

2.1.2 terminated when 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 this 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 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 Nine Hundred Thousand Dollars (\$900,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Board of Directors' Compensation Committee during the Term and increased (but not decreased) accordingly at the discretion of the Compensation Committee. As of January 1, 2010, Executive's Base Salary is \$936,000.

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 (the "Annual Incentive Bonus") equal to One Hundred percent (100%) of his then Base Salary 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 Base Salary for extraordinary performance on all or nearly all of his performance objectives. The total cash compensation payable to Executive with respect to fiscal year 2008, including his Annual Incentive Bonus for 2008 (but excluding the bonus payable under Section 3.8), shall not exceed Two Million One Hundred Fifteen Thousand Dollars (\$2,115,000).

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 70 days after the Effective Date, Executive and the Compensation Committee of the Board (after receiving input from the Board) 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 mutually established by the Compensation Committee of the Board and Executive 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 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. Any Annual Incentive Bonus earned by Executive with respect to a fiscal year shall be paid to him promptly after the filing of the Company's Annual Report on Form 10-K for such fiscal year but in no event later than 90 days after the end of such fiscal year. The amount of, and Executive's entitlement to receive, the Annual Incentive Bonus for a fiscal year shall be determined without regard to whether Executive is employed on the date that such Annual Incentive Bonus is payable.

3.3. Equity Grant.

3.3.1. Option Grant. Effective as of the Effective Date, pursuant to a stock option agreement, Executive will be awarded an option to purchase Seven Hundred Twenty-Five Thousand (725,000) 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 (the "Start Price").

a) One Hundred Thousand (100,000) shares of the Stock Option will vest on a time-based schedule in equal 6.25% increments every three months, with the first vesting date on March 19, 2008 and the last vesting date on December 19, 2011, as long as Executive is employed by the Company on each such vesting date.

b) Three Hundred Thousand (300,000) shares of the Stock Option will vest on a performance-based schedule, as follows:

(1) One Hundred Fifty Thousand (150,000) 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 twice the Start Price, as adjusted for stock splits and stock dividends; and

(2) An additional One Hundred Fifty Thousand (150,000) 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 three times the Start Price, as adjusted for stock splits and stock dividends.

c) Three Hundred Twenty-Five Thousand (325,000) 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%

The Board (excluding Executive if he is a member of the Board) shall make the final determination of ROE and the ROE percentage point

improvement for purposes hereof for each calendar year no later than the 1st day of March following the end of such calendar year. The determination of ROE shall be derived 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 at the end of 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 earning 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 at least four times the Start Price, as adjusted for stock splits and stock dividends.

3.3.2. Restricted Stock Grant. Effective as of the Effective Date, pursuant to a restricted stock agreement, Executive will be granted One Hundred Thousand (100,000) shares of Avid Technology, Inc. common stock (the "Restricted Stock Grant"), which will vest as to 25% of the shares on January 1, 2009 and in equal 6.25% increments every three months thereafter, commencing on March 19, 2009, until fully vested on December 19, 2011, as long as Executive is employed by the Company on each such vesting date.

3.3.3. Representation Regarding Grant Date. The Company represents and warrants that the Company has taken all corporate action necessary to create legally binding rights on the part of Executive, as of the Effective Date, to the Stock Option and the Restricted Stock Grant and that the Effective Date is the grant date for all purposes, including (without limitation) for purposes of Section 409A of the United States Internal Revenue Code of 1986, as amended (the "Code").

3.3.4. Covenant Regarding Registration. The Company covenants and agrees that as soon as practicable after the Effective Date, but in any event no later than March 31, 2008 to register the shares of stock of the Company covered by the Stock Option and the Restricted Stock Grant under the Securities Act of 1933, as amended, by filing a registration statement on Form S-8, or on such other form as may be appropriate, and shall use its best efforts to maintain the effectiveness of such registration statement or statements for so long as the Stock Option and Restricted Stock Grant are in effect and for so long as any of the shares of stock covered by the Stock Option and Restricted Stock Grant remain outstanding.

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 six (6) 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 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. Establishment of Residence. Executive agrees to establish a residence in the Greater Boston area no later than June 30, 2008. The Company will reimburse Executive and his spouse for up to six (6) round-trip flights between Maryland and Boston to assist them with searching for a house and establishing a residence. The Company will also reimburse Executive for the reasonable costs incurred by Executive in moving personal belongings from Maryland to the Greater Boston area. Reimbursement for such expenses (except for tax deductible amounts) will also include a one-time gross-up of 40% to cover any income taxes associated with such reimbursement. Executive shall submit requests for reimbursements in a timely fashion consistent with Company policy.

3.7. Commuting Expense and Temporary Housing. Until such time as Executive establishes a residence in the Greater Boston area, but no later than June 30, 2008, the Company shall reimburse Executive for all travel expenses which he incurs between his home in Maryland and the Greater Boston area and will provide Executive with a furnished corporate apartment of the Executive's choosing (at a cost not to exceed \$10,000 per month) in the Greater Boston area.

3.8. One-Time Bonus. On January 7, 2008, the Company shall pay Executive a bonus of Six Hundred Thousand Dollars (\$600,000), net of applicable taxes and withholding. If Executive's employment with the Company is terminated prior to the first anniversary of the Effective Date pursuant to either Section 4.1.3 or Section 4.1.5, Executive hereby authorizes the Company to deduct the amount of such bonus from monies otherwise due to him and to the extent that the bonus is not so repaid in full, he agrees to pay the remaining amount to the Company within 60 days after the effective date of the termination of his employment.

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 willful and 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 Board in accordance with Section 1.2 above, which is not remedied after 30 days' written notice from the Board (if such failure is susceptible to cure), (ii) a breach of any of the 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 Board (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 Conflicts of Interest policy shall be deemed a material policy), which is not cured after 10 days' written notice from the Board (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 Board, in any internal or external investigation of any matter in which the Company has a material (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 4.2.2, 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 subsequently 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 4.2.2(c) 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 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 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 (including, without limitation, (x) the failure to appoint Executive to the position of Chairman of the Board, as provided in Section 1.5, or (y) the removal or failure to reappoint Executive to the position of Chairman of the Board at any time during the Term); (ii) a requirement that Executive report to any person or entity other than the Board; (iii) in connection with a Change-in-Control of the Company (or in connection with any other Business Combination, as defined in Section 4.2.2(c), or any other transfer or other disposition of the Company’s stock, without regard to whether such Business Combination or transfer of the Company’s stock qualifies as a Change-in-Control of the Company), in which either the Company is not the surviving entity or the stock or assets of the Company are acquired by another entity, Executive not being appointed as Chief Executive Officer and Chairman of the Board of the surviving or acquiring entity; (iv) 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 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 (as defined in Section 4.2.2(a)) 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 that Executive’s employment with the Company terminates, 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 the Executive’s employment with the Company terminates, or (ii) One Hundred Percent (100%) of Executive’s Base Salary in effect as of the date the Executive’s employment with the Company terminates.

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 4.6, 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 within twelve (12) months 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 Avid 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 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 death or Disability, but all performance-based vesting awards that have not vested as of such date of death or Disability 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 Executive's employment with the Company terminates, 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 and restricted stock awards 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 4.6:

a) within unless otherwise required by law to be paid on a different date, within thirty (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 Executive's employment with the Company terminates, plus (ii) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which Executive's employment with the Company terminates, if 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 Executive's employment with the Company terminates, for twelve (12) months after the Date of Termination (the "Severance Pay Period"); the first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section

4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

c) the Company shall pay Executive incentive compensation for the fiscal year in which the termination of Executive's employment with the Company occurs in the amount of the Termination Bonus Amount (as defined above) multiplied by the sum of One Hundred Percent (100%) plus the Pro Ration Percentage; such payment will be made within ten (10) business days after the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

d) if Executive is eligible to receive and elects to continue receiving any group medical and dental insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("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 end of the Severance Pay Period twelve (12) month period following 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, premium costs and co-pay amounts) to those provided by the Company as of the date Executive's employment with the Company terminates (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 Avid 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 Grant), any stock options, restricted stock awards, stock appreciation rights or other equity participation rights held by Executive as of the date Executive's employment with the Company terminates 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 Executive's employment with the Company terminates, and

g) Executive shall be entitled to exercise any such options or other awards or equity participation rights until 12 months after the date Executive's employment with the Company terminates, but all performance-based vesting awards that have not, as of such date Executive's employment with the Company terminates, 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 4.6:

a) The unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (and 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 within ten (10) business days after the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (i) the sum of (A) Executive's accrued but unpaid Base Salary through the date Executive's employment with the Company terminates, plus (B) the Annual Incentive Bonus for the fiscal year preceding the fiscal year in which Executive's employment with the Company terminates, if 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 Executive's employment with the Company terminates, 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 end of the eighteen (18) month period following 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 agreement (including, without limitation, the agreements evidencing the Stock Option and the Restricted Stock Grant), the exercisability of all outstanding stock options, restricted stock awards, stock appreciation rights and other equity participation rights 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 Executive's employment with the Company terminates; and

d) 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 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 4.6, Executive shall receive the payments, benefits and rights set forth in Sections 4.3.4(a), (b), (c) and (d), 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. in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any

remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

4.4. Gross-Up for Excess Parachute Payments.

4.4.1. In the event of a Change-in-Control of the Company, or other event constituting a change in the ownership or effective control of the Company or ownership of a substantial portion of the assets of the Company described in Section 280G(b)(2)(A)(i) of the United States Internal Revenue Code of 1986, as amended (the "Code"), the Company, at its sole expense, shall cause its independent auditors promptly to review all payments, accelerations, distributions and benefits that have been made to or provided to, and are to be made, or may be made, to or provided to, Executive under this Agreement, and any other agreement or plan benefiting Executive (collectively the "Original Payments"), to determine the applicability of Section 4999 of the Code to Executive in connection with such event (other than under this Section 4.4). If the Company's independent auditors determine that the Original Payments are subject to excise taxes under Section 4999 of the Code (the "Excise Tax"), then an additional amount shall be paid to Executive (the "Gross-Up Amount") such that the net proceeds of the Gross-Up Amount to Executive, after deduction of the Excise Tax (including interest and penalties) upon the Gross-Up Amount, shall be equal to the Excise Tax on the Original Payments. The Company's independent auditors will perform the calculations in conformity with the foregoing provisions and will provide Executive with a copy of their calculations. The intent of the parties is that the Company shall be solely responsible for, and shall pay, any Excise Tax on the Original Payment(s) and Gross-Up Amount and any income and employment taxes (including, without limitation, other penalties and interest on such income and employment taxes) imposed on any Gross-Up Amount payable hereunder. If no determination by the Company's independent auditors is made prior to the time Executive is required to file a tax return reflecting Excise Taxes on any portion of the Original Payment(s), Executive will be entitled to receive a Gross-Up Amount calculated on the basis of the Excise Tax that Executive reports in such tax return, within 30 days after the filing of such tax return. Executive agrees that, for the purposes of the foregoing sentence, Executive is not required to file a tax return until Executive has obtained the maximum number and length of filing extensions available, and Executive shall have provided a copy of the relevant portions of such tax return to the Company not less than 10 days prior to filing such tax return.

4.4.2. If any tax authority finally determines that a greater Excise Tax should be imposed upon the Original Payments or the Gross-Up Amount than is determined by the Company's independent auditors or reflected in Executive's tax returns, Executive shall be entitled to receive an additional Gross-Up Amount calculated on the basis of the additional amount of Excise Tax determined to be payable by such tax authority (including related penalties and interest) from the Company within 30 days after such determination. Executive shall cooperate with the Company as it may reasonably request to permit the Company (at its sole expense) to contest the determination of such taxing authority to minimize the amount payable under this Section 4.4. If any tax authority finally determines the Excise Tax payable by Executive to be less than the amount taken into account hereunder in calculating the Gross-Up Amount, Executive shall repay the Company, within 30 days after Executive's receipt of a tax refund resulting from that determination, to the extent of such refund, the portion of the Gross-Up Amount attributable to such reduction (including the refunded portion of Gross-Up Amount attributable to the Excise Tax and Federal, state and local income and employment taxes imposed on the Gross-Up Amount being repaid, less any additional income tax resulting from receipt of such refund).

4.5. Section 409A.

4.5.1. 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, 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”); provided that this sentence does not apply to payments made as a result of a termination under Section 4.1.1. 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 Executive’s employment with the Company terminates.

4.5.2. 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 resulting renegotiated terms shall provide to Executive the after-tax economic equivalent of what otherwise has been provided to Executive pursuant to the terms of this Agreement; provided further, 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 4.5.2 shall themselves comply with Section 409A of the Code.

4.5.3. If Executive shall incur any liability under Section 409A of the Code or under any comparable state or local law, rule or regulation as a result of any payments or benefits that Executive receives from the Company (including, without limitation, any payments or benefits made or provided pursuant to Section 4.5.2), the Company shall pay Executive an amount (the “409A Gross-Up Amount”) such that the net proceeds of the 409A Gross-Up Amount to Executive, after deduction of any and all Federal, state and local taxes (including, without limitation, employment taxes, interest and penalties) upon the 409A Gross-Up Amount, shall be equal to the amount of the additional tax (and any interest and penalties) payable under Section 409A of the Code or under any comparable state or local law, rule or regulation. The 409A Gross-Up Amount shall be payable to Executive no later than 21 days after Executive has paid such tax liability.

4.6. Release. In order to be eligible to receive any of the payments or benefits under Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company (without subsequent revocation) and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, a binding severance and mutual release 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.

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 Executive's employment with the Company terminates, in the case of a termination other than within 12 months after a Change-in-Control of the Company, (b) 18 months after the date Executive's employment with the Company terminates, 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 5.1.3 (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.

Article 6. Miscellaneous

6.1. Indemnification.

6.1.1. 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.

6.1.2. A directors' and officers' liability insurance policy (or policies) shall be kept in place, during the Term and thereafter until at least the fourth anniversary of the date this 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.

6.2. Counsel Fees. The Company shall pay to the Executive reimbursement for all legal fees and expenses incurred by Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with review of determinations made under Section 4.4, and any tax audit or proceeding to the extent attributable to the potential application of Section 4999 or Section 409A of the Code to any payment or benefit provided by the Company to Executive. Such reimbursement payments shall be made within 15 days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require. Executive's written requests for payment must be delivered to the Company within one hundred and twenty (120) days after Executive incurs such fees or expenses.

6.3. 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.

6.4. 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 its assets and business or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6.5. 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.
75 Network Drive
Burlington, MA 01803
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive, at the latest address on the personnel records of the Company

or at such other address as either party shall designate to the other in accordance with this Section 6.5.

6.6. 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.

6.7. 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, including but not limited to the Prior Agreement; provided however, nothing in this Agreement shall change the terms of any equity grant made to Executive before the date of this Agreement. 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.

6.8. 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.

6.9. 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.

6.10. 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.

6.11. 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.

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

6.13. 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.

6.14. 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.

6.15. Further Assurances. Each party hereto agrees to furnish and execute such 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 WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as of the date first above written.

Avid Technology, Inc.

By: /s/ Ken Sexton

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

/s/ Gary G. Greenfield

Gary G. Greenfield

EXHIBIT A

RELEASE OF CLAIMS PROVISIONS

This General Release of Claims (the "General Release") is being executed by Gary G. Greenfield ("Executive"), for and in consideration of certain amounts payable under the Executive Employment Agreement (the "Agreement") originally entered into between him and Avid Technology, Inc. (the "Company") on December 17, 2007 and as amended and restated on December 20, 2010 and March 14, 2011, and is conditioned upon the Company's release of Executive, in such form as is reasonably satisfactory to the Company, of any and all claims with respect to acts or omissions on the part of Executive that occurred prior to the date that Executive executes this General Release. Executive agrees as follows:

Executive, on behalf of himself and his agents, heirs, executors, administrators, successors and assigns, hereby releases and forever discharges the Company, and any and all of the affiliates, stockholders, officers, directors, employees, agents, counsel, and successors and assigns of the Company, from any and all complaints, claims, demands, damages, lawsuits, actions, and causes of action which he has or may have against any one or more of them by reason of any event, matter, cause or thing which has occurred prior to the date this General Release is executed by Executive arising from or related to his employment with the Company, or the termination of that employment, 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 etseq., 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 etseq., 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 etseq., 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 (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. Executive further hereby irrevocably and unconditionally waives any and all rights to recover any relief and damages concerning the claims that are lawfully released in this Paragraph. Executive represents and warrants that he has not previously filed or joined in any such claims against the Company or any of its affiliates or subsidiaries, and that he has not given or sold any portion of

any claims released herein to anyone else, and that he will indemnify and hold harmless the persons and entities released herein from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such assignment or transfer.

Executive acknowledges that this is a General Release, and he agrees and understands that he is specifically releasing all claims under the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq, as amended by the Older Workers Benefit Protection Act. Executive acknowledges that he has read and understands the foregoing General Release and executes it voluntarily and without coercion. He further acknowledges that he is being advised herein in writing to consult with an attorney prior to executing this General Release, and that he has had more than 21 days within which to consider this General Release. Executive understands that he has seven days following his execution of this General Release to revoke it in writing, and that this General Release is not effective or enforceable until after this seven-day period. For such revocation to be effective, notice must be received by _____, at the principal office of the Company, no later than 11:59 p.m. on the seventh calendar day after the date on which Executive has signed this General Release. Executive expressly agrees that, in the event he revokes this General Release, the Company shall not be obligated to pay him any amounts the payment of which is expressly conditioned under the Agreement on the effectiveness of this General Release.

Notwithstanding any other provision of this General Release to the contrary or potentially interpretable to the contrary, it is expressly agreed and understood that the Executive is not releasing hereunder (i) any rights or potential claims for indemnification as otherwise available to Executive as an officer, director, agent or in any other capacity, (ii) any rights or potential claims with respect to any event, matter, cause or thing which occurs after the date that Executive executes this General Release, including without limitation, any such rights or potential claims which arise after the date that Executive executes this General Release with respect to the Agreement or with respect to any other agreement to which the Company and Executive are parties, or (iii) any claims for benefits under employee benefit plans.



AVID TECHNOLOGY, INC.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (this "Agreement") is entered into as of December 20, 2010, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and Kenneth A. Sexton ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of January 21, 2008 (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above (or, where required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") as of January 1, 2009), to clarify the application of Section 409A of the Code to the benefits that may be provided to the Executive.

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. Service. Commencing on January 21, 2008 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Chief Administrative Officer of the Company 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") and the Chief Executive Officer and to devote his full working time and attention to such duties.

Following the Effective Date, Executive shall be permitted to serve on the board of directors (and committees thereof) of one company (public or private) with the prior approval of the Board.

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 January 21, 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 Board of Directors' Compensation Committee (the "Compensation Committee") 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 (the "Annual Incentive Bonus") equal to One Hundred percent (100%) of his then Base Salary 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 Base Salary for extraordinary performance on all or nearly all of

his performance objectives. The total cash compensation payable to Executive with respect to fiscal year 2008 (excluding any payments made pursuant to Section 3.6 hereof), including his Annual Incentive Bonus for 2008, shall not exceed Eight Hundred Eighty-One Thousand Two Hundred Fifty Dollars (\$881,250).

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, the Chief Executive Officer and the Compensation Committee shall have collectively 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 collectively established by the Compensation Committee, the Chief Executive Officer and Executive 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 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. Any Annual Incentive Bonus earned by Executive with respect to a fiscal year shall be paid to him promptly after the filing of the Company's Annual Report on Form 10-K for such fiscal year but in no event later than 90 days after the end of such fiscal year. The amount of, and Executive's entitlement to receive, the Annual Incentive Bonus for a fiscal year shall be determined without regard to whether Executive is employed on the date that such Annual Incentive Bonus is payable.

3.3. Equity Grant.

3.3.1. Option Grant. Effective as of January 28, 2008 (the "Grant Date"), pursuant to a stock option agreement, Executive will be awarded an option to purchase Two Hundred Sixty Thousand (260,000) shares of Avid Technology, Inc. common stock (the "Stock Option"). The exercise price will be the closing price of the stock on the Grant Date.

a) Fifty Thousand (50,000) shares of the Stock Option will vest on a time-based schedule in equal 6.25% increments every three months ending on the fourth anniversary of the Grant Date, as long as Executive is employed by the Company on each such vesting date.

b) One Hundred Thousand (100,000) shares of the Stock Option will vest on a performance-based schedule, as follows:

(1) Fifty Thousand (50,000) shares of the Stock Option will vest at the end of the first 20 consecutive trading day period following the Grant 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 Fifty Thousand (50,000) shares of the Stock Option will vest at the end of the first 20 consecutive trading day period following the Grant 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) One Hundred Ten Thousand (110,000) 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%

The Board shall make the final determination of ROE and the ROE percentage point improvement for purposes hereof for each calendar year no later than the 1st day of March following the end of such calendar year. The determination of ROE shall be derived 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 at the end of 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 Grant 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 Grant Date, pursuant to a restricted stock unit agreement, Executive will be granted Fifty Thousand (50,000) 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 on a time-based schedule in equal

6.25% increments every three months ending on the fourth anniversary of the Grant Date, as long as Executive is employed by the Company on each such vesting date.

3.3.3. Representation Regarding Grant Date. The Company represents and warrants that the Company will have taken all corporate action necessary to create legally binding rights on the part of Executive, as of the Grant Date, to the Stock Option and the Restricted Stock Unit Grant and that the Grant Date is the grant date for all purposes, including (without limitation) for purposes of Section 409A of the United States Internal Revenue Code of 1986, as amended (the "Code").

3.3.4. Covenant Regarding Registration. The Company covenants and agrees that as soon as practicable after the Effective Date, but in any event no later than March 31, 2008 to register the shares of stock of the Company covered by the Stock Option and the Restricted Stock Unit Grant under the Securities Act of 1933, as amended, by filing a registration statement on Form S-8, or on such other form as may be appropriate, and shall use its best efforts to maintain the effectiveness of such registration statement or statements for so long as the Stock Option and Restricted Stock Unit Grant are in effect and for so long as any of the shares of stock covered by the Stock Option and Restricted Stock Unit Grant remain outstanding.

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 Six Thousand Dollars (\$6,000) for travel and living expenses (for which receipts shall not be required) which he incurs between his home in Ohio and the Company's headquarters. Additionally, the Company shall provide Executive with appropriate lodging (hotel or furnished corporate apartment) acceptable to the Company in the Greater Boston area (the "Lodging Expenses"). To the extent reimbursement of any Lodging Expenses are includable in the Executive's taxable income, the Company will provide for a 40% gross-up to reimburse Executive for any income taxes associated with such reimbursement. The Company shall pay or reimburse Executive with respect to such gross-up obligation according to its normal procedures but, in any event, no later than February 28th of the year following the year in which Lodging Expenses are incurred.

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 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 breach of any of the 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 Conflicts of Interest policy 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 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 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 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 20% and does not continue for more than 12 months); (iii) failure by the Company’s Board to designate the Executive as an “Executive Officer” as such term is defined in Rule 3b-7 of the Exchange Act; (iv) 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 (v) 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 4.6, 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 within twelve (12) months 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 Avid 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 death or Disability, but all performance-based vesting awards that have not vested as of such date of death or Disability 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 4.6:

a) unless otherwise required by law to be paid on a different date, within thirty (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 twelve (12) months after the Date of Termination; the first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

c) the Annual Incentive Bonus for the year in which the Date of

Termination occurred, in the amount of Executive's target award 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 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 but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

d) the Company shall continue to provide Executive benefits in accordance with Section 3.4 hereof until the earlier of (x) the end of the twelve (12) month period following 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 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 Avid 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; 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 4.6:

a) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash within ten (10) business days after the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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 end of the eighteen (18) month period following 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 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 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 4.6, 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

4.4. Gross-Up for Excess Parachute Payments.

4.4.1. In the event of a Change-in-Control of the Company, or other event constituting a change in the ownership or effective control of the Company or ownership of a substantial portion of the assets of the Company described in Section 280G(b)(2)(A)(i) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the Company, at its sole expense, shall cause its independent auditors promptly to review all payments, accelerations, distributions and benefits that have been made to or provided to, and are to be made, or may be made, to or provided to Executive under this Agreement, and any other agreement or plan benefiting Executive (collectively the "Original Payments"), to determine the applicability of Section 4999 of the Code to Executive in connection with such event (other than under this section). If the Company's independent auditors determine that the Original Payments are subject to excise taxes under Section 4999 of the Code (the "Excise Tax"), then an additional amount shall be paid to Executive (the "Gross-Up Amount") such that the net proceeds of the Gross-Up Amount to Executive, after deduction of the Excise Tax (including interest and penalties) upon the Gross-Up Amount and after deductions for income and employment taxes attributable to the Gross-Up Amount, shall be equal to the Excise Tax on the Original Payments.

The Company's independent auditors will perform the calculations in conformity with the foregoing provisions and will provide Executive with a copy of their calculations. The intent of the parties is that the Company shall be solely responsible for, and shall pay, any Excise Tax on the Original Payment(s) and Gross-Up Amount and any income and employment taxes (including, without limitation, other penalties and interest on such income and employment taxes) imposed on any Gross-Up Amount payable hereunder. If no determination by the Company's independent auditors is made prior to the time Executive is required to file a tax return reflecting Excise Taxes on any portion of the Original Payment(s), Executive will be entitled to receive a Gross-Up Amount calculated on the basis of the Excise Tax that Executive reports in such tax return within 30 days after the filing of such tax return. Executive agrees that, for the purposes of the foregoing sentence, Executive is not required to file a tax return until Executive has obtained the maximum number and length of filing extensions available, and Executive shall have provided a copy of the relevant portions of such tax return to the Company not less than 10 days prior to filing such tax return.

4.4.2. If any tax authority finally determines that a greater Excise Tax should be imposed upon the Original Payments or the Gross-Up Amount than is determined by the Company's independent auditors or reflected in Executive's tax returns, Executive shall be entitled to receive an additional Gross-Up Amount calculated on the basis of the additional amount of Excise Tax determined to be payable by such tax authority (including related penalties and interest) from the Company within 30 days after such determination. Executive shall cooperate with the Company as it may reasonably request to permit the Company (at its sole expense) to contest the determination of such taxing authority to minimize the amount payable under this Section 4.4. If any tax authority finally determines the Excise Tax payable by Executive to be less than the amount taken into account hereunder in calculating the Gross-Up Amount, Executive shall repay the Company, within 30 days after Executive's receipt of a tax refund resulting from that determination, to the extent of such refund, the portion of the Gross-Up Amount attributable to such reduction (including the refunded portion of Gross-Up Amount attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Amount being repaid, less any additional income tax resulting from receipt of such refund).

4.5. Section 409A.

4.5.1. 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.

4.5.2. 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.

4.6. General Release. In order to be eligible to receive any of the salary or benefits under Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 by the release deadline specified above such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so. 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, (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. Miscellaneous

6.1. 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.

6.2. Counsel Fees. The Company shall pay to the Executive reimbursement for all legal fees and expenses incurred by Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with review of determinations made under Section 4.4, and any tax audit or proceeding to the extent attributable to the potential application of Section 4999 or Section 409A of the Code to any payment or benefit provided by the Company to Executive. Such reimbursement payments shall be made within 15 days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require. Executive's written requests for payment must be delivered to the Company within one hundred and twenty (120) days after Executive incurs such fees or expenses.

6.3. 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.

6.4. 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.

6.5. 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.
75 Network Drive
Burlington, MA 01803
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive, at the latest address on the personnel records of the Company

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

6.6. 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.

6.7. 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, including but not limited to the Prior Agreement, but excluding any agreement entered into prior to the date of this Agreement between Executive and the Company relating to the issuance of common stock of the Company. This Agreement may not be modified or amended except upon written amendment approved by the Compensation Committee, 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.

6.8. 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.

6.9. 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.

6.10. 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.

6.11. 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.

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

6.13. 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.

6.14. 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.

6.15. Further Assurances. Each party hereto agrees to furnish and execute such 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 WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as of the date first above written.

Avid Technology, Inc.

By: /s/ Gary G. Greenfield

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

/s/ Kenneth A. Sexton

Kenneth A. Sexton

Exhibit A
Release provision pursuant to Section 4.6 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.



AVID TECHNOLOGY, INC.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (this "Agreement") is entered into as of December 20, 2010, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and Kirk E. Arnold ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of February 6, 2008 (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above (or, where required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") as of January 1, 2009), to clarify the application of Section 409A of the Code to the benefits that may be provided to the Executive.

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. **Service.** Commencing on February 11, 2008 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Executive Vice President and General Manager, Avid Video upon the terms and conditions set forth below.

1.2. **Duties.** During the Term, Executive agrees to perform such executive duties consistent with her 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") and the Chief Executive Officer and to devote her full working time and attention to such duties.

Following the Effective Date, Executive shall be permitted to continue serving on, and only on, the board of directors (and committees thereof) of one company on which Executive serves as of the Effective Date; provided, however, that if Executive resigns or otherwise ceases to serve with respect to such directorship, Executive shall not serve on the board of directors or advisory committee of any other company (public or private) without prior Board approval.

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 her personal investments, so long as such activities do not interfere with the performance of her 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 February 11, 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 Six Hundred Thousand Dollars (\$600,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Board of Directors' Compensation Committee (the "Compensation Committee") 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 she shall be eligible to

receive a target annual bonus (the "Annual Incentive Bonus") equal to One Hundred percent (100%) of her then Base Salary for full attainment of her performance objectives (which may include company-wide objectives), with a maximum annual bonus equal to One Hundred Thirty-Five percent (135%) of her then Base Salary for extraordinary performance on all or nearly all of her performance objectives. The total cash compensation payable to Executive with respect to fiscal year 2008, including her Annual Incentive Bonus for 2008, shall not exceed One Million Four Hundred Ten Thousand Dollars (\$1,410,000).

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 30 days after the Effective Date, Executive, the Chief Executive Officer and the Compensation Committee shall have collectively 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 collectively established by the Compensation Committee, the Chief Executive Officer and Executive 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 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.

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 Two Hundred Forty Five Thousand (245,000) 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) Thirty Five Thousand (35,000) shares of the Stock Option will vest on a time-based schedule in equal 6.25% increments every three months ending on the fourth anniversary of the Effective Date, as long as Executive is employed by the Company on each such vesting date.

b) One Hundred Thousand (100,000) shares of the Stock Option will vest on a performance-based schedule, as follows:

(1) Fifty Thousand (50,000) 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 Fifty Thousand (50,000) 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) One Hundred Ten Thousand (110,000) 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%

The Board shall make the final determination of ROE and the ROE percentage point improvement for purposes hereof for each calendar year no later than the 1st day of March following the end of such calendar year. The determination of ROE shall be derived 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 at the end of 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. On the Effective Date, pursuant to a restricted stock unit agreement, Executive will be granted Thirty Five Thousand (35,000) 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 on a time-based schedule in equal 6.25% increments every three months ending on the fourth anniversary of the Effective Date, as long as Executive is employed by the Company on each such vesting date.

3.3.3. Representation Regarding Equity Grant. The Company represents and warrants that the Company will have taken all corporate action necessary to create legally binding rights on the part of Executive, as of the Effective Date, to the Stock Option and the Restricted Stock Unit Grant and that the Effective Date is the grant date for all purposes, including (without limitation) for purposes of Section 409A of the United States Internal Revenue Code of 1986, as amended (the "Code").

3.3.4. Covenant Regarding Registration. The Company covenants and agrees that as soon as practicable to register the shares of stock of the Company covered by the Stock Option and the Restricted Stock Unit Grant under the Securities Act of 1933, as amended, by filing a registration statement on Form S-8, or on such other form as may be appropriate, and shall use its best efforts to maintain the effectiveness of such registration statement or statements for so long as the Stock Option and Restricted Stock Unit Grant are in effect and for so long as any of the shares of stock covered by the Stock Option and Restricted Stock Unit Grant remain outstanding.

3.4. Benefits; Expenses. During the Term, the Company shall provide Executive and her 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) her duties and responsibilities as assigned by the Chief Executive 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 breach of any of the 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 Conflicts of Interest policy 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 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 her 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 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 20% and does not continue for more than 12 months); (iii) failure by the Company's Board to designate the Executive as an "Executive Officer" as such term is defined in Rule 3b-7 of the Exchange Act; (iv) 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 (v) 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 4.6, 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 within twelve (12) months 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 Avid 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 death or Disability, but all performance-based vesting awards that have not vested as of such date of death or Disability 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 4.6:

a) unless otherwise required by law to be paid on a different date, within thirty (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, her Base Salary in effect as of the Date of Termination, for twelve (12) months after the Date of Termination; the first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

c) the Annual Incentive Bonus for the year in which the Date of Termination occurred, in the amount of Executive's target award 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 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 but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

d) the Company shall continue to provide Executive benefits in accordance with Section 3.4 hereof until the earlier of (x) the end of the twelve (12) month period following 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 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 Avid 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; 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 4.6:

a) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash within ten (10) business days after the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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 end of the eighteen (18) month period following 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 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 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 4.6, 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.6 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.6 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

4.4. Gross-Up for Excess Parachute Payments.

4.4.1. In the event of a Change-in-Control of the Company, or other event constituting a change in the ownership or effective control of the Company or ownership of a substantial portion of the assets of the Company described in Section 280G(b)(2)(A)(i) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the Company, at its sole expense, shall cause its independent auditors promptly to review all payments, accelerations, distributions and benefits that have been made to or provided to, and are to be made, or may be made, to or provided to Executive under this Agreement, and any other agreement or plan benefiting Executive (collectively the "Original Payments"), to determine the applicability of Section 4999 of the Code to Executive in connection with such event (other than under this section). If the Company's independent auditors determine that the Original Payments are subject to excise taxes under Section 4999 of the Code (the "Excise Tax"), then an additional amount shall be paid to Executive (the "Gross-Up Amount") such that the net proceeds of the Gross-Up Amount to Executive, after deduction of the Excise Tax (including interest and penalties) upon the Gross-Up Amount and after deductions for income and employment taxes attributable to the Gross-Up Amount, shall be equal to the Excise Tax on the Original Payments. The Company's independent auditors will perform the calculations in conformity with the foregoing provisions and will provide Executive with a copy of their calculations. The intent of the parties is that the Company shall be solely responsible for, and shall pay, any Excise Tax on the Original Payment(s) and Gross-Up Amount and any income and employment taxes (including, without limitation, other penalties and interest on such income and employment taxes) imposed on any Gross-Up Amount payable hereunder. If no determination by the Company's independent auditors is made prior to the time Executive is required to file a tax return reflecting Excise Taxes on any portion of the Original Payment(s), Executive will be entitled to receive a Gross-Up Amount calculated on the basis of the Excise Tax that Executive reports in such tax return within 30 days after the filing of such tax return. Executive agrees that, for the purposes of the foregoing sentence, Executive is not required to file a tax return until Executive has obtained the maximum number and length of filing extensions available, and Executive shall have provided a copy of the relevant portions of such tax return to the Company not less than 10 days prior to filing such tax return.

4.4.2. If any tax authority finally determines that a greater Excise Tax should be imposed upon the Original Payments or the Gross-Up Amount than is determined by the Company's independent auditors or reflected in Executive's tax returns, Executive shall be entitled to receive an additional Gross-Up Amount calculated on the basis of the additional amount of Excise Tax determined to be payable by such tax authority (including related penalties and interest) from the Company within 30 days after such determination. Executive

shall cooperate with the Company as it may reasonably request to permit the Company (at its sole expense) to contest the determination of such taxing authority to minimize the amount payable under this Section 4.4. If any tax authority finally determines the Excise Tax payable by Executive to be less than the amount taken into account hereunder in calculating the Gross-Up Amount, Executive shall repay the Company, within 30 days after Executive's receipt of a tax refund resulting from that determination, to the extent of such refund, the portion of the Gross-Up Amount attributable to such reduction (including the refunded portion of Gross-Up Amount attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Amount being repaid, less any additional income tax resulting from receipt of such refund).

4.5. Section 409A.

4.5.1. 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.

4.5.2. 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.

4.6. General Release. In order to be eligible to receive any of the salary or benefits under Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5 hereof, Executive (or her personal representative, if applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 by the release deadline specified above such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so. 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, (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. Miscellaneous

6.1. 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.

6.2. Counsel Fees. The Company shall pay to the Executive reimbursement for all legal fees and expenses incurred by Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with review of determinations made under Section 4.4, and any tax audit or proceeding to the extent attributable to the potential application of Section 4999 or Section 409A of the Code to any payment or benefit provided by the Company to Executive. Such reimbursement payments shall be made within 15 days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require. Executive's written requests for payment must be delivered to the Company within one hundred and twenty (120) days after Executive incurs such fees or expenses.

6.3. 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.

6.4. 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.

6.5. 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.
75 Network Drive
Burlington, MA 01803
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive, at the latest address on the personnel records of the Company

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

6.6. 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.

6.7. 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, including but not limited to the Prior Agreement, but excluding any agreement entered into prior to the date of this Agreement between Executive and the Company relating to the issuance of common stock of the Company. This Agreement may not be modified or amended except upon written amendment approved by the Compensation Committee, 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.

6.8. 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.

6.9. 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.

6.10. 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.

6.11. 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 her 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.

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

6.13. 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.

6.14. 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.

6.15. Further Assurances. Each party hereto agrees to furnish and execute such 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 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 Sexton

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

/s/ Kirk E. Arnold

Kirk E. Arnold

Exhibit A
Release provision pursuant to Section 4.6 of the Executive Employment Agreement

In consideration of the severance benefits, which the Executive acknowledges she 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 she 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 she has been given at least twenty-one (21) days to consider this Agreement and that the Company advised her to consult with any attorney of her own choosing prior to signing this Agreement. The Executive further acknowledges that she 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 she is waiving any and all rights or claims she might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that she has received consideration beyond that to which she was previously entitled.

**AVID TECHNOLOGY, INC.****AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT**

This Amended and Restated Executive Employment Agreement (this "Agreement") is entered into as of December 22, 2010, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and Christopher C. Gahagan ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of July 21, 2009 (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above (or, where required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") as of January 1, 2009), to clarify the application of Section 409A of the Code to the benefits that may be provided to the Executive.

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. **Service.** Commencing on July 21, 2009 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Senior Vice President of Products 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"), the Chief Executive Officer or the Chief Administrative 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 [21], 2012 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 Four Hundred Thousand Dollars (\$400,000), 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, 2009 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 One Hundred percent (100%) 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, 2009, achievement of the Annual Incentive Bonus shall be on a pro-rata basis for the period following the Effective Date only.

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 two hundred thousand (200,000) 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) Fifty Thousand (50,000) shares of the Stock Option will vest on a time-based schedule, twenty-five percent (25%) of which will vest on the first twelve-month anniversary of the Effective Date and the remaining seventy-five percent (75%) will vest in equal increments every three (3) months thereafter ending on the fourth anniversary of the Effective Date, as long as Executive is employed by the Company on each such vesting date.

(ii) One Hundred Fifty Thousand (150,000) 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) Fifty Thousand (50,000) 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 \$35.00, as adjusted for stock splits and stock dividends;

(b) An additional Fifty Thousand (50,000) 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 \$50.00, as adjusted for stock splits and stock dividends; and

(c) Fifty Thousand (50,000) 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 2009. 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 (2015) 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 Thirty Thousand (30,000) 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, Chief Administrative 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 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 written 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 the general release requirement in 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 in accordance with Section 3.1 over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs within twelve (12) months 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, 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 first installment will be paid in accordance with the Company's usual payroll practices

beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

(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 or the Chief Executive Officer, as it or he deems appropriate under the circumstances in its or his 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 but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

(iv) if Executive is eligible to receive and elects to continue receiving any group medical, dental and vision 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 twelve (12) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision 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 first 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 the earlier of (a) 12 months after the Date of Termination and (b) the expiration date, if any, of such options, other awards or equity participation rights, but all performance-based vesting awards that have not vested as of the Date of Termination 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash within ten (10) business days after the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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, dental and vision 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 end of the eighteen (18) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision 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 the general release requirement in 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

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 Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5 hereof, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 by the release deadline specified above 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 or was engaged as an independent contractor at any time within six months 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 or was engaged as an independent contractor at any time within six months 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 employ 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 will 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 using or discussing any trade secret or confidential or proprietary information in the course of his employment with the Company, or 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.
75 Network Drive
Burlington, MA 01803 Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive, at the latest address on the personnel records of the Company

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, including but not limited to the Prior Agreement, but excluding (i) any agreement entered into prior to the date of this Agreement between Executive and the Company relating to the issuance of common stock of the Company and (ii) any employee nondisclosure and invention assignment agreement entered into between Executive and the Company. 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 Sexton

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

/s/ Christopher C. Gahagan

Christopher C. Gahagan

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.



AVID TECHNOLOGY, INC.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (this "Agreement") is entered into as of December 22, 2010, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and Ronald S. Greenberg ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of August 17, 2010 (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above (or, where required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") as of January 1, 2009), to clarify the application of Section 409A of the Code to the benefits that may be provided to the Executive.

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. **Service.** Commencing on September 7, 2010 (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as Senior Vice President of Worldwide Marketing 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"), the Chief Executive Officer or the Chief Operating 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 30, 2013 unless the Term is:

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

2.1.2 terminated when 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 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 Twenty-Five Thousand Dollars (\$325,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Chief Executive Officer (or if required by applicable laws, rules or regulations, the Compensation Committee of the Board (the "Compensation Committee"), during the Term.

3.2. Incentive Payments. During the Term, Executive shall be eligible to participate in an annual performance bonus plan approved by the Compensation Committee for the Company's executive officers (as defined under the Securities Exchange Act of 1934, as amended ("Executive Officers")) and certain other members of management pursuant to which he shall be eligible to receive an annual bonus ("Annual Incentive Bonus") with a target payout equal to fifty percent (50%) of his then Base Salary (the "Target Bonus") for full attainment of his performance objectives (which may include Company-wide objectives).

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 Operating Officer shall mutually establish Executive's performance objectives for fiscal year

2010 (and subject to the approval of the Compensation Committee if so required by applicable laws, rules or regulations). Thereafter, during the Term, Executive's performance objectives for each fiscal year shall be established during Executive's annual performance review with the Chief Operating Officer (and, if required by applicable laws, rules or regulations, subject to the approval of the Compensation Committee); provided, that in no event shall the percentage set forth in the first paragraph of this Section 3.2 to be used in calculating Executive's Annual Incentive Bonus be reduced. The Chief Operating Officer (or, if required by applicable laws, rules or regulations, the Compensation Committee) 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 Executive Officers. Notwithstanding the foregoing, for the Company's 2010 fiscal year, achievement of the Annual Incentive Bonus shall be on a pro-rata basis for the period following the Effective Date only.

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 seventy-five thousand (75,000) shares of Avid Technology, Inc. common stock (the "Stock Option"). The exercise price will be the closing price of the common stock on the Effective Date.

- (i) Twenty-Seven Thousand Five Hundred (27,500) shares of the Stock Option will vest on a time-based schedule, twenty-five percent (25%) of such shares will vest on the first anniversary of the Effective Date and the remaining seventy-five percent (75%) of such shares will vest in thirty-six (36) equal monthly installments thereafter ending on the fourth anniversary of the Effective Date, as long as Executive is employed by the Company on each such vesting date.
- (ii) Forty-Seven Thousand Five Hundred (47,500) shares of the Stock Option (the "ROE Option Shares") will vest on a performance-based schedule, tied to the Company's achievement of annual Return on Equity ("ROE") (as determined below) targets as set forth in the following schedule, commencing with calendar year 2010, provided Executive is employed by the Company on each such vesting date:

Annual Return on Equity Targets	Percentage of ROE Option Shares to Vest
5%	20%
7%	36%
9%	52%
11%	68%
13%	84%
15%	100%

ROE will be the percentage determined using the Company's published non-GAAP pre-tax income for the applicable year divided by the average common stockholder equity during the same year. ROE determinations for each year will be made by the Board or a duly authorized committee thereof, based upon the Company's financial results for the applicable calendar year. Any shares that have not vested as of the date the Board makes the final determination of ROE for 2020 will be forfeited.

Notwithstanding the above, 50% of the ROE Option Shares 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 \$35.00, as adjusted for stock splits and stock dividends, and the remaining ROE Option Shares 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 \$50.00, as adjusted for stock splits and stock dividends.

3.3.2. **Restricted Stock Unit Grant.** On the Effective Date, pursuant to a restricted stock unit agreement, Executive will be granted Seventeen Thousand Five Hundred (17,500) restricted stock units, with each unit representing the right to receive one share of the Company's common stock, said restricted stock units to vest as follows provided Executive is employed by the Company on each such vesting date.

- (i) Ten Thousand (10,000) restricted stock units will vest on a time-based schedule 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.
- (ii) Seven Thousand Five Hundred (7,500) restricted stock units ("ROE RSUs") will vest on a performance-based schedule tied to the Company's achievement of annual ROE (as determined in Section 3.3.1(ii) above) targets as set forth in the following schedule, commencing with calendar year 2010, provided Executive is employed by the Company on each such vesting date:

Annual Return on Equity Targets	Percentage of ROE RSUs to Vest
5%	20%
7%	36%
9%	52%
11%	68%
13%	84%
15%	100%

Any ROE RSUs that have not vested as of the date the Board makes the final determination of ROE for 2020 will be forfeited.

Notwithstanding the above, 50% of the ROE RSUs 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 \$35.00, as adjusted for stock splits and stock dividends, and the remaining ROE RSUs 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 \$50.00, as adjusted for stock splits and stock dividends.

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 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, Executive shall be entitled to participate in the Company's stock incentive plans to the extent and in the manner determined by the Board in its absolute discretion.

3.6. One-Time Bonus. On December 31, 2010, the Company shall pay Executive a bonus of Fifty Thousand Dollars (\$50,000), net of applicable taxes and withholding, based on satisfactory completion of agreed-upon objectives, which objectives shall be mutually established within forty-five (45) days after the Effective Date. If Executive's employment with the Company is terminated prior to the first anniversary of the Effective Date pursuant to either Section 4.1.3 or Section 4.1.5, Executive hereby authorizes the Company to deduct the amount of such bonus from monies otherwise due to him and to the extent that the bonus is not so repaid in full, he agrees to pay the remaining amount to the Company within 60 days after the effective date of the termination of his employment.

3.7. Establishment of Residence. Effective upon the Effective Date, Executive's position shall be based in Burlington, Massachusetts. In accepting this position, Executive agrees to establish a residence in the Greater Boston area no later than October 1, 2011. The Company will reimburse Executive for the reasonable costs incurred by Executive in commuting from New York to Burlington, selling his New York home, searching for a residence in the Greater Boston area, purchasing a residence in the Greater Boston area, and moving personal belongings from New York to the Greater Boston area. Executive may also lease a residence in the Greater Boston area pursuant to this paragraph, provided, however, that security deposits, rent and similar payments shall not be reimbursable. Eligible relocation reimbursement expenses, whether Executive purchases or leases a residence, are set forth on Exhibit A attached hereto and also include a one-time gross-up of up to 40% of the eligible relocation reimbursement expenses to cover income taxes associated with such reimbursement. Executive shall submit requests for reimbursements in a timely fashion consistent with

Company policy. Notwithstanding the foregoing, (a) payment by the Company to Executive pursuant to this paragraph shall not exceed \$175,000, provided further that any payments subject to Treas. Reg. Section 1.409A-3(i)(1)(iv)(A)(3) shall not exceed \$14,689 in 2010 and \$160,311 in 2011 inclusive of the one-time gross-up amount for income taxes, (b) if Executive voluntarily resigns other than pursuant to Section 4.1.6 prior to the second anniversary of the Effective Date, Executive hereby authorizes the Company to deduct a pro rata portion of any payment by the Company to Executive pursuant to this paragraph (inclusive of any gross-up amount) from monies otherwise due to him and to the extent that such amount is not so repaid in full, he agrees to pay the remaining amount to the Company within 60 days after the effective date of the termination of his employment (such pro rata portion shall equal the product of (i) the amount paid by the Company pursuant to this paragraph multiplied by (ii) the number of whole months between Executive's termination date and the second anniversary of the Effective Date divided by twenty-four), (c) provided Executive establishes a residence in the Greater Boston area on or before October 1, 2011, the Company will allow for relocation expense reimbursement related to the sale of Executive's New York home and the purchase of a residence in the Greater Boston area to remain available to Executive through December 31, 2011, and (d) Executive agrees that all other relocation expenses be incurred and submitted for reimbursement no later than November 15, 2011. The Company shall pay or reimburse Executive with respect to such relocation obligations according to its normal procedures but, in any event, no later than February 28th of the year following the year in which relocation expenses are incurred.

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 Executive's death;

4.1.2. The termination of 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 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, Chief Operating 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 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 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 Burlington, Massachusetts); provided, however, that a termination for Good Reason by Executive can occur only if (a) Executive has given the Company a written 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 the general release requirement in 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 Executive under any long-term disability plan of the Company). Such payments shall be made in accordance with Section 3.1 over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs within twelve (12) months 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, 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 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, 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 first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

(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 Chief Executive Officer (or if required by applicable laws, rules or regulations, including the rules of the plan, by the Compensation Committee); 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 Executive Officers 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 Executive Officers who remain employed with the Company but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

(iv) if Executive is eligible to receive and elects to continue receiving any group medical, dental and vision 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 twelve (12) month period

following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision 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 first 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, 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 shall 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

(vii) Executive shall be entitled to exercise any such options or other awards or equity participation rights until the earlier of (a) 12 months after the Date of Termination and (b) the expiration date, if any, of such options, other awards or equity participation rights, but all performance-based vesting awards that have not vested as of the Date of Termination 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in

cash within ten (10) business days after the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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, dental and vision 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 end of the eighteen (18) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision insurance from another employer);

(iii) notwithstanding anything to the contrary in the applicable stock option or restricted stock unit agreement, the exercisability of all outstanding stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other equity participation rights 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 the general release requirement in 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

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 Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5, Executive (or his personal representative, if

applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 B, and shall be required to sign by the release deadline specified above 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 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 or was engaged as an independent contractor at any time within six months 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 or was engaged as an independent contractor at any time within six months 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 employ 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. Non-Disclosure and Assignment of Inventions

6.1. Confidential Information.

6.1.1. Executive agrees that all information and know-how, whether or not in writing, concerning (i) the Company's business or financial affairs, (ii) the Company's research and development or investigation activities, and (iii) the business relations and affairs of any of the Company's clients, customers, vendors and suppliers, that is not generally known to the public, industry or trade (collectively, "Confidential Information") is and will be the exclusive property of the Company. Examples of Confidential Information include, but are not limited to, trade secrets, inventions, products, processes, methods, techniques, formulas, compositions, projects, developments, plans, research data, financial data, personnel data of other employees, computer programs, and customer and supplier lists. Executive will not at any time, either during or after his employment with the Company, disclose any Confidential Information to others outside the Company except when he is required to do so in the performance of his duties for the Company (and provided Executive has signed an appropriate confidentiality agreement with such third party), or as required by law, or use any Confidential Information for any unauthorized purposes without obtaining prior written approval by an officer of the Company unless and until such Confidential Information has become public knowledge without fault by Executive, whether directly or indirectly.

6.1.2. Executive agrees that all files, letters, memoranda, notes, reports, records, data, sketches, drawings, program listings, or other written, photographic and tangible material, as well as material in electronic form, containing Confidential Information, whether created by Executive or others, that comes into Executive's custody or possession, is the Company's exclusive property that Executive will use only in the performance of his duties for the Company. Executive will deliver to the Company all of these materials and all other Company tangible property and property in electronic form in his custody or possession, upon

the earlier of (i) a request by the Company or (ii) termination of his employment. After Executive delivers these materials, he will not retain any records or copies of these materials.

6.1.3. Executive agrees that his obligation (i) not to disclose or use Confidential Information and (ii) to return the Company's tangible property and property in electronic form, also extends to Confidential Information, tangible property and property in electronic form of the Company's clients, customers, vendors and suppliers and 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. Inventions.

6.2.1. The term "Invention(s)" in this Agreement means any new or useful art, discovery, improvement, development or invention, whether or not patentable and whether or not in tangible form, 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 will make full and prompt disclosure to the Company of all Inventions, whether patentable or not, that are created, made, conceived or reduced to practice by him or under his 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 its designee(s)) all his right, title and interest in and to all Inventions and all related patents, patent applications, copyrights and copyright applications, that he solely or jointly conceives or has conceived, develops or has developed, or reduces or has reduced to practice, during the period of his employment with the Company. This Section 6.2.2 does not apply to Inventions that do not relate to the present or planned business or research and development of the Company and that 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 Confidential Information. Executive acknowledges that if a court of competent jurisdiction determines that the assignment of certain classes of inventions is unenforceable, this Section 6.2.2 will be interpreted not to apply to any invention that a court rules and/or the Company agrees falls within such classes (a "Non-Assignable Invention"). If the Company determines that a Non-Assignable Invention could be made assignable if certain defects were corrected, Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, to correct such defects.

6.2.3. Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, on 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 Inventions. Executive agrees to sign all papers, including, but not limited to, copyright applications, patent applications, declarations, oaths, formal assignment of priority rights and powers of attorney, that the Company may deem necessary or desirable in order to protect its rights and interests in any Inventions assigned by Executive to the Company pursuant to Section 6.2.2 above or otherwise.

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

Executive has not assigned to the Company. If no such list is delivered prior to the Effective Date, Executive represents that he does not have any Prior Inventions. If in the course of his employment with the Company, Executive incorporates or has incorporated into a Company product, process or machine a Prior Invention that he owns or that he has an interest in, Executive hereby grants to the Company a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell this 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 of the United States government, that impose obligations or restrictions on the Company regarding inventions made during the course of work under this agreements or regarding the confidential nature of this 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 these 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 her 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. Right to Offset. To the extent not prohibited by applicable law and addition to any other remedy, the Company has the right but not the obligation to offset any amount that Executive owes the Company against any amounts due Executive under this Agreement.

7.4. 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.

7.5. 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 facsimile provided (a) confirmation of transmission is mechanically or electronically generated and kept on file by the sending party and (b) notice is sent to the recipient during the recipient’s normal business hours (9:00 a.m. to 5:00 p.m. or if sent after such hours, as of commencement of the next business day), in all cases addressed to the other party hereto as follows:

(a) If to the Company:

Avid Technology, Inc.
75 Network Drive
Burlington, MA 01803
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive, at the latest address on the personnel records of the Company

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

7.6. 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.

7.7. 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, including but not limited to the Prior Agreement but excluding (i) any agreement entered into prior to the date of this Agreement between Executive and the Company relating to the issuance of common stock of the Company and (ii) any employee nondisclosure and invention assignment agreement entered into between Executive and the Company. This Agreement may not be modified or amended except upon written amendment approved by the Compensation Committee, 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.

7.8. 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.

7.9. 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.

7.10. 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.

7.11. 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 assigned or delegated 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.

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

7.13. 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.

7.14. 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.

7.15. 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 Sexton

Ken Sexton
Executive Vice President, Chief Financial Officer
and Chief Administrative Officer
(*Principal Financial Officer*)

/s/ Ronald S. Greenberg

Ronald S. Greenberg

Exhibit A

Establishment of Residence Summary

Executive: Ronald S. Greenberg

Relocation Budget: \$175,000 (including tax gross-up)

Timeframe to establish residence in Greater Boston area: To be completed by October 1, 2011

Tax Gross-Up: Any expenses for which Executive is reimbursed must be reported as taxable income if and as required by applicable law. For all relocation reimbursements which result in additional tax liability (except for deductible amounts), Executive will be given a one-time tax gross-up of up to 40% of the relocation reimbursement to cover the additional tax liability; provided, however, that when added to the relocation reimbursement, the aggregate amount shall not exceed the overall relocation budget of \$175,000.

Eligible Reimbursement Expenses

Executive may submit receipts for any of the following eligible relocation reimbursement expenses:

- Two pre-relocation house-hunting trips for Executive and immediate family for up to 5 days/4 nights including documented meal expenses and travel costs. All travel services (airfare, hotel, car rental, etc.) to be arranged by the Company's corporate travel agent.
- Moving & Storage for up to 30 days (This includes 2 moves, into storage and out of storage).
- Relocation Management Services – typical services would include temporary accommodation search, home rental or purchase search, area orientation of selected neighborhoods, school search.
- Temporary living. Location options to be approved by the Company.
- One way travel to new location for Executive and immediate family members.
- Travel to and from Avid workplace during relocation timeframe.
- Real estate purchase and sale expenses. Specifically included are real estate commission fees (6% maximum), actual and reasonable legal fees, title examination & insurance, transfers and/or documentary taxes, recording fees, mortgage prepayment penalty charges (if they can't be waived), required appraisal fees, inspection fees, one-time fees required by the lender connected with the purchase of a home at the new location, loan origination fees, and 50% of up to two (2) mortgage points to obtain financing at the new location.
- Relocation allowance to cover other miscellaneous expenses, in the amount of one-half of one month's salary, up to \$10,000 cap. This amount is grossed up for all applicable taxes at the bonus tax rate.
- Travel to and from New York City until October 1, 2011.

Ineligible Reimbursement Expenses

- Rent payments
- Security deposits

Exhibit B

Release provision pursuant to Section 4.5 of the Executive Employment Agreement

In consideration of the payment of the severance benefits, which Executive acknowledges he would not otherwise be entitled to receive, 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 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 his 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.

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. 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. 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.



AVID TECHNOLOGY, INC.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (this "Agreement") is entered into as of December 20, 2010, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and Paige Parisi ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of March 5, 2010 (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above (or, where required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") as of January 1, 2009), to clarify the application of Section 409A of the Code to the benefits that may be provided to the Executive.

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. **Service.** During the Term (as defined below), Executive shall serve as Vice President, General Counsel and Corporate Secretary upon the terms and conditions set forth below.

1.2. **Duties.** During the Term, Executive agrees to perform such executive duties consistent with her position as may be assigned to her from time to time by the Board of Directors of the Company (the "Board" or "Board of Directors"), the Chief Executive Officer or the Chief Administrative Officer and to devote her 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 her personal investments, so long as such activities do not interfere with the performance of her duties hereunder.

Article 2. Term

2.1. Term. The term of this Agreement (the "Term") shall commence on March 5, 2010 (the "Effective Date") and shall expire on March 5, 2013 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. Effective January 1, 2010, the Company shall pay Executive an annual base salary (the "Base Salary") of Three Hundred and Thirty-Five Thousand Dollars (\$335,000), 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. During the Term, Executive shall be eligible to participate in an annual performance bonus plan approved by the Compensation Committee of the Board for the Company's executive officers (as such plan is amended from time to time, the "Annual Incentive Bonus") pursuant to which she shall be eligible to receive a target annual bonus equal to sixty percent (60%) of her then Base Salary (the "Target Bonus") for full attainment of her performance objectives (which may include Company-wide objectives).

Should Executive voluntarily terminate her 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 her bonus payment to the extent earned when paid by the Company to all other Executives.

3.3. Benefits; Expenses. During the Term, the Company shall provide Executive and

her 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.

3.4. Participation in Equity Incentive Plans. During the Term, 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) her 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 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 her 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 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 written 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 the general release requirement in 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 in accordance with Section 3.1 over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs within twelve (12) months 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, 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, 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, her 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 first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

(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 or the Chief Executive Officer, as it or he deems appropriate under the circumstances in its or her 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 but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

(iv) if Executive is eligible to receive and elects to continue receiving any group medical, dental and vision 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 twelve (12) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision 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 first 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), 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

(vii) Executive shall be entitled to exercise any such options or other awards or equity participation rights until the earlier of (a) 12 months after the Date of Termination and (b) the expiration date, if any, of such options, other awards or equity participation rights, but all performance-based vesting awards that have not vested as of the Date of Termination 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash within ten (10) business days after the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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, dental and vision 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 end of the eighteen (18) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision insurance from another employer);

(iii) notwithstanding anything to the contrary in the applicable stock option or restricted stock unit agreement, the exercisability of all outstanding stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other equity participation rights 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 the general release requirement in 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump

sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

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 Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5, Executive (or her personal representative, if applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 by the release deadline specified above 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 or was engaged as an independent contractor at any time within six months 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 or was engaged as an independent contractor at any time within six months 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 employ 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

[Intentionally Omitted]

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 her 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.
75 Network Drive
Burlington, MA 01803
Attention: Vice President of Human Resources
Facsimile: (978) 640-5455

(b) If to Executive, at the latest address on the personnel records of the Company

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, including, but not limited to, the Prior Agreement, but excluding any agreement entered into prior to the date of this Agreement between Executive and the Company relating to the issuance of common stock of the Company. 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 her 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 her 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 Sexton

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

/s/ Paige Parisi

Paige Parisi

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 she 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 her 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 she 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 she has been given at least twenty-one (21) days to consider this Agreement and that the Company advised her to consult with any attorney of her own choosing prior to signing this Agreement. The Executive further acknowledges that she 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 she is waiving any and all rights or claims she might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that she has received consideration beyond that to which she was previously entitled.



AVID TECHNOLOGY, INC.

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (this "Agreement") is entered into as of _____ by and between Avid Technology, Inc., a Delaware corporation with its principal executive offices at 75 Network Drive, Burlington, Massachusetts 01803 (the "Company"), and _____ ("Executive").

Agreement

In consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. **Service.** Commencing on _____ (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as _____ 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"), the Chief Executive Officer or the Chief Operating 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 _____ unless the Term is:

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

2.1.2 terminated when 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 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 _____ Dollars (\$ _____), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Chief Executive Officer (or if required by applicable laws, rules or regulations, the Compensation Committee of the Board (the "Compensation Committee"), during the Term.

3.2. Incentive Payments. During the Term, Executive shall be eligible to participate in an annual performance bonus plan approved by the Compensation Committee for the Company's executive officers (as defined under the Securities Exchange Act of 1934, as amended ("Executive Officers")) and certain other members of management pursuant to which he shall be eligible to receive an annual bonus ("Annual Incentive Bonus") with a target payout equal to _____ percent (___%) of his then Base Salary (the "Target Bonus") for full attainment of his performance objectives (which may include Company-wide objectives).

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 Operating Officer shall mutually establish Executive's performance objectives for fiscal year 2011 (and subject to the approval of the Compensation Committee if so required by applicable laws, rules or regulations). Thereafter, during the Term, Executive's performance objectives for each fiscal year shall be established during Executive's annual performance review with the Chief Operating Officer (and, if required by applicable laws, rules or regulations, subject to the approval of the Compensation Committee); provided, that in no event shall the percentage set forth in the first paragraph of this Section 3.2 to be used in calculating Executive's Annual Incentive Bonus be reduced. The Chief Operating Officer (or, if required by applicable laws, rules or regulations, the Compensation Committee) 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 Executive Officers. Notwithstanding the foregoing, for the Company's 2011 fiscal year, achievement of the Annual Incentive Bonus shall be on a pro-rata basis for the period following the Effective Date only.

3.3. Equity Compensation. On the Effective Date, Executive will be awarded:

3.3.1. an option to purchase _____ (_____) shares of the Company's common stock (the "Stock Option"), with an exercise price equal to the closing price of the common stock on the Effective Date, _____ percent (___%) of which shall be subject to performance-based vesting and _____ percent (___%) of which shall be subject to time-based vesting; and

3.3.2. _____ (_____) restricted stock units, with each unit representing the right to receive one share of the Company's common stock, _____ percent (___%) of which shall be subject to performance-based vesting and _____ percent (___%) of which shall be subject to time-based vesting

These grants will be subject to the terms and conditions of the Company's Amended and Restated 2005 Stock Incentive Plan and the grant agreements associated with such Plan. During the Term, Executive shall be entitled to further participation in the Company's stock incentive plans to the extent and in the manner determined by the Board, or a committee of the Board, in its absolute discretion.

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 Executive Officers. Executive shall be entitled to four (4) weeks of paid vacation per year, accruing ratably on a monthly basis. 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.

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 Executive's death;

4.1.2. The termination of 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 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, Chief Operating 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 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 either (i) that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) that Executive is by reason of any medically

determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Company's accident and health plan. Executive will be deemed disabled if either determined to be totally disabled by the Social Security Administration, or if determined to be disabled by the Company or under the Company's disability insurance program, provided that such determination complies with the above definition; *provided, however* that no event shall be treated as a Disability unless it qualifies as a disability for purposes of Section 409A.

4.2.5. "Good Reason" shall mean any material breach of this Agreement by the Company 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 Burlington, Massachusetts); provided, however, that a termination for Good Reason by Executive can occur only if (a) Executive has given the Company a written 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 the general release

requirement in 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 Executive under any long-term disability plan of the Company). Such payments shall be made in accordance with Section 3.1 over the 12-month period that commences on the Date of Termination; provided that if termination of employment due to death or Disability occurs within twelve (12) months 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, 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 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, 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 first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

(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 Chief Executive Officer (or if required by applicable laws, rules or regulations, including the rules of the plan, by the Compensation Committee); 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 Executive Officers 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 Executive Officers who remain employed with the Company but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

(iv) if Executive is eligible to receive and elects to continue receiving any group medical, dental and vision 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 twelve (12) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision 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 first 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, 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 shall 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 Return on Equity (as defined in the applicable grant

agreement) 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

(vii) Executive shall be entitled to exercise any such options or other awards or equity participation rights until the earlier of (a) 12 months after the Date of Termination and (b) the expiration date, if any, of such options, other awards or equity participation rights, but all performance-based vesting awards that have not vested as of the Date of Termination 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 the general release requirement in Section 4.5:

(i) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash within ten (10) business days after the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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, dental and vision 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 end of the eighteen (18) month period following the Date of Termination or (b) the date on which Executive becomes eligible to receive group medical, dental and vision 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, dental and vision insurance from another employer);

(iii) notwithstanding anything to the contrary in the applicable stock option or restricted stock unit agreement, the exercisability of all outstanding stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other equity participation rights 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 the general release requirement in 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

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, treating each amount to be paid or benefit to be provided as a separate identified payment for purposes of Section 409A. 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 Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5, Executive (or his personal representative, if applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 by the release deadline specified above 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 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 during a Potential Change-in-Control Period or 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 during a Potential Change-in-Control Period or 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 or was engaged as an independent contractor at any time within six months 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 or was engaged as an independent contractor at any time within six months 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 employ 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. Executive further agrees that, if he violates the provisions of Article 5, he will continue to be held by the restrictions set forth in Article 5 until an aggregate period equal to the period of restriction in Section 5.1 has expired without any violation. 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. Non-Disclosure and Assignment of Inventions

6.1. Confidential Information.

6.1.1. Executive agrees that all information and know-how, whether or not in writing, concerning (i) the Company's business or financial affairs, (ii) the Company's research and development or investigation activities, and (iii) the business relations and affairs of any of the Company's clients, customers, vendors and suppliers, that is not generally known to the public, industry or trade (collectively, "Confidential Information") is and will be the exclusive property of the Company. Examples of Confidential Information include, but are not limited to, trade secrets, inventions, products, processes, methods, techniques, formulas, compositions, projects, developments, plans, research data, financial data, personnel data of other employees, computer programs, and customer and supplier lists. Executive will not at any time, either during or after his employment with the Company, disclose any Confidential Information to others outside the Company except when he is required to do so in the performance of his duties for the Company (and provided Executive has signed an appropriate confidentiality agreement with such third party), or as required by law, or use any Confidential Information for any unauthorized purposes without obtaining prior written approval by an officer of the Company unless and until such Confidential Information has become public knowledge without fault by Executive, whether directly or indirectly.

6.1.2. Executive agrees that all files, letters, memoranda, notes, reports, records, data, sketches, drawings, program listings, or other written, photographic and tangible material, as well as material in electronic form, containing Confidential Information, whether created by Executive or others, that comes into Executive's custody or possession, is the Company's exclusive property that Executive will use only in the performance of his duties for the Company. Executive will deliver to the Company all of these materials and all other Company tangible property and property in electronic form in his custody or possession, upon the earlier of (i) a request by the Company or (ii) termination of his employment. After Executive delivers these materials, he will not retain any records or copies of these materials.

6.1.3. Executive agrees that his obligation (i) not to disclose or use Confidential Information and (ii) to return the Company's tangible property and property in electronic form, also extends to Confidential Information, tangible property and property in electronic form of the Company's clients, customers, vendors and suppliers and 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. Inventions.

6.2.1. The term "Invention(s)" in this Agreement means any new or useful art, discovery, improvement, development or invention, whether or not patentable and whether or not in tangible form, 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 will make full and prompt disclosure to the Company of all Inventions, whether patentable or not, that are created, made, conceived or reduced to practice by him or under his 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 its designee(s)) all his right, title and interest in and to all Inventions and all related patents, patent applications, copyrights and copyright applications, that he solely or jointly conceives or has conceived, develops or has developed, or reduces or has reduced to practice, during the period of his employment with the Company. This Section 6.2.2 does not apply to Inventions that do not relate to the present or planned business or research and development of the Company and that 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 Confidential Information. Executive acknowledges that if a court of competent jurisdiction determines that the assignment of certain classes of inventions is unenforceable, this Section 6.2.2 will be interpreted not to apply to any invention that a court rules and/or the Company agrees falls within such classes (a "Non-Assignable Invention"). If the Company determines that a Non-Assignable Invention could be made assignable if certain defects were corrected, Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, to correct such defects.

6.2.3. Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, on 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 Inventions. Executive agrees to sign all papers, including, but not limited to, copyright applications, patent applications, declarations, oaths, formal assignment of priority rights and powers of attorney, that the Company may deem necessary or desirable in order to protect its rights and interests in any Inventions assigned by Executive to the Company pursuant to Section 6.2.2 above or otherwise.

6.2.4. Prior to the Effective Date, Executive shall deliver to the Company, and the Company shall acknowledge receipt signed by an officer of the Company (a copy of which shall be returned to Executive) of, 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") that belong to Executive, and that Executive has not assigned to the Company. If no such list is delivered prior to the Effective Date, Executive represents that he does not have any Prior Inventions. If in the course of his employment with the Company, Executive incorporates or has incorporated into a Company product, process or machine a Prior Invention that he owns or that he has an interest in, Executive hereby grants to the Company a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell this 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 of the United States government, that impose obligations or restrictions on the Company regarding inventions made during the course of work under this

agreements or regarding the confidential nature of this 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 these 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 her 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. Right to Offset. To the extent not prohibited by applicable law and addition to any other remedy, the Company has the right but not the obligation to offset any amount that Executive owes the Company against any amounts due Executive under this Agreement.

7.4. 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, specifically including any rights to enforce the restrictive covenants of this Agreement. 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.

7.5. 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 facsimile provided (a) confirmation of transmission is mechanically or electronically generated and kept on file by the sending party and (b) notice is sent to the recipient during the recipient's normal business hours (9:00 a.m. to 5:00 p.m. or if sent after such hours, as of commencement of the next business day), in all cases addressed to the other party hereto as follows:

(a) If to the Company:

Avid Technology, Inc.
75 Network Drive
Burlington, MA 01803
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive, at the latest address on the personnel records of the Company

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

7.6. 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.

7.7. 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, 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.

7.8. Applicable Law and Forum. This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts (without reference to the conflicts of laws provisions thereof). Any action, suit or other legal proceeding arising under or relating to any provision of this Agreement or Executive's employment must be commenced only in a court of the Commonwealth of Massachusetts (or, if appropriate, a federal court located within the Commonwealth of Massachusetts), and the Company and Executive each consent to the jurisdiction of such a court. With respect to any such court action, the Parties hereto (a) submit to the personal jurisdiction of such courts; (b) consent to service of process by the means specified under Section 7.5; and (c) waive any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, inconvenient forum, or service of process.

7.9. Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE RELEASE IT CONTEMPLATES, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, THE PARTIES AGREE THAT ANY PARTY MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RIGHTS TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR TO ANY OF THE MATTERS CONTEMPLATED UNDER THIS AGREEMENT, RELATING TO EXECUTIVE'S EMPLOYMENT, OR COVERED BY THE CONTEMPLATED RELEASE.

7.10. 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.

7.11. 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 assigned or delegated 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.

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

7.13. 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.

7.14. 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.

7.15. 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/

Name:

Title:

[Insert Name of Executive]

Exhibit A

Release provision pursuant to Section 4.5 of the Executive Employment Agreement¹

In consideration of the payment of the severance benefits, which Executive acknowledges he would not otherwise be entitled to receive, 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 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 his 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 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.

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. 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. 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.

¹ Executive acknowledges that the Company may revise this Exhibit to reflect changes in law so as to receive a complete release of all releasable claims (other than to obligations arising under this agreement).



AVID TECHNOLOGY, INC.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") is entered into as of _____, by and between Avid Technology, Inc., a Delaware corporation (the "Company"), and _____ ("Executive"). This Agreement shall replace and supersede that certain Executive Employment Agreement between Executive and the Company entered into as of _____ (the "Prior Agreement").

Recital

The Company and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein, effective as of the date set forth above (or, where required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") as of January 1, 2009), to clarify the application of Section 409A of the Code to the benefits that may be provided to the Executive.

Agreement

In consideration of the foregoing Recital and the mutual promises and covenants herein contained, and for other good and valuable consideration, Executive and the Company, intending to be legally bound, agree as follows:

Article 1. Services

1.1. Service. Commencing on _____ (the "Effective Date") and throughout the Term (as defined below), Executive shall serve as _____ 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 Chief Executive Officer or the Chief Financial 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 _____ 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 _____ (\$__0,000), payable in regular installments in accordance with the Company's usual payment practices. The Base Salary shall be reviewed by the Chief Executive Officer, the Chief Financial Officer or the Compensation Committee of the Board of Directors (the "Board") during the Term.

3.2. Incentive Payments. Commencing with the Company's fiscal year ending 2010 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 _____ percent (___%) 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 fifty percent (150%) 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 current fiscal year, 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 Financial Officer shall mutually establish Executive's performance objectives for fiscal year 2010. 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. 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 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.

3.4. Participation in Equity Incentive Plans. During the Term, 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 Financial Officer 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 within twelve (12) months 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) unless otherwise required by law to be paid on a different date, 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 first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year;

(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 but, if at all, no later than December 31 of the year following the year in which the Date of Termination occurred;

(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 twelve (12) month period

following 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 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

(vii) 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) unless otherwise required by law to be paid on a different date, the Company shall pay Executive the following amounts as severance pay (without regard to the provisions of any benefit plan) in a lump sum in cash within ten (10) business days after the release of claims described

in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year:

- (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 end of the eighteen (18) month period following 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 in installments. The first installment will be paid in accordance with the Company's usual payroll practices beginning in the payroll period first beginning after the date the release of claims described in Section 4.5 becomes effective, provided however, if the sixty (60) day deadline described in Section 4.5 crosses into a subsequent tax year, no payment will be made before the first business day of the subsequent tax year. If the Change-in-Control related to the Potential Change-in-Control is consummated before the installments are completed, any remaining installments shall be paid in a single lump sum within ten (10) days following such consummation, pursuant to Treas. Reg. Section 1.409A-3(j).

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 Sections 4.3.1, 4.3.3, 4.3.4 or 4.3.5, Executive (or his personal representative, if

applicable) shall be required to execute and deliver to the Company and allow to become effective and unrevoked, within sixty (60) days after the Date of Termination or such shorter period as the Company then provides, 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 by the release deadline specified above 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 employ 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. Non-Disclosure and Assignment of Inventions

6.1. Confidential Information.

6.1.1. Executive agrees that all information and know-how, whether or not in writing, concerning (i) the Company's business or financial affairs, (ii) the Company's research and development or investigation activities, and (iii) the business relations and affairs of any of the Company's clients, customers, vendors and suppliers, that is not generally known to the public, industry or trade (collectively, "Confidential Information") is and will be the exclusive property of the Company. Examples of Confidential Information include, but are not limited to, trade secrets, inventions, products, processes, methods, techniques, formulas, compositions, projects, developments, plans, research data, financial data, personnel data of other employees, computer programs, and customer and supplier lists. Executive will not at any time, either during or after his employment with the Company, disclose any Confidential Information to others outside the Company except when he is required to do so in the performance of his duties for the Company (and provided Executive has signed an appropriate confidentiality agreement with such third party), or as required by law, or use any Confidential Information for any unauthorized purposes without obtaining prior written approval by an officer of the Company unless and until such Confidential Information has become public knowledge without fault by Executive, whether directly or indirectly.

6.1.2. Executive agrees that all files, letters, memoranda, notes, reports, records, data, sketches, drawings, program listings, or other written, photographic and tangible material, as well as material in electronic form, containing Confidential Information, whether created by Executive or others, that comes into Executive's custody or possession, is the Company's exclusive property that Executive will use only in the performance of his duties for the Company. Executive will deliver to the Company all of these materials and all other Company tangible property and property in electronic form in his custody or possession, upon the earlier of (i) a request by the Company or (ii) termination of his employment. After Executive delivers these materials, he will not retain any records or copies of these materials.

6.1.3. Executive agrees that his obligation (i) not to disclose or use Confidential Information and (ii) to return the Company's tangible property and property in electronic form, also extends to Confidential Information, tangible property and property in electronic form of the Company's clients, customers, vendors and suppliers and 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. Inventions.

6.2.1. The term "Invention(s)" in this Agreement means any new or useful art, discovery, improvement, development or invention, whether or not patentable and whether or not in tangible form, 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 will make full and prompt disclosure to the Company of all Inventions, whether patentable or not, that are created, made, conceived or reduced to practice by him or under his 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 its designee(s)) all his right, title and interest in and to all Inventions and all related patents, patent applications, copyrights and copyright applications, that he solely or jointly conceives or has conceived, develops or has developed, or reduces or has reduced to practice, during the period of his employment with the Company. This Section 6.2.2 does not apply to Inventions that do not relate to the present or planned business or research and development of the Company and that 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 Confidential Information. Executive acknowledges that if a court of competent jurisdiction determines that the assignment of certain classes of inventions is unenforceable, this Section 6.2.2 will be interpreted not to apply to any invention that a court rules and/or the Company agrees falls within such classes (a "Non-Assignable Invention"). If the Company determines that a Non-Assignable Invention could be made assignable if certain defects were corrected, Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, to correct such defects.

6.2.3. Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, on 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 Inventions. Executive agrees to sign all papers, including, but not limited to, copyright applications, patent applications, declarations, oaths, formal assignment of priority rights and powers of attorney, that the Company may deem necessary or desirable in order to protect its rights and interests in any Inventions assigned by Executive to the Company pursuant to Section 6.2.2 above or otherwise.

6.2.4. Prior to the Effective Date, Executive shall deliver to the Company, and the Company shall acknowledge receipt signed by an officer of the Company (a copy of which shall be returned to Executive) of, 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") that belong to Executive, and that Executive has not assigned to the Company. If no such list is delivered prior to the Effective Date, Executive represents that he does not have any Prior Inventions. If in the course of his employment with the Company, Executive incorporates or has incorporated into a Company product, process or machine a Prior Invention that he owns or that he has an interest in,

Executive hereby grants to the Company a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell this 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 of the United States government, that impose obligations or restrictions on the Company regarding inventions made during the course of work under this agreements or regarding the confidential nature of this 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 these 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.
75 Network Drive
Burlington, MA 01803
Attention: General Counsel
Facsimile: (978) 548-4639

(b) If to Executive at the latest address on the personnel records of the Company

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, including but not limited to the Prior Agreement, but excluding (i) any agreement entered into prior to the date of this Agreement between Executive and the Company relating to the issuance of common stock of the Company and (ii) any employee nondisclosure and invention assignment agreement entered into between Executive and the Company. 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 employment agreements entered into between the Company and its then-current 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/

Name:

Title:

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.

SUBSIDIARIES OF THE REGISTRANT AS OF DECEMBER 31, 2010

PINNACLE SYSTEMS, INC. (California)

AVID C.V. LLC (Delaware)

AVID TECHNOLOGY WORLDWIDE, INC. (Delaware)

INEWS, LLC (Delaware)

M-AUDIO LLC (Delaware)

BLUE ORDER, INC. (Nevada)

AVID TECHNOLOGY (AUSTRALIA) PTY LTD (Australia)

AVID TECHNOLOGY CANADA CORP. (Canada)

AVID TECHNOLOGY EUROPE LIMITED (England)

AVID TECHNOLOGY IBERIA LTD (England)

BLUE ORDER LTD (England)

EUPHONIX EUROPE LTD (England)

AVID TECHNOLOGY S.A.R.L. (France)

AVID TECHNOLOGY GmbH (Germany)

AVID TECHNOLOGY HOLDING GmbH (Germany)

AVID DEVELOPMENT GmbH (Germany)

BLUE ORDER SOLUTIONS AG (Germany)

BLUE ORDER TECHNOLOGIES AG (Germany)

PINNACLE SYSTEMS GmbH (Germany)

AVID NORTH ASIA LIMITED (Hong Kong)

DIGIDESIGN ITALY S.R.L. (Italy)

AVID TECHNOLOGY K.K. (Japan)

AVID TECHNOLOGY MEXICO S de R L de CV (Mexico)

AVID BENELUX B.V. (Netherlands)

AVID GENERAL PARTNER B.V. (Netherlands)

AVID TECHNOLOGY C.V. (Netherlands)

AVID TECHNOLOGY HOLDING B.V. (Netherlands)

AVID TECHNOLOGY INTERNATIONAL B.V. (Netherlands)

AVID TECHNOLOGY (NEW ZEALAND) LIMITED (New Zealand)

AVID TECHNOLOGY (S.E. ASIA) PTE LTD (Singapore)

AVID TECHNOLOGY S.L. (Spain)

AVID NORDIC AB (Sweden)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-88318, 33-64126, 33-64128, 33-82478, 33-98692, 333-08821, 333-08823, 333-08825, 333-30367, 333-42569, 333-56631, 333-60181, 333-60183, 333-60191, 333-73321, 333-87539, 333-94167, 333-33674, 333-37952, 333-41750, 333-48338, 333-48340, 333-64016, 333-75470, 333-102772, 333-118704, 333-128320, 333-136991, 33-64130, 33-64124, 333-42571, 333-149472, 333-151202) of our reports dated March 14, 2011, with respect to the consolidated financial statements and schedule of Avid Technology, Inc. and the effectiveness of internal control over financial reporting of Avid Technology, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 14, 2011

CERTIFICATION

I, Gary G. Greenfield, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 14, 2011

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

CERTIFICATION

I, Ken Sexton, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 14, 2011

/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 Annual Report on Form 10-K of Avid Technology, Inc. (the "Company") for the year ended December 31, 2010 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, Chief Executive Officer and President 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: March 14, 2011

/s/ Gary G. Greenfield

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

Date: March 14, 2011

/s/ Ken Sexton

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