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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **October 13, 2006**

AVID TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

0-21174

(Commission File Number)

04-2977748

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

Avid Technology Park, One Park West, Tewksbury, MA

(Address of Principal Executive Offices)

01876

(Zip Code)

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

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On October 13, 2006, Avid Technology, Inc. (the “Company”) entered into an Executive Employment Agreement and a Change-in-Control Agreement with Graham Sharp, appointing him as Vice President and General Manager, Avid Video, effective October 13, 2006. Mr. Sharp formerly served as Vice President, European Sales and Operations for the Company.

The material terms of Mr. Sharp’s employment arrangement include the following:

- An annual base salary of \$333,000;
- A target bonus payment of 75% of his annual base salary to be paid, if at all, pursuant to the Company’s bonus plan;
- An option to purchase 60,000 shares of the Company’s Common Stock at an exercise price equal to the closing price of the Company’s Common Stock on NASDAQ on the date of grant. Twelve and one-half percent of these shares will vest and become exercisable six months from the date of grant. The remaining shares will vest monthly over the following 42 months;
- Health insurance and such other benefits as are generally made available by the Company to its full-time executive employees;
- Severance benefits providing that if the Company terminates Mr. Sharp’s employment other than for cause, or if Mr. Sharp terminates for good reason, he is entitled to: (a) his base salary and benefits for twelve months following the termination date; (b) a prorated bonus payment; and (c) immediate vesting of any stock options or restricted stock that were due to vest within twelve months of the termination date; and
- Relocation allowance and tax advisory services.

The Change-in-Control Agreement provides that if Mr. Sharp is terminated by the Company without cause, or if Mr. Sharp terminates for good reason, within two years following a change in control of the Company, he will receive the following benefits:

- A prorated salary and bonus payment for the year of termination;
- A lump sum severance payment equal to one and one-half times the sum of his annual base salary plus the highest bonus payment targeted or received in the then-current or preceding two years;
- Comparable benefits for the 24 months following the date of termination; and
- All unvested stock options and shares of restricted stock held by Mr. Sharp will vest immediately and be exercisable for a period of 24 months following his termination.

The foregoing descriptions are qualified in full by the Executive Employment Agreement and the Change-in-Control Agreement, each of which is attached to this Current Report on Form 8-K as Exhibits 10.1 and 10.2.

Item 8.01. Other Events

On October 13, 2006, Charles L. Smith stepped down from his position as Vice President and General Manager, Avid Video, and he will be leaving the Company following the transition of his responsibilities over the next several weeks.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

See Exhibit Index attached hereto.

SIGNATURE

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

Date: October 13, 2006

AVID TECHNOLOGY, INC.
(Registrant)

By: /s/ Paige Parisi
Paige Parisi
Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
*#10.1	Executive Employment Agreement between the Company and Graham Sharp, dated October 13, 2006.
*#10.2	Change-in-Control Agreement between the Company and Graham Sharp, dated October 13, 2006.

* Documents filed herewith
Management contract or compensatory plan

EXECUTIVE EMPLOYMENT AGREEMENT

AVID TECHNOLOGY, INC.

This Executive Employment Agreement ("Agreement") is entered into as of October 13, 2006 (the "Effective Date") between Avid Technology, Inc., a Delaware corporation with its principal executive offices at Avid Technology Park, Tewksbury, Massachusetts (the "Company"), and Graham Sharp ("Executive") of Walnut House, 4 Byeways, Highclare, Hampshire RG209PW.

Article 1. Services

1.1. Service. During the Term (as defined below), the Company shall retain the services of Executive to serve as an executive employee of the Company and the Executive shall devote his time and render services to 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 Chief Executive Officer or the Board of Directors 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 opinion of the Company, conflict with the Company's interests or which might impair the performance of Executive's duties as a full time employee of the Company.

Article 2. Term

2.1. Term. The term of this Agreement (the "Term") shall commence on the Effective Date and, unless this Agreement terminates sooner pursuant to Section 6.4 of this Agreement, shall end when the Executive's employment terminates pursuant to Section 4.1 of this Agreement.

Article 3. Payments

3.1. Base Compensation. During the time that Executive is an employee of the Company, the Company shall pay to Executive a base salary (the "Base Salary") of \$333,000 per annum, 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 of this Agreement and adjusted accordingly at the discretion of the Compensation Committee.

3.2. Incentive Payments. During the time that Executive is an employee of the Company, Executive shall be entitled to participate, at the sole discretion of the Board of Directors, in any cash incentive payment or bonus plan established by the Company for its executive employees, as such plan is amended from time to time.

3.3. Fringe Benefits. During the time that Executive is an employee of the Company, in addition to Executive's Base Salary and incentive payments or bonuses, if any, the Company shall provide Executive and his dependents medical insurance and such other benefits as are generally made available by the Company to its full-time executive employees, as amended from time to time.

3.4. Participation in Equity Incentive Plans. During the time that Executive is an employee of the Company, Executive shall be entitled to participate in the Company's stock option plans to the extent and in the manner determined by the Company's Board of Directors in its absolute discretion.

Article 4. Termination

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

4.1.1. 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 thirty (30) days after Executive delivers written notice thereof to the Company setting forth in reasonable detail the facts upon which the Executive claims that Good Reason exists.

"Cause" shall mean (i) Executive's material failure to perform (other than by reason of death or Disability) his duties and responsibilities as assigned by the Chief Executive Officer or Board in accordance with Section 1.2 above, which is not remedied after thirty (30) days' written notice from the Company (if such failure is susceptible to cure), (ii) a breach of any of the provisions of this Agreement or any other agreement (including the Invention and Non-

Disclosure Agreement) between the 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) a serious and material violation of Company policy (for purposes of this clause any violation of the Company's Conflicts of Interest policy shall be deemed serious and material), which is not cured after ten (10) days' written notice from the Company (if such breach is susceptible to cure), (iv) fraud, embezzlement or other material dishonesty with respect to the Company, or (v) commission of a felony or any other crime involving fraud, dishonesty or moral turpitude. Notwithstanding the foregoing, "Cause" shall not include any failure to achieve results as a result of factors or events beyond the reasonable control of the Executive.

"Disability" shall mean the 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 the Executive is deemed "disabled" by the institution appointed by the Company to administer its long-term disability plan (or any successor plan).

"Good Reason" shall mean (i) a material reduction in the nature of Executive's duties or the scope of Executive's responsibility from those in effect on the date of this Agreement, without Executive's express written consent; (ii) a reduction in Executive's Base Salary as in effect on the date hereof or as the same may be increased from time to time, without Executive's express written consent, 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 twelve (12) months); (iii) the Company's requiring Executive to be based anywhere other than within fifty (50) miles of Executive's office location as in effect on the date hereof, without Executive's express written consent; and (iv) any material breach of this Agreement by the Company; provided, however, that a termination for Good Reason by Executive can occur only if (i) Executive has given the Company a notice of intent to terminate for Good Reason at least ten (10) days before giving the termination notice described in Section 4.1.6 above and the Company has not cured the cause for Good Reason within ten (10) days after receipt of such notice, and (ii) such notice is given within ninety (90) days after the occurrence of the event giving rise to Good Reason.

4.2. Adjustments Upon Termination.

4.2.1. If Executive's employment with the Company terminates pursuant to Sections 4.1.1 or 4.1.2 hereof, (a) the Company shall continue to make payments to Executive or Executive's heirs, successors or legal representatives, as the case may be, in accordance with Section 3.1 hereof until twelve (12) months after the date of such death or Disability (less the amount of any payments made to the Executive under any long-term disability plan of the Company) and (b) 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, any stock options or restricted stock awards held by Executive as of the date of death or Disability shall become exercisable or vested, as the case may be, 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 death or Disability; provided, however, that

in order to be eligible to receive any of the salary or benefits under this Section 4.2, Executive or his or her personal representative shall be required to execute and deliver to the Company (without subsequent revocation if provided for therein) a general release of claims against the Company, excluding any claims concerning the Company's obligations under this Agreement, and shall be required to sign such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so. 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.

4.2.2. If Executive's employment with the Company terminates pursuant to Section 4.1.3 or 4.1.5 hereof, (a) all payments and benefits provided to Executive under this Agreement shall cease as of the effective date of such termination (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 above 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 then held by the Executive shall immediately cease as of the date of such termination.

4.2.3. If Executive's employment with the Company terminates pursuant to Section 4.1.4 or 4.1.6 hereof, (a) the Company shall continue to make payments to Executive in accordance with Section 3.1 hereof until the date that is twelve (12) months after the Date of Termination (the "Severance Pay Period"), (b) the Company shall pay Executive incentive compensation 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; the bonus will be paid in a lump sum on or about the date on which the Company pays bonuses to senior executives who remain employed with the Company, (c) the Company shall continue to provide Executive with benefits in accordance with Section 3.3 hereof throughout the Severance Pay Period, to the extent permitted by the terms of such plans and applicable law, (d) the Company shall provide Executive with outplacement benefits in accordance with the Company's then-current executive outplacement program, provided that no outplacement benefits shall be paid after the end of the second calendar year following the calendar year in which the Date of Termination occurred, and (e) 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, any stock options or restricted stock awards held by Executive as of the Date of Termination shall become exercisable or vested, as the case may be, 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; provided, however, that in order to be eligible to receive any of the salary or benefits under this Section 4.2.3, Executive shall be required to execute and deliver to the Company (without subsequent revocation if provided for therein) a general release of claims against the Company, excluding any claims concerning the Company's obligations under this Agreement, and shall be required to sign such other agreements as executive employees of the Company are generally required to sign if Executive shall not have already done so. Nothing in this Agreement shall be construed to extend the time period within which any option may be exercised beyond the period specified in the applicable stock plan or under the terms of any

grant, award agreement or form for exercising any right under any such plan. 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.

4.2.4. If any of the payments to be made to Executive under this Article 4 constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), then 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 will be delayed to the date that is 6 months 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.

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 one (1) year after the Date of Termination of Executive's employment hereunder:

5.1.1. Executive will not engage in any activity which is competitive with any business which is now, or is at any time during Executive's employment with the Company, conducted by the Company, including without limitation becoming an employee, investor (except for passive investments of not more than one percent (1%) of the outstanding shares of, or any other equity interest in, a company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, agent, partner or director of, or other participant in, any firm, person or other entity in any geographic area that competes or plans to compete with the Company in the business of the development, manufacture, promotion, distribution or sale of digital film, video or audio editing, special effects, 3D or newsroom automation systems or products or other business in which the Company is engaged or plans to engage at the time of Executive's termination.

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 above.

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 person who was employed by the Company at any time; provided that this clause (5.1.4) 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.

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 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 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. Notwithstanding any provision of this Agreement to the contrary, upon the occurrence of any breach of Section 5.1, if Executive is employed by the Company, the Company may immediately terminate the employment of Executive for Cause in accordance with Section 4.1.3, and, whether or not Executive is employed by the Company, the Company shall immediately cease to have any obligations to make payments to Executive under this Agreement.

5.4. Survival. Notwithstanding the termination of this Agreement or Executive's services hereunder for any reason, this Article 5 shall survive any such termination.

Article 6. Miscellaneous

6.1. Obligation of Successors. Subject to Section 6.4, any successor to substantially all of the Company's assets and business, and any successor to substantially all of the assets of the division of the Company in which Executive is employed, whether by merger, consolidation, purchase of assets or otherwise, shall succeed to the rights and obligations of the Company hereunder.

6.2. 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 hours by notification pursuant to any of the foregoing methods of delivery, in all cases addressed to the other party hereto as follows:

(a) If to the Company:

Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, MA 01876
Attention: Vice President, Human Resources
Facsimile: (978) 640-0065

(b) If to Executive:

Graham Sharp
Walnut House, 4 Byeways
Highclere, Hampshire RG209PW

or at such other address or addresses as either party shall designate to the other in accordance with this Section 6.2.

6.3. 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.

6.4. 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, except for the Change in Control Agreement between Executive and the Company dated October 13, 2006, as it may be amended from time to time (the "Change in Control Agreement"). This Agreement shall terminate upon the occurrence of a Change in Control (as defined in the Change in Control Agreement) during the term of the Change in Control Agreement. It may not be modified or amended except upon written amendment approved by the Company's Chief Executive Officer and executed by a duly authorized officer of the Company and by Executive.

6.5. 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.

6.6. 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.

6.7. 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.

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

6.9. Section 409A Compliance. If any of the payments to be made hereunder are deemed to be nonqualified deferred compensation subject to regulation under Section 409A of the Internal Revenue of 1986 ("Section 409A"), then the parties agree to negotiate in good faith and amend all applicable provisions of this Agreement on a timely basis to the extent necessary to comply with Section 409A, in a manner that preserves, as near as possible, the economic benefits which the Executive and the Company negotiated in good faith when entering into this Agreement.

6.10. 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.

6.11. Updated Agreement. The parties hereto recognize that the Company may in the future negotiate changes in the standard form employment agreement between the Company and other officers of the Company, in part to comply with Section 409A. In that event, the Executive agrees that he/she will, upon the request of the Company, sign such standard form agreement, which standard form agreement shall supersede this Agreement.

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

Avid Technology, Inc.

By: /s/ David A. Krall
Name: David A. Krall
Title: CEO

/s/ Graham Sharp
Graham Sharp, individually

Change-in-Control Agreement

Date: October 13, 2006

Graham Sharp
Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, MA 01876

The Board of Directors (the “Board”) of Avid Technology, Inc. (“Avid” or the “Company”) recognizes that your contributions to the future growth and success of the Company will be substantial and the Board desires to assure the Company of your continued services for the benefit of the Company, particularly in the face of a change-in-control of the Company.

This letter agreement (“Agreement”) therefore sets forth those benefits that the Company will provide to you in the event your employment within the Company is terminated after a “Change in Control of the Company” (as defined in Paragraph 2(i)) under the circumstances described below.

1. TERM.

If a Change in Control of the Company should occur while you are still an employee of the Company, then this Agreement shall continue in effect from the date of such Change in Control of the Company for so long as you remain an employee of the Company, but in no event for more than two full calendar years following such Change in Control of the Company; provided, however, that the expiration of the term of this Agreement shall not adversely affect your rights under this Agreement which have accrued prior to such expiration. If no Change in Control of the Company occurs before your status as an employee of the Company is terminated, this Agreement shall expire on such date. Prior to a Change in Control of the Company, (a) your employment may be terminated by the Company or by you, in each case only in accordance with the provisions of your Executive Employment Agreement dated October 13, 2006, and (b) this Agreement may be terminated by the Company at any time upon written notice to you, and in either such event (termination of your employment, or termination of this Agreement, prior to a Change in Control), you shall not be entitled to any of the benefits provided hereunder; provided, however, that the Company may not terminate this Agreement following the occurrence of a Potential Change in Control of the Company (as defined in Paragraph 2(ii)) unless (a) at least one year has expired since the most recent event or transaction constituting a Potential Change in Control of the

Company and (b) in respect of a Potential Change in Control of the Company which previously occurred, no facts or circumstances continue to exist which, if initially occurring at the time any termination of this Agreement is to occur, would constitute a Potential Change in Control of the Company.

2. CHANGE IN CONTROL; POTENTIAL CHANGE IN CONTROL.

(i) For purposes of this Agreement, a “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 subsection (i), 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 by any corporation pursuant to a transaction which satisfies the criteria set forth in clauses (A) and (B) of subparagraph (c) of this Paragraph 2(i); or

(b) Individuals who, as of the date hereof, 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 date hereof 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 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 and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which as used in this Paragraph 2(i)(c) shall include, without limitation, a corporation 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 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 of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation.

(ii) For purposes of this Agreement, a "Potential Change in Control of the Company" shall be deemed to have occurred if (A) the Company shall enter into a merger, acquisition or similar agreement, the consummation of which would result in the occurrence of a Change in Control of the Company, or (B) any person shall publicly announce an intention to take actions which if consummated would constitute a Change in Control of the Company. Notwithstanding the foregoing, any event or transaction which would otherwise constitute a Potential Change in Control of the Company shall not constitute a Potential Change in Control of the Company if the negotiations or other actions leading to such event or transaction were initiated by the Company (it being understood that the occurrence of such a Company-initiated event or transaction shall not affect the existence of any Potential Change in Control of the Company resulting from any other event or transaction).

3. TERMINATION FOLLOWING CHANGE IN CONTROL.

If a Change in Control of the Company shall have occurred while you are still an employee of the Company, you shall be entitled to the payments and benefits provided in Paragraph 4 hereof upon the subsequent termination of your employment within twenty-four (24) months after such Change in Control, by you or by the Company, unless such termination is (a) by the Company for "Cause" (as defined below) or (b) by you other than for "Good Reason" (as defined below); in either such event, you shall not be entitled to receive benefits under this Agreement.

(i) "Disability". If, as a result of your incapacity due to physical or mental

illness, you shall have been deemed “disabled” by the institution appointed by the Company to administer the Company’s Long-Term Disability Plan (or successor plan) because you shall have been absent from full-time performance of your duties with the Company for more than one hundred and eighty (180) days during a three hundred and sixty-five (365) day period, the Company may terminate your employment for Disability.

(ii) “Cause”. For the purposes of this Agreement, the Company shall have “Cause” to terminate your employment only upon

(A) the willful and continued failure by you substantially to perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any failure resulting from your terminating your employment with the Company for “Good Reason” (as defined below)) after a written demand for substantial performance is delivered to you by the Company which specifically identifies the manner in which the Company believes that you have not substantially performed your duties, or

(B) a breach of the Invention and Non-Disclosure Agreement, between you and the Company, which is not cured after ten (10) days’ written notice from the Company (if such breach is susceptible to cure), or

(C) the willful engaging by you in gross misconduct materially and demonstrably injurious to the Company, or

(D) an act by you of fraud, embezzlement or other material dishonesty with respect to the Company, or

(E) commission of a felony or any other crime involving fraud, dishonesty or moral turpitude.

For purposes of this Paragraph, no act, or failure to act, on your part shall be considered “willful” unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interests of the Company.

(iii) “Good Reason”. You may terminate your employment for Good Reason. For purpose of this Agreement, "Good Reason" shall mean:

(A) the assignment to you of any duties materially inconsistent with, or any material diminution of, your positions, duties, responsibilities and status with the Company immediately prior to a Change in Control of the Company, or a material

change in your titles or offices as in effect immediately prior to a Change in Control of the Company;

(B) a reduction by the Company in your base salary in effect immediately prior to a Change in Control of the Company (other than the reduction of up to 5% for a period of not more than six (6) months which is part of an across the board proportionate reduction in the salaries of other peer executives of the Company imposed because the Company is experiencing financial hardship);

(C) the failure by the Company to maintain your participation in any life insurance, medical, health and accident, disability and vacation plan or policy of the Company on terms not less favorable than those provided by the Company to other peer executives of the Company;

(D) the failure by the Company to maintain your participation in a bonus or incentive plan that provides for an annual target bonus not lower than your target bonus (at a payout factor of one) for the fiscal year in which the Change in Control of the Company occurs;

(E) any requirement by the Company that (i) the location of which you perform your principal duties for the Company be changed to a new location that is more than 50 miles from the location at which you perform your principal duties for the Company at the time of the Change in Control of the Company or (ii) you are required to travel on an overnight basis to a significantly greater extent than you were required to so travel prior to the Change in Control of the Company;

(F) any material breach by the Company of any provision of this Agreement (including, without limitation, Paragraph 6), which is not cured within thirty (30) days after written notice thereof; or

(G) any purported termination of your employment by the Company which is not effected pursuant to a Notice of Termination satisfying the requirements of subparagraph (iv) below (and, if applicable, subparagraph (ii) above); and for purposes of this Agreement, no such purported termination shall be effective.

(iv) Notice of Termination. Any termination by the Company pursuant to subparagraphs (i) or (ii) above or by you pursuant to subparagraph (iii) above shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your termination under the provision so indicated.

(v) Date of Termination. "Date of Termination" shall mean:

(A) if your employment is terminated for Disability, thirty (30) days after Notice of Termination is given,

(B) if your employment is terminated pursuant to subparagraph (iii) above, the date specified in the Notice of Termination, and

(C) if your employment is terminated for any other reason, the date on which a Notice of Termination is given (or, if a Notice of Termination is not given, the date of such termination).

4. COMPENSATION DURING DISABILITY OR UPON TERMINATION.

(i) If, after a Change in Control of the Company, you shall fail to perform your duties hereunder as a result of incapacity due to Disability, you shall continue to receive your full base salary in regular installments in accordance with the Company's usual payment practices at the rate then in effect and any awards under the Executive/Senior Management Variable Compensation Plan or any successor plan shall continue to accrue and to be paid during such period until your employment is terminated (and, if the Company maintains a Long Term Disability Plan, you shall be eligible for coverage thereunder in accordance with the terms thereof and subject to the satisfaction of all applicable conditions, including without limitation, the timely filing of a notice of claim).

(ii) If, after a Change in Control of the Company, your employment shall be terminated for Cause, the Company shall pay you for your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further obligations to you under this Agreement.

(iii) If, within two years after a Change in Control of the Company, the Company shall terminate your employment by reason of your death or pursuant to Paragraph 3(i), the Company shall continue to pay you, or your heirs, successors or legal representatives, as the case may be, your full base salary in regular installments in accordance with the Company's usual payment practices at the rate then in effect until twelve (12) months after the date of such death or Disability (less the amount of any payments made to you under any long-term disability plan of the Company) and (b) 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, any stock options or restricted stock awards held by you as of the date of death or Disability shall become exercisable or vested, as the case may be, 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 death or Disability. The Company shall have no other liability or obligation under this Agreement to your executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through you.

(iv) If, within two years after a Change in Control of the Company, you shall terminate your employment for Good Reason or the Company shall terminate your employment, other than by reason of your death or pursuant to Paragraph 3(i) or 3(ii) hereof,

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

- (x) the sum of (A) your accrued but unpaid base salary through the Date of Termination, (B) the product of (x) the greater of your highest annual bonus earned in the two most recent full fiscal years preceding the Date of Termination and your target bonus award (at a payout factor of one) for the fiscal year in which the Date of Termination occurs, and (y) a fraction, the numerator of which is the number of days in the then current fiscal year through the Date of Termination, and the denominator of which is 365 and (C) any accrued vacation pay, in each case to the extent not previously paid (the sum of the amounts described in clauses (A), (B), and (C) shall be hereinafter referred to as the "Accrued Obligations"); and
- (y) the amount equal to one and a half (1.5) times the sum of your annual base salary at the highest rate in effect during the twelve (12) months preceding the Date of Termination and the greater of your highest annual bonus earned in the two most recent full fiscal years preceding the Date of Termination and your target bonus award (at a payout factor of one) for the fiscal year in which the Date of Termination occurs.

(B) For an eighteen (18) month period after such termination, the Company shall arrange to provide you with life, dental, accident and group health insurance benefits substantially similar to those that you were receiving immediately

prior to such termination to the extent that the Company's plans then permit the Company to provide you with such benefits. Notwithstanding the foregoing, the Company shall not provide any such benefits to you to the extent that an equivalent benefit is received by you from another employer during such period, and you shall report any such benefit actually received by you to the Company;

(C) Notwithstanding anything to the contrary in the applicable stock option or restricted stock agreement, the exercisability of all outstanding stock options and restricted stock awards then held by you for the purchase of 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 you shall be entitled to exercise any such options until eighteen (18) months after the Date of Termination; and

(D) You shall be entitled to full executive outplacement assistance with an agency selected by the Company' provided that no outplacement assistance will be provided after the end of the second calendar year following the calendar year in which your Date of Termination occurred.

(v) In order to be eligible to receive any of the salary or benefits under Paragraphs 4(iii) or 4(iv), you or your personal representative shall be required to execute and deliver to the Company (without subsequent revocation if provided for therein) a general release of claims against the Company, excluding any claims concerning the Company's obligations under this Agreement.

(vi) You shall not be required to mitigate the amount of any payment provided for in this Paragraph 4 by seeking other employment or otherwise, nor, except as provided in Paragraph 4(iv)(B), shall the amount of any payment provided for in this Paragraph 4 be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

(vii) Nothing in this Agreement shall prevent or limit your continuing or future participation in any plan, program, policy or practice provided by the Company to its employees and for which you may qualify nor, subject to Paragraph 11 hereof, shall anything herein limit or otherwise affect such rights as you may have under any contract or agreement between you and the Company; provided, however, that to the extent you are entitled to receive any payments hereunder upon termination of your employment, you shall not be entitled to any payments under any severance plan, program, policy or practice of the Company then in effect.

(viii) If any of the payments to be made to you under this Paragraph 4 constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), then if you are a

“specified employee” as defined in Section 409A(a)(2)(B)(i) of the Code, the commencement of the delivery of any such payments will be delayed to the date that is 6 months after your 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.

5. TAXES.

(i) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to you or for your benefit and/or any acceleration of vesting of any options or restricted stock awards (whether paid or payable or distributed or distributable or provided pursuant to the terms of this Agreement or otherwise) (a “Payment”) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the “Excise Tax”), then the Payments shall be reduced, in the aggregate, to an amount (the “Reduced Amount”) such that the receipt of Payments would not give rise to any Excise Tax. Notwithstanding the foregoing provisions of this Paragraph 5(i), if it shall be determined that (i) the aggregate present value (determined in accordance with applicable Treasury Regulations) of the payments eliminated pursuant to the preceding sentence (the “Eliminated Payments”) exceeds by at least fifty thousand dollars (\$50,000)(ii) the aggregate present value of the amount of any additional taxes that would be incurred by you if the Eliminated Payments (determined without regard to this sentence) were paid to you (including state and federal income taxes on the Eliminated Payments, any Excise Tax, and any withholding taxes) then no reduction in the Payments shall be made.

(ii) Subject to the provisions of Paragraph 5(i), all determinations required to be made under this Paragraph 5, including whether any Payments need to be reduced or eliminated and the assumptions to be utilized in arriving at such determination, shall be made by PricewaterhouseCoopers LLP or such other certified public accounting firm as may be designated by the Company (the “Accounting Firm”) which shall provide detailed supporting calculations to both the Company and you within fifteen (15) business days of the receipt of notice from you that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group affecting the Change of Control, the Company shall appoint another nationally recognized accounting firm to make the determinations required hereunder. All fees and expenses of the Accounting Firm shall be borne by the Company.

6. SUCCESSOR’S BINDING AGREEMENT.

(i) The Company will require any successor (whether direct or indirect, by

purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or the assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement shall inure to the benefit of, and be enforceable by, your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

7. COMPETITIVE ACTIVITY.

(i) Unless the Company materially breaches this Agreement, you agree you will not while you are employed by the Company and for a period of eighteen (18) months after termination of your employment with the Company:

(A) engage in any activity that is competitive with any business which is now, or is at any time during your employment with the Company, conducted by the Company, including without limitation becoming an employee, investor (except for passive investments of not more than one percent (1%) of the outstanding shares of, or any other equity interest in, a company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, agent, partner or director of, or other participant in, any firm, person or other entity in any geographic area that competes or plans to compete with the Company in the business of the development, manufacture, promotion, distribution or sale of digital film, video or audio editing, special effects, 3D or newsroom automation systems or products or other business in which the Company is engaged or plans to engage at the time of your termination.

(B) directly or indirectly assist others in engaging in any of the activities in which you are prohibited to engage by Paragraph 7(i)(A) above.

(C) directly or indirectly either alone or in association with others (1) solicit, or permit any organization directly or indirectly controlled by you to solicit, any employee of the Company to leave the employ of the Company, or (2) solicit for employment, hire or engage as an independent contractor, or permit any organization

directly or indirectly controlled by you to solicit for employment, hire or engage as an independent contractor, any person who was employed by the Company at any time; provided that this clause (C) shall not apply to the solicitation, hiring or engagement of any individual whose employment with the Company has been terminated for a period of eighteen months or longer.

(D) directly or indirectly either alone or in association with others solicit, or permit any organization directly or indirectly controlled by you 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.

(ii) It is expressly understood and agreed that (A) although you and the Company consider the restrictions contained in this Paragraph 7 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 Paragraph 7 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.

8. INJUNCTIVE RELIEF.

You acknowledge and agree that the remedy of the Company at law for any breach of the covenants and agreements contained in Paragraph 7 of this Agreement will be inadequate, and that the Company shall be entitled to injunctive relief against any such breach or threatened breach. You represent and agree that such injunctive relief shall not prohibit you from earning a livelihood acceptable to you. You hereby irrevocably waive 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.

9. NOTICE.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all other notices to the Company should be directed to the attention to the Corporate Secretary of the Company, or to such address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10. 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.

11. ENTIRE AGREEMENT.

This Agreement represents the entire agreement of the parties with respect to the subject matter hereof and supersedes any other agreement between the parties with respect to such subject matter, including without limitations, the Executive Employment Agreement dated October 13, 2006.

12. 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.

13. LEGAL FEES AND EXPENSES.

In addition to any other benefits to which you may be entitled hereunder, the Company shall pay all reasonable legal fees and expenses which you may incur as a result of the Company's contesting the validity, enforceability or your interpretation of, or determination under, this Agreement or otherwise as a result of any termination as a result of which you are entitled to the benefits set forth in this Agreement.

14. MISCELLANEOUS.

(i) No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing signed by you and such officer as may be specifically designated by the Board of Directors of the Company.

(ii) 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.

(iii) The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts (without reference to the conflicts of laws provisions thereof).

(iv) 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.

(v) 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.

(vi) If any of the payments to be made hereunder are deemed to be nonqualified deferred compensation subject to regulation under Section 409A of the Internal Revenue of 1986 ("Section 409A"), then the parties agree to negotiate in good faith and amend all applicable provisions of this Agreement on a timely basis to the extent necessary to comply with Section 409A, in a manner that preserves, as near as possible, the economic benefits which you and the Company negotiated in good faith when entering into this Agreement.

(vii) The parties hereto recognize that the Company may in the future negotiate changes in the standard form Change-in-Control Agreement between the Company and other officers of the Company, in part to comply with Section 409A. In that event, you agree that you will, upon the request of the Company, sign such standard form agreement, which standard form agreement shall supersede this Agreement.

(viii) If this Agreement correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this Agreement which will then constitute our agreement on this subject.

Sincerely,
Avid Technology, Inc.

By: /s/ David A. Krall
Name: David A. Krall
Title: CEO

I acknowledge receipt and agree with the foregoing terms and conditions.

/s/ Graham Sharp
Graham Sharp

Date: October 13, 2006

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