

AVID TECHNOLOGY INC
Form DEF 14A
April 07, 2008

Use these links to rapidly review the document

[Table of Contents](#)

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Avid Technology, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

 - (2) Aggregate number of securities to which transaction applies:

 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Avid Technology, Inc.

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

Notice of 2008 Annual Meeting of Stockholders to be Held on Wednesday, May 21, 2008

The 2008 Annual Meeting of Stockholders of Avid Technology, Inc. will be held on Wednesday, May 21, 2008 at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts at 10:00 a.m., local time, to consider and act upon the following matters:

1. To elect two Class III Directors to serve for three-year terms.
2. To approve an amendment to our Second Amended and Restated 1996 Employee Stock Purchase Plan to increase from 1,700,000 to 2,500,000 the number of shares of common stock authorized for issuance under the plan.
3. To approve our Amended and Restated 2005 Stock Incentive Plan.
4. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.

The foregoing items of business are more fully described in the proxy statement for the annual meeting. In addition to the proxy statement, our proxy materials include our Annual Report to Stockholders for 2007, which contains consolidated financial statements and other information of interest to stockholders.

We are making our proxy materials available over the Internet this year in accordance with new rules issued by the Securities and Exchange Commission. Most stockholders will receive a notice about the Internet availability of the proxy materials instead of a paper copy of the proxy materials. The notice will include instructions for accessing the proxy materials over the Internet or requesting a paper copy of the proxy materials by mail.

Stockholders of record at the close of business on March 25, 2008 are entitled to notice of and to vote at the annual meeting or any adjournment of the annual meeting. We cordially invite all stockholders to attend the annual meeting.

By Order of our Board of Directors,

PAIGE PARISI
Secretary

Tewksbury, Massachusetts
April 7, 2008

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES THAT YOU OWN. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, WE HOPE THAT YOU WILL SUBMIT YOUR PROXY AS SOON AS POSSIBLE. IF YOU RECEIVED A NOTICE OF THE INTERNET AVAILABILITY OF THE PROXY MATERIALS, YOU MAY SUBMIT YOUR PROXY OVER THE INTERNET OR, IF YOU RECEIVED A PAPER COPY OF THE PROXY MATERIALS BY MAIL, YOU MAY SUBMIT YOUR PROXY BY MAIL BY FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD.

Table of Contents

	<u>Page</u>
<u>Internet Availability of Proxy Materials</u>	1
<u>Instructions for Voting by Proxy</u>	1
<u>Voting Securities and Votes Required</u>	2
<u>Costs of Soliciting Proxies</u>	2
<u>Security Ownership of Certain Beneficial Owners and Management</u>	2
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	6
<u>Proposal 1 Election of Directors</u>	6
<u>Proposal Summary</u>	6
<u>Board Recommendation</u>	6
<u>Directors</u>	6
<u>Nominees</u>	6
<u>Continuing Members of our Board of Directors</u>	7
<u>Director Candidates</u>	8
<u>Communicating with our Board of Directors</u>	8
<u>Director Compensation and Stock Ownership Guidelines</u>	8
<u>Cash Compensation for Outside Directors</u>	9
<u>Equity Compensation for Outside Directors</u>	9
<u>Changes to 2008 Compensation for Outside Directors</u>	10
<u>Stock Ownership Guidelines for Outside Directors</u>	11
<u>Non-Qualified Deferred Compensation for Outside Directors</u>	11
<u>Director Compensation Table for Fiscal Year 2007</u>	12
<u>Additional Information About Fees Earned in Fiscal Year 2007</u>	13
<u>Board of Directors and Committee Meetings</u>	14
<u>Compensation Committee Interlocks and Insider Participation</u>	15
<u>Executive Compensation</u>	15
<u>Compensation Discussion and Analysis</u>	15
<u>Compensation Philosophy and Program Design</u>	16
<u>Role of our Compensation Consultant</u>	17
<u>Use of Benchmarking Data</u>	18
<u>Role of our Chief Executive Officer</u>	20
<u>Analysis of Executive Compensation</u>	21
<u>Analysis of Elements of Executive Compensation</u>	22
<u>Severance and Change-in-Control Benefits</u>	27
<u>Compensation of our New Chairman and Chief Executive Officer</u>	27
<u>Compensation of our Interim Chief Executive Officer</u>	28
<u>Stock Ownership Guidelines</u>	29
<u>Tax and Accounting Implications</u>	29
<u>Equity Granting Process</u>	30
<u>Report of the Compensation Committee of Avid's Board of Directors</u>	30
<u>Summary Compensation Table for Fiscal Years 2006 and 2007</u>	31
<u>Grants of Plan-Based Awards for Fiscal Year 2007</u>	34
<u>Outstanding Equity Awards at 2007 Fiscal Year-End</u>	36
<u>Option Exercises and Stock Vested in Fiscal Year 2007</u>	38
<u>Non-Qualified Deferred Compensation</u>	38
<u>Non-Qualified Deferred Compensation for Fiscal Year 2007</u>	39
<u>Other Elements</u>	39
<u>Severance and Change-in-Control Benefits</u>	39
<u>Equity Compensation Plan Information</u>	49

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

<u>Related Person Transaction Policy</u>	52
<u>Report of the Audit Committee of Avid's Board of Directors</u>	52
<u>Independent Registered Public Accounting Firm Fees</u>	54
<u>Pre-Approval Policy and Procedures</u>	54
<u>Proposal 2 Approval of an Amendment to our Second Amended and Restated 1996 Employee Stock Purchase Plan</u>	55
<u>Proposal Summary</u>	55
<u>Board Recommendation</u>	55
<u>Description of the Second Amended and Restated ESPP</u>	55
<u>U.S. Federal Income Tax Consequences</u>	57
<u>Proposal 3 Approval of our Amended and Restated 2005 Stock Incentive Plan</u>	59
<u>Proposal Summary</u>	59
<u>Board Recommendation</u>	59
<u>Highlights of the Amended and Restated 2005 Plan</u>	59
<u>Description of the Amended and Restated 2005 Plan</u>	60
<u>U.S. Federal Income Tax Consequences</u>	66
<u>Proposal 4 Ratification of the Selection of our Independent Registered Public Accounting Firm</u>	68
<u>Proposal Summary</u>	68
<u>Board Recommendation</u>	68
<u>Other Matters</u>	69
<u>Householding and Annual Meeting Materials</u>	69
<u>Proposals for our 2009 Annual Meeting of Stockholders</u>	69
<u>Other Matters</u>	69
<u>Appendix A: Audit Committee Charter</u>	A-1
<u>Appendix B: Second Amended and Restated 1996 Employee Stock Purchase Plan</u>	B-1
<u>Appendix C: Amended and Restated 2005 Stock Incentive Plan</u>	C-1

Avid Technology, Inc.

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

**Proxy Statement for the 2008 Annual Meeting of Stockholders
to be Held on Wednesday, May 21, 2008**

We are furnishing this proxy statement to you in connection with the solicitation of proxies by our board of directors for use at our 2008 Annual Meeting of Stockholders and at any adjournments of the annual meeting. The annual meeting will be held at 10:00 a.m., local time, on May 21, 2008 at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts. All proxies will be voted in accordance with the stockholders' instructions, and if no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying notice of the annual meeting.

We are making the notice of the annual meeting, this proxy statement, the proxy card or form, and our 2007 Annual Report to Stockholders available to our stockholders over the Internet or by mail on or about April 7, 2008.

Internet Availability of Proxy Materials

We are making our proxy materials available over the Internet this year in accordance with new rules issued by the Securities and Exchange Commission, or the SEC. Many stockholders will receive a notice of the Internet availability of the proxy materials instead of a paper copy. The notice includes instructions for accessing the proxy materials over the Internet or requesting a paper copy of the proxy materials by mail. The notice also includes instructions on how stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Some of our stockholders, including stockholders who have previously requested a paper copy of the proxy materials and some of our stockholders who are living outside of the United States, will receive a paper copy of the proxy materials in lieu of the notice of Internet availability described above.

Instructions for Voting by Proxy

You may vote your shares by proxy using one of the following methods:

Over the Internet. If you received a notice of the Internet availability of the proxy materials, you may submit your proxy over the Internet by following the instructions on the notice.

By Mail. If you received a paper copy of a proxy card by mail, you may submit your proxy by completing, signing and dating the proxy card and mailing it in the accompanying pre-addressed envelope (or you may submit your proxy over the Internet by following the instructions on the proxy card).

You may revoke your proxy at any time before its exercise by re-voting over the Internet, delivering a written revocation or a subsequently dated proxy card to our Secretary, or voting in person at the annual meeting. If you submit multiple proxies, the last proxy received by us will be the proxy used for purposes of the annual meeting. Voting by proxy will not affect your right to attend the annual meeting and vote in person should you so choose. If, however, you are a beneficial stockholder, you must obtain a legal proxy from the record holder to vote in person.

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

If you receive more than one notice or more than one paper copy of the proxy materials, including multiple proxy cards, in order to vote all of your shares by proxy, you must separately vote over the Internet the shares represented by each notice that you receive or complete, sign, date and return each proxy card that you receive. You may receive more than one notice or more than one proxy card if, for example, you hold shares in more than one brokerage account or you are a stockholder of record and hold shares registered in more than one name.

Voting Securities and Votes Required

At the close of business on March 25, 2008, the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting, there were outstanding and entitled to vote an aggregate of 37,241,822 shares of our common stock, \$0.01 par value per share. Stockholders are entitled to one vote per share.

Shares of common stock represented in person or by proxy (including shares that abstain or do not vote for any reason with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the annual meeting. The holders of a majority of the shares of our issued and outstanding common stock entitled to vote at the annual meeting constitute a quorum. The affirmative vote of the holders of a plurality of the shares of common stock present or represented and voting at the annual meeting is required for the election of the Class III Directors. The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting at the annual meeting is required to approve the amendment to our Second Amended and Restated 1996 Employee Stock Purchase Plan, to approve our Amended and Restated 2005 Stock Incentive Plan and to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.

Shares that abstain from voting as to a particular matter, and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, or broker non-votes, will not be counted as votes in favor of that matter, and also will not be counted as votes cast or shares voting on that matter. Accordingly, assuming the presence of a quorum, abstentions and broker non-votes will not affect the voting on any of the matters under consideration by the stockholders. Abstentions and broker non-votes will, however, be counted as present and entitled to vote for purposes of determining whether a quorum is present at the annual meeting.

Costs of Soliciting Proxies

We will bear all costs for this solicitation of proxies. Our directors, officers and employees may solicit proxies by mail, telephone, email, facsimile or personally without additional compensation. We are requesting that brokers, custodians and fiduciaries forward the notice of the Internet availability of the proxy materials or, as applicable, copies of the proxy materials to the owners of shares of common stock that they hold in their names. We will reimburse banks and brokers for their reasonable out-of-pocket expenses incurred in connection with the distribution of these materials.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the beneficial ownership of our common stock by:

each person known by us to beneficially own more than 5% of the outstanding shares of our common stock;

each of our directors;

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

each executive officer named in the Summary Compensation Table for Fiscal Years 2006 and 2007 set forth below; and

all of our directors and executive officers as a group.

Except as otherwise noted, information in the following table is as of February 29, 2008. The number of shares beneficially owned by each person or entity is calculated pursuant to rules promulgated by the SEC. Under those rules, a person or entity is considered to beneficially own all shares for which the person or entity has sole or shared voting or investment power, and all shares that the person or entity has the right to acquire within 60 days after February 29, 2008.

Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Common Stock Outstanding(1)(2)
5% Stockholders		
Blum Capital Partners, L.P.(3) 909 Montgomery Street, Suite 400 San Francisco, CA 94133	6,859,442	18.2%
Columbia Wanger Asset Management, L.P.(4) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	6,124,300	16.2%
Private Capital Management, L.P.(5) 8889 Pelican Bay Boulevard Naples, FL 34108	5,166,023	13.7%
T. Rowe Price Associates, Inc.(6) 100 East Pratt Street Baltimore, MD 21202	3,611,160	9.6%
PRIMECAP Management Company(7) 225 South Lake Avenue, #400 Pasadena, CA 91101	3,108,408	8.2%
Barclays Global Investors, NA(8) 45 Fremont Street San Francisco, CA 94105	2,032,526	5.4%
Directors and Officers		
George H. Billings(9)	30,000	*
Elizabeth M. Daley(9)	20,000	*
John V. Guttag(10)	43,000	*
Nancy Hawthorne(9)	62,689	*
Louis Hernandez, Jr.	0	*
Youngme E. Moon(9)	20,000	*
John H. Park(3)(11)	6,859,442	18.2%
Gary G. Greenfield(12)	106,250	*
David A. Krall(13)	0	*
Joel E. Legon(14)	16,810	*
Paul J. Milbury(15)	45,625	*
David M. Lebolt(16)	70,432	*
Sharad Rastogi(17)	80,727	*
Graham Sharp(18)	50,212	*
All directors and executive officers as a group (twenty persons)(19)	7,439,079	19.5%

*

Less than 1%

(1)

The inclusion of any shares of common stock deemed beneficially owned does not constitute an admission of beneficial ownership of such shares. Unless otherwise indicated, each person or entity has sole voting or dispositive power with respect to the shares identified as being beneficially owned by that person or entity.

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

- (2) Percentage ownership calculations are based on 37,751,667 shares of common stock outstanding as of February 29, 2008. Any shares that a person or entity has the right to acquire within 60 days after February 29, 2008 are deemed to be outstanding for the purpose of calculating the percentage of outstanding common stock owned by that person or entity, but not for the purpose of computing the percentage ownership of any other person or entity.
- (3) Beneficial ownership as of December 31, 2007, as reported in a Form 4 Statement of Changes in Beneficial Ownership of Securities filed with the SEC on January 3, 2008 by Blum Capital Partners, L.P. ("Blum LP"), Richard C. Blum & Associates, Inc. ("RCBA Inc."), Blum Strategic GP III, L.L.C. ("Blum GP III"), Blum Strategic GP III, L.P. ("Blum GP III LP"), and Saddlepoint Partners GP, L.L.C. ("Saddlepoint GP") (collectively, the "Blum Reporting Persons"). The Blum Reporting Persons beneficially own the following:
- 2,612 shares of common stock directly owned by Blum LP. These shares may be deemed to be indirectly owned by RCBA Inc. RCBA Inc. disclaims beneficial ownership of these shares except to the extent of any pecuniary interest therein.
 - 2,254,790 shares of common stock held by Blum LP and RCBA Inc. on behalf of the limited partnerships for which Blum LP serves as the general partner, or on behalf of an entity for which Blum LP serves as investment advisor. Blum LP and RCBA Inc. disclaim beneficial ownership of these shares except to the extent of any pecuniary interest therein.
 - 4,100,000 shares of common stock held by Blum GP III LP and Blum GP III on behalf of the limited partnership for which Blum GP III LP serves as the general partner. Both Blum GP III LP and Blum GP III disclaim beneficial ownership of these shares except to the extent of any pecuniary interest therein.
 - 329,840 shares of common stock held by Saddlepoint GP, Blum LP and RCBA Inc. on behalf of a partnership for which Saddlepoint GP serves as the general partner. Saddlepoint GP, Blum LP and RCBA Inc. disclaim beneficial ownership of these shares except to the extent of any pecuniary interest therein.
 - 86,100 shares of common stock that are legally owned by The Nuclear Decommissioning Trust of Dominion Nuclear Connecticut, Inc. and 86,100 shares of common stock that are legally owned by Virginia Electric and Power Company Qualified Nuclear Decommissioning Trust (collectively, the "Investment Advisory Clients"), with respect to which Blum LP has voting and investment power. Each Investment Advisory Client disclaims membership in a group with any Blum Reporting Person. Blum LP, a registered investment advisor, has voting and investment discretion with respect to the shares owned by the Investment Advisory Clients, but no Blum Reporting Person has a pecuniary interest in any of the shares held by the Investment Advisory Clients reportable under Section 16 of the Securities Exchange Act of 1934, as amended.
- (4) Beneficial ownership as of December 31, 2007, as reported in an amendment to a Schedule 13G filed with the SEC on January 24, 2008 by Columbia Wanger Asset Management, L.P. ("Columbia Wanger") and Columbia Acorn Trust ("CAT"), a Massachusetts business trust that is advised by Columbia Wanger. Approximately 81% of the shares of common stock beneficially owned by Columbia Wanger are shares held by CAT.
- (5) Beneficial ownership as of December 31, 2007, as reported in an amendment to a Schedule 13G filed with the SEC on February 14, 2008 by Private Capital Management, L.P. ("PCM"). The shares beneficially owned by PCM include 5,057,823 shares of common stock held by clients of PCM who have delegated proxy voting authority to PCM and with respect to which PCM has shared voting and dispositive power. PCM disclaims beneficial ownership of shares over which it has dispositive power and disclaims the existence of a group.

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

- (6) Beneficial ownership as of December 31, 2007, as reported in an amendment to a Schedule 13G filed with the SEC on February 13, 2008 by T. Rowe Price Associates, Inc. ("Price Associates") and T. Rowe Price Mid-Cap Growth Fund, Inc. ("TRPMC"). These securities are owned by various individual and institutional investors, including TRPMC (which owns 2,200,000 shares, representing 5.8% of the shares outstanding as of February 29, 2008), for which Price Associates serves as investment advisor with power to direct investment and/or power to vote the securities. Price Associates has sole voting power with respect to 574,134 of the shares it beneficially owns. TRPMC does not have sole or shared dispositive power with respect to any of the shares it beneficially owns. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates is deemed the beneficial owner of the listed securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (7) Beneficial ownership as of December 31, 2007, as reported in an amendment to a Schedule 13G filed with the SEC on February 14, 2008 by PRIMECAP Management Company ("PRIMECAP"). PRIMECAP has sole voting power with respect to 930,808 of the shares of common stock it beneficially owns.
- (8) Beneficial ownership as of December 31, 2007, as reported in an amendment to a Schedule 13G filed with the SEC on January 22, 2008 by Barclays Global Investors, NA ("BGINA"), Barclays Global Fund Advisors ("BGFA") and Barclays Global Investors, Ltd. ("BGIL"). Of the 842,585 shares of common stock BGINA beneficially owns, it has sole voting power with respect to 734,823 shares. Of the 1,154,175 shares of common stock BGFA beneficially owns, it has sole voting power with respect to 865,509 shares. Of the 35,766 shares of common stock BGIL beneficially owns, it does not have sole or shared voting power with respect to any of those shares.
- (9) Consists of shares of common stock issuable upon the exercise of stock options.
- (10) Consists of 40,000 shares of common stock issuable upon the exercise of stock options and 3,000 shares of common stock held by a limited liability company of which Dr. Gutttag is the managing member.
- (11) Consists of shares beneficially owned by the Blum Reporting Parties (see footnote (3)). Mr. Park is a Partner of Blum Capital Partners, L.P. Mr. Park disclaims beneficial ownership of the shares of common stock held by the Blum Reporting Parties, except to the extent of his proportionate pecuniary interest in those shares.
- (12) Consists of 100,000 shares of restricted common stock that are subject to a repurchase right held by our company and 6,250 shares issuable upon the exercise of stock options.
- (13) Mr. Krall resigned as our President and Chief Executive Officer effective July 31, 2007.
- (14) Includes 6,463 shares of restricted common stock that are subject to a repurchase right held by our company and 7,712 shares issuable upon the exercise of stock options or the vesting of restricted stock units.
- (15) Consists of shares issuable upon the exercise of stock options. Mr. Milbury resigned as our Vice President and Chief Financial Officer effective March 2, 2007.
- (16) Includes 67,775 shares issuable upon the exercise of stock options or the vesting of restricted stock units.
- (17) Includes 78,162 shares issuable upon the exercise of stock options or the vesting of restricted stock units.
- (18) Includes 48,657 shares issuable upon the exercise of stock options or the vesting of restricted stock units.
- (19) Includes 106,463 shares of restricted common stock that are subject to a repurchase right held by our company and 459,222 shares issuable upon the exercise of stock options or the vesting of restricted stock units.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires our directors, executive officers and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in ownership on a Form 4 or a Form 5. Officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. To our knowledge, based solely on a review of copies of reports filed by the persons required to file such reports and written representations from those persons, we believe that all filing requirements of Section 16(a) were satisfied with respect to the year ended December 31, 2007.

PROPOSAL 1 ELECTION OF DIRECTORS

Proposal Summary

Our board of directors is divided into three classes, designated as Class I, Class II and Class III Directors, with one class elected each year. Members of each class hold office for a three-year term. Our board of directors currently consists of eight members, three of whom are Class I Directors, two of whom are Class II Directors and three of whom are Class III Directors. Two of our Class III Directors have been nominated by our board of directors for re-election at our annual meeting this year for terms expiring at our 2011 annual meeting.

The persons named in the proxy card or form will vote to elect Elizabeth M. Daley and Youngme E. Moon as Class III Directors, unless authority to vote for the election of either or both of the nominees is withheld. Each nominee has indicated her willingness to serve if elected, but if any of the nominees should be unable or unwilling to serve, proxies may be voted for substitute nominee(s) designated by our board of directors.

John V. Guttag, currently a Class III Director, is not standing for re-election at the annual meeting. Our board of directors is searching for a candidate to fill the vacancy that will be created following Dr. Guttag's departure from the board after the annual meeting. Stockholders may vote by proxy to elect no more than two persons to the board of directors at the annual meeting.

Our corporate governance guidelines provide that directors are expected to attend our annual meeting of stockholders. All of our directors attended our 2007 annual meeting of stockholders.

Board Recommendation

Our board of directors recommends that our stockholders vote "FOR" the election of Drs. Daley and Moon as Class III Directors.

Directors

Set forth below regarding each continuing director and each nominee is his or her name, age as of March 31, 2008, principal occupation, and business experience during at least the past five years; all positions he or she holds with us, if any; the names of other publicly held corporations for which he or she serves as a director; and the year during which he or she first became a member of our board of directors. There are no family relationships among any of our directors and executive officers.

Nominees

Class III Directors (Terms to expire at our 2011 annual meeting)

Elizabeth M. Daley, 65, became a director in February 2005. Dr. Daley has been Dean of the School of Cinematic Arts at the University of Southern California since 1991.

Edgar Filing: AVID TECHNOLOGY INC - Form DEF 14A

Youngme E. Moon, 43, became a director in September 2005. Dr. Moon has been a professor at Harvard Business School since 1998. Prior to that, Dr. Moon was a professor at the Massachusetts Institute of Technology.

Continuing Members of our Board of Directors

Class I Directors (Terms to expire at our 2009 annual meeting)

George H. Billings, 57, became a director in March 2004. Since 1987, Mr. Billings has been the President of Billings & Co., a management consulting firm focused on the wireless communications and related industries. Mr. Billings also served as Chief Operating Officer from March 1998 to June 1998, and as Chief Executive Officer from June 1998 to May 1999, of Silicon Wireless, Ltd., a developer of wireless communications technology. Previously, Mr. Billings served first as the Chief Operating Officer and later as Vice Chairman of Radio Mobil Digital Americas, Inc., a wireless dispatch communications company; as General Manager of the Washington-Baltimore Cellular Telephone Company Partnership (d/b/a Cellular One), a telecommunications company; and as Vice President of Corporate Development of the Communications Satellite Corporation, a global telecommunications company.

Nancy Hawthorne, 56, became a director in October 1997 and became our lead independent director in January 2008. Ms. Hawthorne served as our Interim Chief Executive Officer from July 2007 to December 2007 and as our Interim President in December 2007. Since August 2001, Ms. Hawthorne has served as Chair and Chief Executive Officer of Clerestory, LLC, a financial advisory and investment firm. Prior to that, Ms. Hawthorne served as Chief Executive Officer and Managing Partner of Hawthorne, Krauss & Associates, LLC, a provider of consulting services to corporate management, and as Treasurer and Chief Financial Officer of Continental Cablevision, a cable television company. Ms. Hawthorne also serves as a director of the Metropolitan Series Fund, Inc., a mutual fund established by the Metropolitan Life Insurance Company.

John H. Park, 40, became a director in June 2007. Mr. Park has been a Partner of Blum Capital Partners, L.P., a private equity firm, since May 2004. Prior to joining Blum Capital Partners, Mr. Park spent 11 years with Columbia Wanger Asset Management, L.P., where he was a Partner and the Portfolio Manager of the Columbia Acorn Select Fund and a Co-Portfolio Manager of the Columbia Acorn Fund. Mr. Park serves as a director of eResearch Technology, Inc., a provider of technology-based products and services to the pharmaceutical and biotechnology industries.

Class II Directors (Term to expire at our 2010 annual meeting)

Gary G. Greenfield, 53, has served as Chairman of our board of directors and Chief Executive Officer since December 2007. Prior to joining us, Mr. Greenfield served as Chief Executive Officer of GXS, Inc., a provider of business-to-business integration, synchronization and collaboration solutions, from December 2003 to December 2007. He also served as an Operating Partner with Francisco Partners, a technology-focused private equity firm, during the same period. Previously, Mr. Greenfield served as Chief Executive Officer of Peregrine Systems, Inc., an infrastructure management software company, from June 2002 to August 2003, and, prior to that, as President and Chief Executive Officer of Merant PLC, a provider of software solutions for enterprise change management.

Louis Hernandez, Jr., 41, became a director in February 2008. Mr. Hernandez has served as Chairman of the board of directors of Open Solutions Inc., a provider of enterprise-wide enabling technologies for the financial services marketplace, since March 2000 and as its Chief Executive Officer since November 1999. From January 1998 to November 1999, Mr. Hernandez served as Executive Vice President of RoweCom Inc., an electronic commerce software vendor. Mr. Hernandez served as RoweCom's Chief Financial Officer between February 1997 and November 1999. Prior to joining RoweCom, Mr. Hernandez served as the Chief Financial Officer and Corporate Secretary for U.S. Medical Instruments, Inc., a high technology medical device company, and worked in the business and

advisory services group of Price Waterhouse LLP, an accounting firm. Mr. Hernandez serves as a director of HSBC Finance Corporation.

Director Candidates

The process followed by our nominating and governance committee to identify and evaluate director candidates consists of reviewing recommendations from members of our board of directors and others (including stockholders), evaluating biographical and background information relating to potential candidates and interviewing potential candidates.

In considering whether to recommend a particular candidate for inclusion in our board of directors' slate of recommended director nominees, our nominating and governance committee considers the criteria set forth in our corporate governance guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, age, experience, and commitment to participate as a director, as well as the diversity of our board and conflicts of interest that would impair the candidate's ability to act in the interests of all stockholders. Our nominating and governance committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for any prospective nominee. Our nominating and governance committee believes that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our board of directors to fulfill its responsibilities.

Stockholders may recommend an individual to our nominating and governance committee for consideration as a potential director candidate by submitting the individual's name, together with information regarding the individual's background, qualifications and experience, to the Nominating and Governance Committee, c/o Secretary, Avid Technology, Inc., Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876, or by email to Avid_Secretary@avid.com.

Assuming that appropriate biographical and background material has been provided on a timely basis, our nominating and governance committee will evaluate stockholder-recommended candidates by substantially following the same process, and considering the same criteria, as it follows for candidates submitted by others. If our board of directors decides to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy materials for the next annual meeting.

Communicating with our Board of Directors

Our board of directors will give appropriate attention to written communications that are submitted by our stockholders, and will respond if and as appropriate. The Chairman of our board of directors, with the assistance of our General Counsel, is primarily responsible for communications with stockholders and for providing copies or summaries of those communications to the other directors. Stockholders who wish to send communications on any topic to our board of directors should address those communications to the Board of Directors, c/o Secretary, Avid Technology, Inc., Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876, or by email to Avid_Secretary@avid.com.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Our company uses a combination of cash and equity-based compensation to attract and retain candidates to serve on our board of directors. We compensate outside directors only for their service on our board of directors. An outside director is a member of our board of directors who is not (i) an employee of our company or any subsidiary of our company, (ii) a significant stockholder, meaning the beneficial owner of 10% or more of our outstanding common stock, or (iii) a stockholder, member or partner of a significant stockholder. Gary G. Greenfield, our Chairman and Chief Executive Officer, and John H. Park, a partner of a significant stockholder of our company, are not outside directors and

therefore, do not receive any compensation for their service on our board of directors. Nancy Hawthorne, an outside director, also served as our Interim Chief Executive Officer from July 31, 2007 to December 19, 2007 and our Interim President from December 19, 2007 to December 31, 2007. During that period, she did not receive any compensation for her service as a director.

Cash Compensation for Outside Directors

Cash compensation for outside directors takes effect July 1st of each year. Our board of directors met in May 2007 to review and determine compensation for outside directors and decided not to increase any cash compensation for our outside directors other than increasing the annual fee paid to the chair of our audit committee from \$15,000 to \$20,000 and the chair of our compensation committee from \$10,000 to \$20,000. Our compensation committee made this determination after reviewing benchmarking data provided by its independent compensation consultant and concluding that the outside directors' overall compensation package remained competitive with the Avid Peer Group and the Published Industry Survey Data as described below under "Use of Benchmarking Data." Our board elected to increase the fees paid to the chair of our audit and compensation committees due to the additional burdens placed on those individuals due to the Sarbanes-Oxley Act and other rules and regulations. As a result, in 2007, we paid:

each outside director an annual fee of \$45,000;

each outside director who served on (i) the audit committee an annual fee of \$5,000, (ii) the compensation committee an annual fee of \$3,000, and (iii) the nominating and governance committee an annual fee of \$3,000;

the chair or lead independent director of our board of directors an annual fee of \$30,000;

the chair of our audit committee an annual fee of \$15,000, prorated for the first six months of 2007, and an annual fee of \$20,000, prorated for the second six months of 2007;

the chair of our compensation committee an annual fee of \$10,000, prorated for the first six months of 2007, and an annual fee of \$20,000, prorated for the second six months of 2007; and

the chair of our nominating and governance committee an annual fee of \$10,000.

On January 2, 2008, Ms. Hawthorne became lead independent director of our board.

In 2007, we did not pay our outside directors any fees for attending meetings.

Equity Compensation for Outside Directors

In addition to the cash compensation described above, outside directors are entitled to receive equity compensation under our 1993 Director Stock Option Plan, as amended, or our 2005 Stock Incentive Plan, as amended. Our compensation committee reviews equity compensation for outside directors annually and submits its recommendations to the full board for consideration and approval.

Under our 1993 Director Stock Option Plan, each outside director is entitled to receive an option to purchase 10,000 shares of common stock upon his or her initial election to our board of directors. In addition, each outside director receives an option to purchase 10,000 shares of common stock on the date of each annual meeting of stockholders if the director has then served a minimum of six months on our board of directors.

Under our 2005 Stock Incentive Plan, our outside directors may receive equity compensation subject to the following maximum grant levels:

upon election to our board of directors, a stock option for up to 15,000 shares of common stock or a restricted stock award or a restricted stock unit award for up to 7,500 shares of common stock; and

annually on the date of our annual meeting, if the outside director has served a minimum of six months on our board of directors, a stock option for up to 15,000 shares of common stock or a restricted stock award or a restricted stock unit award for up to 7,500 shares of common stock.

In each case, an outside director may receive a combination of awards so long as the aggregate number of shares subject to each award does not exceed 15,000 shares of common stock. Each share of common stock subject to a restricted stock award or a restricted stock unit award is considered two shares of common stock for the purpose of this limitation. Additionally, our board of directors has determined that any grant under the 1993 Director Stock Option Plan to an outside director will be included in the limits applicable to awards granted under the 2005 Stock Incentive Plan.

Grants to outside directors of stock options are at an exercise price per share equal to the closing price of our common stock on NASDAQ on the date of grant. Grants to outside directors of stock options upon their initial election to our board of directors vest in full 12 months from the date of grant. Annual grants to outside directors of stock options vest in full on the earlier of 12 months from the date of grant or immediately prior to the next annual meeting of our stockholders following the date of grant, unless otherwise specified in the applicable option agreement. Awards of restricted stock and restricted stock units granted under our 2005 Stock Incentive Plan may vest no sooner than one-third of such award per year. Stock options granted under our 1993 Director Stock Option Plan have a term of six years, while those granted under our 2005 Stock Incentive Plan have a term of ten years. Our board of directors has approved the amendment and restatement of our 2005 Stock Incentive Plan, subject to stockholder approval. If our stockholders approve the amendment and restatement of our 2005 Stock Incentive Plan, awards of restricted stock and restricted stock units to our outside directors after the date of our 2008 annual meeting will vest on the first anniversary of the date of grant. In addition, option grants to outside directors after the date of our 2008 annual meeting will have a seven-year term rather than a ten-year term. For more information on the Amended and Restated 2005 Stock Incentive Plan, see "Proposal 3 Approval of our Amended and Restated 2005 Stock Incentive Plan." Stock options granted under the 1993 Director Stock Option Plan become exercisable in full upon a change-in-control, as that term is defined in the 1993 Director Stock Option Plan.

During 2007, each of our outside directors was granted an option to purchase 10,000 shares of common stock under our 1993 Director Stock Option Plan at an exercise price of \$32.70, equal to the closing price of our common stock on NASDAQ on the date of grant, May 16, 2007.

Changes to 2008 Compensation for Outside Directors

In February 2008, our board of directors approved changes to the compensation for our outside directors. Effective July 1, 2008, each of our outside directors will be paid a fee of \$3,000 for each board and committee meeting attended, and the chair or lead independent director of the board and the chair of each committee will be paid a fee of \$6,000 for each meeting attended. In addition, the annual fee paid to the chair or lead independent director of our board will be \$75,000, and the annual fee for the chair of each of our audit, compensation, and nominating and governance committees will be \$25,000, \$15,000 and \$15,000, respectively. Outside directors who serve on each of the compensation, and nominating and governance committees will be paid an annual fee of \$5,000 and outside directors who serve on the audit committee will be paid an annual fee of \$7,500. Outside directors will continue to be paid an annual fee of \$45,000 for their service on our board of directors.

Our board of directors also approved a one-time cash payment to be made to our outside directors as of May 21, 2008 who received an annual grant of stock options in 2007 under our 1993 Director Stock Option Plan that had six-year terms. Our board of directors determined that these stock options should have had ten-year terms consistent with the annual stock options granted in 2006 to our outside directors under our 2005 Stock Incentive Plan. As a result, our board of directors approved a cash payment of \$41,158 to each of George H. Billings, Elizabeth M. Daley, John V. Gutttag, Nancy

Hawthorne and Youngme E. Moon. Dr. Moon also received an initial stock option grant with a six-year term that our board of directors determined should have had a ten-year term. As a result, Dr. Moon will receive an additional payment of \$54,985. The payments were calculated by taking the difference between the Black-Scholes grant date fair value of the stock options assuming a ten-year term and the Black-Scholes grant date fair value of the stock options assuming a six-year term.

Our board of directors also approved changes to the equity compensation for our outside directors, subject to stockholder approval of our Amended and Restated 2005 Stock Incentive Plan. On May 21, 2008, the date of our 2008 annual meeting, each of our outside directors who has served a minimum of six months on our board of directors will receive 1,000 restricted stock units and a stock option to purchase 7,000 shares of common stock under our Amended and Restated 2005 Stock Incentive Plan. The stock options will have an exercise price equal to the closing price of our common stock on NASDAQ on the date of grant and will have a seven-year term. The restricted stock units and the stock options will vest in full on the first anniversary of the date of grant. In the event our stockholders do not approve the Amended and Restated 2005 Stock Incentive Plan, our board of directors will reconsider alternative proposals for equity compensation for outside directors.

Stock Ownership Guidelines for Outside Directors

Stock ownership guidelines for our outside directors were adopted by our board of directors and became effective on May 24, 2006 to further align the interests of our outside directors with those of our stockholders. Under the guidelines our outside directors are expected to hold the following number of shares of common stock:

at least 10,000 shares of common stock one year after the later of May 24, 2006 or the date the director first receives an initial stock option grant; and

at least 20,000 shares of common stock three years after the later of May 24, 2006 or the date the director first receives an initial stock option grant.

For purposes of these guidelines, stock ownership includes:

restricted stock and restricted stock units;

shares held in a brokerage account in the name of the director; and

shares underlying fully-vested stock options.

A director who fails to comply with these stock ownership guidelines will be required to retain all future awards of equity compensation made by us until the thresholds are achieved.

All of our outside directors, other than Louis Hernandez, Jr. who joined our board of directors on February 27, 2008, have met our stock ownership guidelines. See "Security Ownership of Certain Beneficial Owners and Management" above for more detailed information on the beneficial ownership of our directors.

Non-Qualified Deferred Compensation for Outside Directors

Our outside directors are eligible to participate in our non-qualified deferred compensation plan, which was established to provide participants with the opportunity to defer the receipt of all or a portion of their director fees. See "Non-Qualified Deferred Compensation" on page 38 below for a discussion of our non-qualified deferred compensation plan.

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2007

The following table sets forth a summary of the compensation we paid to our directors for service on our board in 2007. Ms. Hawthorne, a member of our board of directors, is not listed in the table below because in 2007 she also served as our Interim Chief Executive Officer from July 31, 2007 to December 19, 2007 and as our Interim President from December 19, 2007 to December 31, 2007, and is therefore also a Named Executive Officer. Mr. Greenfield is also a Named Executive Officer, and, for this reason, is not listed in the following table. All of Ms. Hawthorne's and Mr. Greenfield's compensation information for 2007 is reported in the Summary Compensation Table for Fiscal Years 2006 and 2007 below.

Name	Fees Earned or Paid in Cash(1)	Option Awards(2)	All Other Compensation(3)	Total
George H. Billings	\$ 67,625	\$ 133,343		\$ 200,968
Elizabeth M. Daley	\$ 54,753	\$ 133,343		\$ 188,096
John V. Guttag	\$ 59,150	\$ 133,343	\$ 4,009	\$ 196,502
Louis Hernandez, Jr.(4)				
Pamela F. Lenehan(5)	\$ 77,073	\$ 311,350	\$ 8,911	