

AVID TECHNOLOGY, INC.
Form DEF 14A
April 21, 2011

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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 under §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.
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April 21, 2011

Dear Stockholder,

I am pleased to invite you to attend the 2011 Annual Meeting of Stockholders of Avid Technology, Inc. The annual meeting will be held on Friday, June 10, 2011, at 8:00 a.m., local time, at our headquarters at 75 Network Drive, Burlington, Massachusetts.

You will find information regarding the business to be conducted at the annual meeting in our notice of annual meeting and proxy statement. We make our proxy materials, including our annual report to stockholders, available over the Internet. Most stockholders will receive a notice of the Internet availability of the proxy materials instead of a printed copy. The notice of Internet availability includes instructions for accessing the proxy materials over the Internet or requesting a printed copy of the proxy materials by mail or an electronic copy by email.

Your vote is especially important because if your shares are held by a broker, your broker cannot vote your shares for non-routine matters, including the election of directors and the advisory votes on executive compensation unless you provide voting instructions. Therefore, if your shares are held by a broker, please instruct your broker regarding how to vote your shares on the election of directors and for the advisory votes on executive compensation. This will ensure that your shares are counted with respect to these matters.

Your vote is important regardless of the number of shares that you own. Whether or not you plan to attend the annual meeting, we hope that you will submit your vote by proxy as soon as possible. If you received a notice of Internet availability, you may submit your vote by proxy over the Internet. Alternatively, if you received a printed copy of the proxy materials (including a proxy card), you may submit your proxy vote by mail. Voting by proxy will not affect your right to attend the annual meeting and vote in person should you so choose.

On behalf of the board of directors, I would like to express our appreciation for your interest in our company. I look forward to greeting many of you at the annual meeting.

Sincerely,

Gary G. Greenfield
*Chairman and Chief
Executive Officer*

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AVID TECHNOLOGY, INC.

**75 Network Drive
Burlington, MA 01803**

NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

Meeting Date	Friday, June 10, 2011
Time	8:00 a.m., local time
Location	75 Network Drive Burlington, Massachusetts 01803
Proposals	<ol style="list-style-type: none">(1) To elect three Class III Directors to serve for three-year terms.(2) To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.(3) To approve an advisory vote on executive compensation.(4) To approve an advisory vote on the frequency of future executive compensation advisory votes. <p>Consideration will also be given to such other business as may properly come before the meeting or any adjournment thereof.</p>
Board Recommendations	Our board of directors recommends that stockholders vote FOR each of proposals one, two and three and recommends that stockholders vote to hold an advisory vote on executive compensation every three years.
Record Date	Only stockholders as of the close of business on April 11, 2011 are entitled to notice of, and to vote at, the annual meeting.

By Order of our Board of Directors,

Paige Parisi
Corporate Secretary

Burlington, Massachusetts
April 21, 2011

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AVID TECHNOLOGY, INC.

**75 Network Drive
Burlington, Massachusetts 01803**

PROXY STATEMENT

ANNUAL MEETING JUNE 10, 2011

INFORMATION ABOUT PROXY MATERIALS, THE ANNUAL MEETING AND VOTING

Why am I receiving these materials?

We have made these materials available to you on the Internet or, upon your request, have delivered printed versions of these materials to you by mail or electronic copies to you by email, in connection with the solicitation of proxies by our board of directors for use at our 2011 Annual Meeting of Stockholders to be held on Friday, June 10, 2011 at 8:00 a.m., local time, and at any postponement(s) or adjournment(s) of the annual meeting. The annual meeting will be held at our headquarters at 75 Network Drive, Burlington, Massachusetts. References in this proxy statement to "we," "us," our "company" or "Avid" refer to Avid Technology, Inc. and its consolidated subsidiaries.

What is included in these materials?

These materials include:

this proxy statement (including the Notice of 2011 Annual Meeting of Stockholders); and

our 2010 Annual Report to Stockholders for the year ended December 31, 2010.

If you requested a printed version of these materials by mail or electronic copy by email, these materials also include a proxy card.

What items will be voted on at the Annual Meeting?

Stockholders will vote on the following items at the annual meeting:

the election to the board of directors of the three nominees named in this proxy statement (Proposal No. 1);

ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011 (Proposal No. 2);

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an advisory vote on executive compensation (Proposal No. 3); and

an advisory vote on the frequency of future executive compensation advisory votes (Proposal No. 4).

We are not aware of any other matters to be presented at our annual meeting. However, if any other matters are properly presented, the persons designated as proxies intend to vote, or otherwise act, on those matters in accordance with their judgment.

What are the voting recommendations of the board of directors?

The board recommends that you vote your shares:

"FOR" each of the three nominees to the board of directors (Proposal No. 1);

"FOR" ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011 (Proposal No. 2);

"FOR" the advisory vote on executive compensation (Proposal No. 3); and

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"FOR" a frequency of every three years for future advisory votes on executive compensation (Proposal No. 4).

I share an address with another stockholder and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials or a copy of the Annual Report on Form 10-K?

Some brokers or custodians practice "householding" whereby they provide a single copy of proxy materials to multiple stockholders sharing the same household. If you have received proxy materials on a household basis, we will deliver an additional copy of the proxy materials at no charge upon request to: Avid, 75 Network Drive, Burlington, Massachusetts 01803, Attn: Director of Investor Relations, telephone: (978) 640-3346. If you are receiving proxy materials on a household basis and wish to discontinue doing so, or if you would like to begin receiving proxy materials on a household basis, you should contact your bank or custodian, or you may contact us as described above.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC, including financial statements and schedules, but excluding exhibits, will be furnished without charge to any stockholder upon request to: Avid Technology, Inc., 75 Network Drive, Burlington, Massachusetts 01803, Attn: Director of Investor Relations, telephone: (978) 640-3346. Exhibits will be provided upon written request and payment of an appropriate processing fee.

How can I get electronic access to the proxy materials?

Our proxy materials are available over the Internet. Most of our stockholders will receive a notice of the Internet availability of our proxy materials in lieu of a printed copy of such proxy materials. The notice of Internet availability includes instructions for accessing the proxy materials over the Internet or requesting a printed copy of the proxy materials by mail or an electronic copy by email. It also includes instructions on how stockholders may elect to receive future proxy materials in printed form by mail or electronically by email.

Who may vote at the Annual Meeting?

Only stockholders of record as of the close of business on April 11, 2011, the record date, are entitled to receive notice of, to attend and to vote at the annual meeting. As of the record date, there were 38,386,747 shares of our common stock, \$0.01 par value per share, issued and outstanding. Stockholders are entitled to one vote per share.

What is the difference between a stockholder of record and a beneficial owner of shares held in street name?

In certain sections of this proxy statement, we distinguish between stockholders of record and beneficial owners. Most of our stockholders are beneficial owners of shares held in street name.

Stockholders of Record. If your shares are held in your name with our transfer agent, Computershare Investor Services, you are considered the "stockholder of record" of those shares. As a stockholder of record, you will receive the notice of Internet availability or, as applicable, a printed or electronic copy of the proxy materials directly from us.

Beneficial Owners of Shares Held in Street Name. If your shares are held in a brokerage account or by another custodian, you are considered the "beneficial owner" of those shares and the shares are held in "street name" by the broker or custodian, which is the stockholder of record. As a beneficial owner, your broker or custodian will forward to you the notice of Internet availability or, as applicable, a printed or electronic copy of the proxy materials.

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How do I vote?

There are three ways to vote your shares:

Over the Internet. You may submit your vote over the Internet any time prior to 11:59 p.m., local time, on June 9, 2011 by following the instructions on the notice or proxy card.

By Mail. If you receive a printed copy of the proxy materials (including a proxy card) by mail, you may submit your vote by mail by following the instructions on the proxy card. Please allow sufficient time for mailing as only proxy cards received by us prior to the annual meeting will be deemed valid and counted.

In Person. All stockholders of record may vote in person at the annual meeting. We will give you a ballot when you arrive. Please note, however, that if you are a beneficial owner of shares held in street name, in order to vote your shares in person at the annual meeting, you must obtain a legal proxy from the stockholder of record (which is your broker or custodian) that authorizes you to do so.

If you receive more than one notice of Internet availability or multiple printed copies 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 or complete and return each proxy card. You may receive multiple copies of the notice or proxy materials 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.

What is the quorum requirement for 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. 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 proposals presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the annual meeting. If a quorum is not present, the annual meeting will be adjourned until a quorum is obtained.

How are proxies voted?

All shares represented by valid proxies received prior to the annual meeting will be voted and, where a stockholder specifies a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the stockholder's instructions.

What happens if I do not return my proxy?

Stockholders of Record. If you are a stockholder of record and you do not vote over the Internet, by mailing your proxy card or in person at the annual meeting, your shares will not be voted.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not vote over the Internet, by mailing your proxy card or by proxy at the annual meeting, under the rules of various securities exchanges, the broker or custodian that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If your broker or custodian that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the broker or custodian will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares; this is referred to as a "broker non-vote." A broker non-vote may also result if your broker or custodian may, but opts not to, vote your shares on a routine matter for which you have not given instruction.

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What happens if I submit my vote by proxy but do not give specific voting instructions with respect to a particular proposal?

If you sign and return a proxy card without giving specific voting instructions with respect to a particular proposal, the persons designated by us as proxies will vote your shares as recommended by our board of directors.

Which ballot measures are considered "routine" or "non-routine"?

Election of Directors (Proposal No. 1). The election of directors is considered a non-routine matter under applicable rules.

Ratification of the appointment of Ernst & Young LLP (Proposal No. 2). The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011 is considered a routine matter under applicable rules.

Advisory Vote on Executive Compensation (Proposal No. 3). The advisory vote on executive compensation is considered a non-routine matter under applicable rules.

Advisory Vote on the Holding of Executive Compensation Advisory Votes (Proposal No. 4). The advisory vote on the frequency of future executive compensation advisory votes is considered a non-routine matter under applicable rules.

What is the voting requirement to approve each of the proposals?

Election of Directors (Proposal No. 1). To be elected, directors must receive a majority of the votes cast (the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). Prior to the election, each director nominee delivered to the board of directors an irrevocable resignation that will become effective if (i) he or she does not receive a majority of the votes cast (with "abstentions" and "broker non-votes" not counted as a vote "for" or "against" such nominee's election) and (ii) within 90 days following certification of the stockholder vote, the board determines to accept such resignation in accordance with our corporate governance guidelines. We will publicly disclose any such decision by the board of directors with regard to any director's resignation.

Other Matters. Under our company by-laws, the affirmative vote of the holders of a majority of the votes cast will be required for: approval of the ratification of the selection of the independent registered public accounting firm (Proposal 2); approval of the advisory vote on executive compensation (Proposal 3); and approval of one of the three frequency options (one year, two years or three years) under the advisory vote on the frequency of future executive compensation advisory votes (Proposal 4). With respect to Proposal 4, if none of the three frequency options receives the vote of the holders of a majority of the votes cast, we will consider the frequency option receiving the highest number of votes cast by stockholders to be the option approved by stockholders.

How are abstentions and broker non-votes treated?

Abstentions and broker non-votes will not be counted as shares voting on any proposal. Assuming the presence of a quorum, abstentions and broker non-votes will not affect the voting on any of the proposals under consideration by stockholders. Abstentions and broker non-votes will, however, as stated above, be counted as present and entitled to vote for purposes of determining whether a quorum is present at the annual meeting.

Can I change my vote after I have voted?

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If you vote your shares by proxy, you may revoke your proxy at any time before its exercise by re-voting over the Internet, submitting a subsequently dated proxy card, delivering a written revocation to our Corporate Secretary, or voting in person at the annual meeting. If you submit multiple proxies, the last proxy

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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.

Who will serve as the inspector of election?

Our Director of Investor Relations will serve as the inspector of election.

Where can I find the voting results of the Annual Meeting?

The preliminary voting results will be announced at the annual meeting. The final voting results will be tallied by the inspector of election and reported on a Current Report on Form 8-K that we are required to file with the Securities and Exchange Commission, or SEC, by June 16, 2011.

Who is paying for the cost of this proxy solicitation?

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 and custodians forward the notice of Internet availability or, as applicable, printed copies of the proxy materials to stockholders for whom they hold shares. We will reimburse these entities for their reasonable out-of-pocket distribution expenses.

What is the deadline to propose actions for consideration at the 2012 Annual Meeting of Stockholders?

Our stockholders may submit proposals on matters appropriate for stockholder action at meetings of our stockholders in accordance with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. A proposal that a stockholder would like included in our proxy statement for our 2012 Annual Meeting of Stockholders must satisfy all applicable requirements of Rule 14a-8 and must be received by our Corporate Secretary at our principal offices in Burlington, Massachusetts, no later than December 23, 2011.

If a stockholder intends to present a proposal at our 2012 annual meeting, but not include that proposal in our proxy statement, the proposal must be submitted to our Corporate Secretary at our principal offices in Burlington, Massachusetts, no later than March 22, 2012, or 60 days before the date of our 2012 annual meeting, whichever is later. We have not yet set a date for our 2012 annual meeting; however, if our 2012 annual meeting is held on June 10, 2012 (the anniversary of our 2011 annual meeting), the deadline for delivery of a proposal would be April 11, 2012.

DIRECTORS

Set forth below is information regarding each nominee and each continuing director, including their ages as of April 15, 2011 and information about their specific experience, qualifications, attributes or skills that led the board of directors to conclude that he or she should serve as a director of Avid. There are no family relationships among any of our directors and executive officers.

Nominees for Director for the Three-Year Term That Will Expire in 2014

Class III Directors (Current terms expire at our 2011 annual meeting)

Elizabeth M. Daley, 68, 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. Dr. Daley brings an excellent perspective on our business through the experience she has with our customer base, including insights into industry trends gleaned in her capacity as the dean of a major U.S. film school.

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Youngme E. Moon, 46, became a director in September 2005. Dr. Moon has been Senior Associate Dean and Chair, MBA Program since August 2010 and the Donald K. David Professor of Business Administration at Harvard Business School since July 2008, having joined the faculty in June 1998. Prior to that, Dr. Moon was a professor at the Massachusetts Institute of Technology. Dr. Moon also serves on the Board of Governors of the American Red Cross. Dr. Moon's expertise in innovative consumer and other marketing strategies, in addition to her other business insights, adds significant value to board discussions.

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David B. Mullen, 60, became a director in July 2009. Mr. Mullen is currently an independent consultant. From 2002 until January 2010, he was Executive Vice President and Chief Financial Officer of NAVTEQ (formerly Navigation Technologies), a provider of digital map data for in-vehicle, portable, wireless and enterprise solutions. Mr. Mullen currently serves as a director of eLoyalty Corporation. Our board of directors values Mr. Mullen's extensive financial expertise and experience as a chief financial officer of four public companies, as well as his accomplished history of working with global, public companies in the technology industry.

Continuing Directors

Class I Directors (Terms to expire at our 2012 annual meeting)

George H. Billings, 60, became a director in March 2004. Mr. Billings has been the President of Billings & Co., a management consulting firm focused on the wireless communications and related industries, since 1987. Mr. Billings has also served as Chief Operating Officer and Chief Executive Officer of Silicon Wireless, Ltd.; Chief Operating Officer and Vice Chairman of Radio Movil Digital Americas, Inc.; General Manager of the Washington-Baltimore Cellular Telephone Company Partnership (d/b/a Cellular One); and Vice President of Corporate Development of the Communications Satellite Corporation. Mr. Billings contributes diversified skills to our board through his extensive financial, management and operational experience. He has also made extensive contributions as a director and chair of the audit committee, including through his collaboration with our independent auditors and senior management team.

Nancy Hawthorne, 59, became a director in October 1997 and our Lead Director in January 2008. Ms. Hawthorne has served as Chair and Chief Executive Officer of Clerestory, LLC, a financial advisory and investment firm, since August 2001. Previously, 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 Chief Financial Officer and Treasurer of Continental Cablevision. Ms. Hawthorne also serves as a director of the Metropolitan Series Fund, Inc. Having served on our board for over thirteen years, Ms. Hawthorne has gained significant knowledge of our business. Ms. Hawthorne's financial management and outside board experience enhance her contributions to our board. Ms. Hawthorne also offers a unique perspective, having served as interim Chief Executive Officer of Avid from July to December 2007.

John H. Park, 43, 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 also serves as a director of GlenRose Instruments, Inc. Our board of directors benefits from Mr. Park's demonstrated business acumen gained through extensive private equity and fund investment experience, experience on other public company boards of directors and participation in corporate turn-around efforts. We also benefit from the stockholder perspective he lends as a partner of Blum Capital Partners, L.P., an Avid investor.

Class II Directors (Terms to expire at our 2013 annual meeting)

Robert M. Bakish, 47, became a director in October 2009. Mr. Bakish has served as the President and Chief Executive Officer of Viacom International Media Networks, a division of Viacom Inc., a global entertainment content company, since January 2011. Mr. Bakish is also Chairman of the Board of Viacom 18 (Viacom's Indian joint venture) and serves on the boards of Viacom's joint ventures with BSkyB and Telecom Italia Media. From January 2007 to January 2011, Mr. Bakish served as the President of MTV Networks International, another division of Viacom. From July 2004 to January 2007, Mr. Bakish was Executive Vice President, Operations, of Viacom Enterprises, a subsidiary of Viacom. Prior to that, he served as MTV Networks' Executive Vice President and Chief Operating Officer, Advertising Sales and was Chairman of the Cable Television Advertising Bureau. Previously, Mr. Bakish was a partner with Booz Allen & Hamilton in its Media and Entertainment practice. We value the unique insights Mr. Bakish

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provides to the board relative to the challenges, opportunities and operations of the broadcast industry, as well as his expertise in strategic planning and business development.

Gary G. Greenfield, 56, our Chairman, President and Chief Executive Officer, joined Avid in December 2007. From December 2003 to December, 2007, Mr. Greenfield served as Chief Executive Officer of GXS, Inc., a provider of business-to-business integration, synchronization and collaboration solutions. During the same period, he also served as an Operating Partner with Francisco Partners, a technology-focused private equity firm. From 2002 to 2003, Mr. Greenfield served as Chief Executive Officer of Peregrine Systems, Inc., an infrastructure management software company, and prior to that, as President and Chief Executive Officer of Merant PLC, a provider of software solutions for enterprise change management. Mr. Greenfield also serves as a director of Novell, Inc. and Vocus, Inc. Mr. Greenfield has a proven track record of strong leadership, business skill and operational experience. These qualities were particularly valued in connection with the transformation strategy he has implemented in our business.

Louis Hernandez, Jr., 44, became a director in February 2008. Mr. Hernandez is Chairman and Chief Executive Officer of Open Solutions Inc., a provider of enterprise-wide enabling technologies for the financial services marketplace, positions he has held since 2000 and 1999, respectively. Previously, Mr. Hernandez served as Executive Vice President and Chief Financial Officer of RoweCom Inc., an electronic commerce software vendor. Prior to joining RoweCom, Mr. Hernandez served as the Chief Financial Officer and Corporate Secretary of U.S. Medical Instruments, Inc. and worked in the business and advisory services group of Price Waterhouse LLP. Mr. Hernandez also serves as a director of Unica Corporation, HSBC North America Holdings Inc., HSBC USA Inc. and HSBC Bank USA, N.A. We value the perspective Mr. Hernandez brings to the board of directors as a Chief Executive Officer of a technology company. He is also widely recognized as a leader and innovator in the technology industry.

DIRECTOR COMPENSATION

Our company uses a combination of cash and equity-based compensation to attract and retain individuals to serve on our board of directors. We only compensate outside directors for their service on our board of directors. An outside director is a member of our board of directors who is not:

an employee of our company or any subsidiary of our company;

a significant stockholder, meaning the beneficial owner of 10% or more of our outstanding common stock; or

a stockholder, member or partner of a significant stockholder.

Gary G. Greenfield, our Chairman, President 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.

Cash Compensation for Outside Directors

Our outside directors are paid the following cash compensation for their service:

	Lead Director		Chair		Other Members	
	Retainer	Meeting	Retainer	Meeting	Retainer	Meeting
Board of Directors	\$ 75,000	\$ 6,000			\$ 45,000	\$ 3,000
Audit Committee			\$ 25,000	\$ 6,000	\$ 7,500	\$ 3,000
Compensation Committee			\$ 15,000	\$ 6,000	\$ 5,000	\$ 3,000
Nominating and Governance Committee			\$ 15,000	\$ 6,000	\$ 5,000	\$ 3,000

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Strategy Committee	\$ 500	\$ 500
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With the exception of the strategy committee, the amounts listed above were set in February 2008 and took effect on July 1, 2008. Our compensation committee met in February 2010 to review compensation for

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our outside directors. The compensation committee reviewed third-party survey data, including the 2010 Avid Peer Group and published survey sources. After reviewing the compensation information, our compensation committee concluded that the outside directors' cash and equity compensation was competitive. For more information on the Avid Peer Group, see the section of our *Compensation Discussion and Analysis* entitled *Other Considerations Role of Peer Group, Survey Data and Benchmarking*.

In June 2009, our board of directors established a strategy committee and set the compensation for the strategy committee members as \$500 per meeting attended with no annual retainer.

In February 2011, our board of directors approved a special one-time cash award for Ms. Hawthorne and Mr. Billings in the amount of \$100,000 and \$75,000, respectively, in recognition of the long-term service of Ms. Hawthorne and Mr. Billings as members of our board of directors.

Equity Compensation for Outside Directors

In addition to the cash compensation described above, outside directors are entitled to receive equity compensation. Effective May 21, 2008, the date our stockholders approved our Amended and Restated 2005 Stock Incentive Plan, all equity compensation awarded to outside directors is granted under our Amended and Restated 2005 Stock Incentive Plan. Our board of directors reviews equity compensation for outside directors annually. Previously, outside directors received equity compensation under our 1993 Director Stock Option Plan, as amended, or our 2005 Stock Incentive Plan, as amended.

Under our Amended and Restated 2005 Stock Incentive Plan, each outside director is entitled to receive equity compensation subject to the following limits:

upon election to our board of directors, an 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, an 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 total number of shares subject to the aggregate award does not exceed 15,000 shares of common stock, with each share of common stock subject to a restricted stock award or a restricted stock unit award considered two shares of common stock for the purpose of this limitation.

Grants of options to outside directors are at an exercise price per share equal to the closing price of our common stock on NASDAQ on the grant date. Grants of options to outside directors upon their initial election to our board of directors vest in full twelve months from the grant date. Annual grants of options to outside directors vest in full on the earlier of twelve months from the grant date or the business day prior to the date of the next annual meeting of stockholders following the grant date, unless otherwise specified in the applicable option agreement. Awards of restricted stock and restricted stock units to our outside directors upon their initial election to our board of directors vest in full twelve months from the grant date. Annual awards of restricted stock and restricted stock units to our outside directors vest in full on the earlier of twelve months from the grant date or the business day prior to the date of the next annual meeting of stockholders following the grant date. Options granted under our 1993 Director Stock Option Plan, as amended, have a term of six years, those granted under our 2005 Stock Incentive Plan have a term of ten years, and those granted under our Amended and Restated 2005 Stock Incentive Plan have a term of seven years.

In 2010, we granted each of our outside directors under our Amended and Restated 2005 Stock Incentive Plan:

2,000 restricted stock units, and

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an option to purchase 7,000 shares of common stock at an exercise price of \$14.69, equal to the closing price of our common stock on NASDAQ on the grant date, May 4, 2010.

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Stock Ownership Requirements for Outside Directors

Stock ownership requirements 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. The compensation structure for our board of directors has changed since May 2006 and in December 2010, our board of directors revised these requirements to reflect such changes and to make the re