

AVID TECHNOLOGY INC
Form S-4
April 29, 2005

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

As filed with the Securities and Exchange Commission on April 29, 2005

Registration No. 333-

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

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AVID TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction
of incorporation or organization)*

3861
*(Primary Standard Industrial
Classification Code Number)*

04-2977748
*(I.R.S. Employer
Identification No.)*

**Avid Technology Park
One Park West
Tewksbury, Massachusetts 01876
(978) 640-6789**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**David A. Krall
President and Chief Executive Officer
Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, Massachusetts 01876
(978) 640-6789**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Ethan E. Jacks, Esq.
Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, Massachusetts 01876
Telephone: (978) 640-6789
Telecopy: (978) 851-7216**

**Mark G. Borden, Esq.
David A. Westenberg, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109**

**Patti S. Hart
Melanie A. Sherk, Esq.
Pinnacle Systems, Inc.
280 North Bernardo Avenue
Mountain View, California 94043
Telephone: (650) 526-1600
Telecopy: (650) 930-2424**

**Gregory M. Gallo, Esq.
Diane Holt Frankle, Esq.
DLA Piper Rudnick Gray Cary US LLP
2000 University Avenue
East Palo Alto, California 94303**

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Telephone: (617) 526-6000
Telecopy: (617) 526-5000

Telephone: (650) 833-2000
Telecopy: (650) 833-2001

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement and the effective time of the merger of Highest Mountain Corporation, a California corporation and a wholly owned subsidiary of Avid Technology, Inc., a Delaware corporation, with and into Pinnacle Systems, Inc., a California corporation, as described in the Agreement and Plan of Merger, dated as of March 20, 2005, attached as Annex A to the joint proxy statement/prospectus forming part of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

<i>Title of Each Class of Securities to be Registered</i>	<i>Amount to be Registered(1)</i>	<i>Proposed Maximum Offering Price Per Share</i>	<i>Proposed Maximum Aggregate Offering Price(2)</i>	<i>Amount of Registration Fee</i>
Common Stock, \$.01 par value per share (including the associated preferred stock purchase rights)	6,750,000	\$44.76	\$302,157,652	\$35,563.96

(1) Based upon the estimated maximum number of shares of Avid common stock issuable in the merger described herein in respect of outstanding shares of Pinnacle common stock and options to purchase Pinnacle common stock.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, as amended, and based upon the average of the high and low prices of Pinnacle common stock as reported on the Nasdaq National Market on April 26, 2005, and computed based on the maximum number of shares of Pinnacle common stock that may be exchanged for Avid common stock being registered, including shares issuable upon exercise of outstanding options to purchase Pinnacle common stock.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

The information in this joint proxy statement/prospectus is not complete and may be changed. Avid may not issue the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Subject to Completion, Dated April 29, 2005

Joint Proxy Statement/Prospectus

Dear Avid Stockholders and Pinnacle Shareholders:

On behalf of the boards of directors of Avid Technology, Inc. and Pinnacle Systems, Inc., we are pleased to deliver our joint proxy statement/prospectus for the proposed merger of Avid and Pinnacle. Avid and Pinnacle believe the combined company will be a leader in the broadcast video and consumer video marketplaces that will be able to offer a full range of best-of-breed digital media solutions for professionals and consumers. We believe this merger will create a strong combined company that will deliver important benefits to its stockholders.

If the merger is completed, Pinnacle shareholders will receive for each share of Pinnacle common stock 0.0869 of a share of Avid common stock plus \$1.00 in cash. Based on the number of outstanding shares of Pinnacle common stock and options to purchase shares of Pinnacle common stock outstanding on March 18, 2005, Avid expects to issue approximately 6.2 million shares of Avid common stock in the merger. Avid stockholders will continue to own their existing shares of Avid common stock. Upon completion of the merger, Avid stockholders will own approximately 85% of the combined company, and Pinnacle's former shareholders and option holders will own approximately 15% of the combined company. The shares of the combined company will be traded on the Nasdaq National Market under the symbol "AVID".

Avid is asking its stockholders to approve an amendment to Avid's certificate of incorporation to increase the number of authorized shares of Avid common stock from 50,000,000 to 100,000,000, which will provide shares for Avid's future corporate needs and enable the issuance of shares of Avid common stock in the merger. Pinnacle is asking its shareholders to approve the terms of the merger. The accompanying joint proxy statement/prospectus provides important information regarding Avid, Pinnacle and the merger. **In particular, you should carefully consider the discussion in the section entitled "Risk Factors" beginning on page [] of the accompanying joint proxy statement/prospectus.**

Avid's board of directors unanimously recommends that Avid stockholders vote FOR the amendment to Avid's certificate of incorporation to increase the number of authorized shares of Avid common stock from 50,000,000 to 100,000,000.

Pinnacle's board of directors unanimously recommends that Pinnacle shareholders vote FOR the approval of the terms of the merger.

We cannot complete the merger unless Avid stockholders approve the amendment to Avid's certificate of incorporation and Pinnacle shareholders approve the terms of the merger. **Your vote is important.**

Avid stockholders are cordially invited to attend Avid's annual meeting of stockholders that will be held on [], [], 2005, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts, at [:] a.m., local time. Pinnacle shareholders are cordially invited to attend Pinnacle's special meeting of shareholders that will be held on [], [], 2005, at [], [], California, at [:] a.m., local time.

At Avid's annual meeting, Avid stockholders will also be asked to elect two Class III Directors, approve Avid's 2005 Stock Incentive Plan and ratify the selection of PricewaterhouseCoopers LLP as Avid's independent registered public accounting firm for the current fiscal year.

David A. Krall
President and Chief Executive Officer
Avid Technology, Inc.

Patti S. Hart
President and Chief Executive Officer
Pinnacle Systems, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the securities of Avid to be issued in the merger, or determined if this joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

This joint proxy statement/prospectus is dated [], 2005 and is expected to be first mailed to Avid stockholders and Pinnacle shareholders on or about [], 2005.

NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS

The 2005 Annual Meeting of Stockholders of Avid Technology, Inc. will be held on [], [], 2005, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts, at [:] a.m., local time, to consider and act upon the following matters:

1. To approve an amendment to Avid's certificate of incorporation to increase the number of authorized shares of Avid common stock from 50,000,000 to 100,000,000, which will provide shares for Avid's future corporate needs and enable the issuance of shares of Avid common stock in the proposed merger of a wholly-owned subsidiary of Avid with and into Pinnacle Systems, Inc. pursuant to which Pinnacle will become a wholly-owned subsidiary of Avid and each outstanding share of Pinnacle common stock will be converted into the right to receive 0.0869 of a share of Avid common stock plus \$1.00 in cash.
2. To elect two Class III Directors to serve on Avid's board of directors for the ensuing three years.
3. To approve Avid's 2005 Stock Incentive Plan.
4. To ratify the selection of PricewaterhouseCoopers LLP as Avid's independent registered public accounting firm for the current fiscal year.
5. To approve adjournments or postponements of Avid's annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the amendment to Avid's certificate of incorporation.
6. To transact such other business as may properly come before Avid's annual meeting or any adjournment or postponement thereof.

Avid stockholders of record at the close of business on [], 2005 are entitled to notice of and to vote at Avid's annual meeting or any adjournment or postponement thereof. At the close of business on the record date, Avid had outstanding and entitled to vote [] shares of common stock. A copy of Avid's Annual Report to Stockholders for 2004, which contains information of interest to Avid stockholders, is being sent to Avid stockholders with this notice and the joint proxy statement/prospectus. All Avid stockholders are cordially invited to attend Avid's annual meeting.

By Order of the Board of Directors,

Ethan E. Jacks
Secretary

Tewksbury, Massachusetts
[], 2005

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER OR NOT YOU EXPECT TO ATTEND AVID'S ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

A Special Meeting of Shareholders of Pinnacle Systems, Inc. will be held on [], [], 2005, at [], California, at [:] a.m., local time, to consider and act upon the following matters:

1. To approve the terms of the merger set forth in the Agreement and Plan of Merger, dated as of March 20, 2005, by and among Pinnacle, Avid Technology, Inc. and a wholly-owned subsidiary of Avid, included as Annex A to the joint proxy statement/prospectus accompanying this notice, and in the agreement of merger to be filed with the Secretary of State of the State of California on the effective date of the merger, included as Annex B to the joint proxy statement/prospectus accompanying this notice, pursuant to which Pinnacle will become a wholly-owned subsidiary of Avid and each outstanding share of Pinnacle common stock will be converted into the right to receive 0.0869 of a share of Avid common stock plus \$1.00 in cash.
2. To approve adjournments or postponements of Pinnacle's special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the terms of the merger.
3. To transact such other business as may properly come before Pinnacle's special meeting or any adjournment or postponement thereof.

Pinnacle shareholders of record at the close of business on [], 2005 are entitled to notice of and to vote at Pinnacle's special meeting or any adjournment or postponement thereof. At the close of business on the record date, Pinnacle had outstanding and entitled to vote [] shares of common stock. Holders of Pinnacle common stock are entitled to dissenters' rights under the California General Corporation Law in connection with the merger if specific conditions are met. All Pinnacle shareholders are cordially invited to attend Pinnacle's special meeting.

By Order of the Board of Directors,

Scott E. Martin
*Senior Vice President of Human Resources
and Legal and Corporate Secretary*

Mountain View, California
[], 2005

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER OR NOT YOU EXPECT TO ATTEND PINNACLE'S SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

TABLE OF CONTENTS

<u>Questions and Answers About the Merger</u>	1
<u>Summary</u>	5
<u>The Companies</u>	5
<u>The Merger and Merger Agreement</u>	5
<u>Risk Factors</u>	13
<u>Risks Relating to the Merger</u>	13
<u>Risks Relating to Avid's Business</u>	16
<u>Risks Relating to Pinnacle's Business</u>	24
<u>Avid Selected Historical Consolidated Financial Data</u>	35
<u>Pinnacle Selected Historical Consolidated Financial Data</u>	36
<u>Selected Combined Company Unaudited Pro Forma Financial Data</u>	38
<u>Comparative Historical and Pro Forma Per Share Data</u>	39
<u>Market Price Information and Dividend Policies</u>	40
<u>Avid Market Price Information</u>	40
<u>Pinnacle Market Price Information</u>	40
<u>Recent Closing Prices</u>	41
<u>Dividend Policies</u>	41
<u>2005 Annual Meeting of Avid Stockholders</u>	42
<u>Date, Time and Place of Meeting</u>	42
<u>Purposes of the Annual Meeting</u>	42
<u>Record Date and Outstanding Shares</u>	42
<u>Voting and Revocation of Proxies</u>	42
<u>Votes Required</u>	43
<u>Quorum; Abstentions and Broker Non-Votes</u>	43
<u>Solicitation of Proxies and Expenses</u>	43
<u>Special Meeting of Pinnacle Shareholders</u>	44
<u>Date, Time and Place of the Special Meeting</u>	44
<u>Purposes of the Special Meeting</u>	44
<u>Record Date and Outstanding Shares</u>	44
<u>Voting and Revocation of Proxies</u>	44
<u>Votes Required</u>	45
<u>Quorum; Abstentions and Broker Non-Votes</u>	45
<u>Solicitation of Proxies and Expenses</u>	45
<u>The Merger</u>	46
<u>Background of the Merger</u>	46
<u>Consideration of the Merger by Avid</u>	60
<u>Consideration of the Merger by Pinnacle</u>	68
<u>Interests of Certain Persons in the Merger</u>	78
<u>Board of Directors and Management of Avid Following the Merger</u>	82
<u>Ownership of Avid Following the Merger</u>	82
<u>Material United States Federal Income Tax Consequences of the Merger</u>	83
<u>Accounting Treatment of the Merger</u>	86
<u>Regulatory Approvals in Connection with the Merger</u>	86
<u>Nasdaq Listing of Shares Issued in the Merger</u>	86
<u>Restrictions on Sales of Shares of Avid Common Stock Received in the Merger</u>	86
<u>Dissenters' Rights and Appraisal Rights</u>	86
<u>Delisting and Deregistration of Pinnacle Common Stock Following the Merger</u>	90
<u>The Merger Agreement</u>	91
<u>General</u>	91
<u>Merger Consideration</u>	91
<u>Treatment of Pinnacle Stock Options and ESPP</u>	92

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

<u>No Fractional Shares</u>	92
<u>Exchange of Pinnacle Stock Certificates for Avid Stock Certificates and Cash</u>	92
<u>Unexchanged Pinnacle Stock Certificates</u>	93
<u>Transfers of Ownership and Lost Certificates</u>	93
<u>Representations and Warranties</u>	93
<u>Conduct of Pinnacle's Business Pending the Merger</u>	95
<u>Alternative Transactions</u>	97
<u>Shareholder and Stockholder Meetings</u>	98
<u>Indemnification: Directors' and Officers' Insurance</u>	98
<u>Regulatory Approvals</u>	99
<u>Closing Conditions</u>	99
<u>Voting Agreements</u>	101
<u>Termination: Expenses and Termination Fees</u>	102
<u>Amendment</u>	104
<u>Unaudited Pro Forma Condensed Combined Financial Information</u>	105
<u>Information Concerning Avid</u>	113
<u>Information Concerning Pinnacle</u>	114
<u>Description of Avid Capital Stock</u>	117
<u>Comparison of Pinnacle Shareholder and Avid Stockholder Rights</u>	122
<u>Proposals for Avid's 2005 Annual Meeting</u>	134
<u>Proposal 1: Amendment to Avid's Certificate of Incorporation</u>	134
<u>Proposal 2: Election of Avid Directors</u>	136
<u>Proposal 3: Approval of Avid's 2005 Stock Incentive Plan</u>	158
<u>Proposal 4: Ratification of PricewaterhouseCoopers LLP as Avid's Independent Registered Public Accounting Firm</u>	163
<u>Proposal 5: Approval of the Adjournment or Postponement of Avid's Annual Meeting</u>	164
<u>Proposals for Pinnacle's Special Meeting</u>	165
<u>Proposal 1: Approval of the Terms of the Merger</u>	165
<u>Proposal 2: Approval of the Adjournment or Postponement of Pinnacle's Special Meeting</u>	165
<u>Legal Matters</u>	166
<u>Experts</u>	166
<u>Where You Can Find Additional Information</u>	166
<u>Annex A Agreement and Plan of Merger</u>	A-1
<u>Annex B Agreement of Merger</u>	B-1
<u>Annex C Voting Agreements</u>	C-1
<u>Annex D Opinion of Piper Jaffray & Co.</u>	D-1
<u>Annex E Opinion of Lazard Frères & Co. LLC</u>	E-1
<u>Annex F Sections 1300-1313 of the California General Corporation Law</u>	F-1
<u>Annex G Proposed Amendment to Avid's Certificate of Incorporation</u>	G-1
<u>Annex H Avid Audit Committee Charter</u>	H-1
<u>Annex I Proposed 2005 Stock Incentive Plan of Avid</u>	I-1

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Reference to Additional Information

This joint proxy statement/prospectus incorporates important business and financial information about Avid and Pinnacle from other documents that are not included in or delivered with this joint proxy statement/prospectus. These documents are available to you without charge upon your written or oral request. Exhibits to these documents will be provided upon written or oral request and payment of an appropriate processing fee. To obtain documents incorporated by reference in this joint proxy statement/prospectus, you can request them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

if you are an Avid stockholder:

Dean Ridlon
Investor Relations Director
Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, Massachusetts 01876-1234
Telephone: (978) 640-5309

if you are a Pinnacle shareholder:

Demer IR Counsel, Inc.
1981 North Broadway, Suite 265
Walnut Creek, California 94596-3827
Telephone: (925) 938-2678 extension 224

If you would like to request documents, please do so by [], 2005 in order to receive them before your meeting.

See "Where You Can Find Additional Information" beginning on page [].

Cautionary Statement Concerning Forward-Looking Statements

This joint proxy statement/prospectus and the documents incorporated into this joint proxy statement/prospectus by reference contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management of Avid and Pinnacle. When Avid or Pinnacle uses words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," "likely" or similar expressions, Avid and Pinnacle are making forward-looking statements. In addition, forward-looking statements include the information concerning possible or assumed future results of operations of Avid or Pinnacle, including those set forth under the sections entitled:

"Questions and Answers About the Merger"

"Summary"

"Risk Factors"

"Selected Combined Company Unaudited Pro Forma Financial Data"

"The Merger Background of the Merger"

"The Merger Consideration of the Merger by Avid Avid's Reasons for the Merger and Board Approval"

"The Merger Consideration of the Merger by Pinnacle Pinnacle's Reasons for the Merger and Board Recommendation"

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements, including but not limited to:

the possibility that the proposed merger will not close or that the closing will be delayed due to antitrust regulatory review or other factors;

the challenges and costs of assimilating the operations and personnel of Pinnacle into Avid;

the ability of Avid and Pinnacle to attract and retain highly qualified employees;

competitive factors, including pricing pressures;

reaction of customers of Pinnacle and Avid and related risks of maintaining pre-existing relationships of Pinnacle;

fluctuating currency exchange rates;

adverse changes in general economic or market conditions, particularly in the content-creation industry; and

other one-time events and other important factors.

For a discussion of some of these important factors, you should read carefully the section of this joint proxy statement/prospectus entitled "Risk Factors." Avid and Pinnacle disclaim any obligation to update any forward-looking statements after the date of this joint proxy statement/prospectus.

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will Pinnacle shareholders receive in the merger?

A: If the merger is completed, Pinnacle shareholders will receive for each share of Pinnacle common stock that they own 0.0869 of a share of Avid common stock plus \$1.00 in cash. Pinnacle shareholders will receive a cash payment, without interest, in lieu of any fractional share of Avid common stock that they would otherwise be entitled to receive.

Q: How will the merger affect outstanding options to purchase Pinnacle common stock?

A: Immediately prior to the effective time of the merger, each unvested outstanding option to purchase Pinnacle common stock will be accelerated in full, and each option holder will have the right to exercise his or her option in exchange for Pinnacle common stock. Shares of Pinnacle common stock issued in connection with any such exercise will be converted into the right to receive the merger consideration described above. Each option to purchase Pinnacle common stock that is "in-the-money" but not exercised at the effective time of the merger will be automatically converted into the right to receive merger consideration equal in value to the number of shares of Pinnacle common stock subject to such option multiplied by the difference between the value a holder of Pinnacle common stock would receive in exchange for one share of Pinnacle common stock and the exercise price of such option. Options to purchase Pinnacle common stock that are "out-of-the-money" and not exercised prior to the effective time of the merger will be canceled upon the effective time with no right to receive any merger consideration. For a more complete description of the treatment of options, see the section entitled "The Merger Agreement Treatment of Pinnacle Stock Options and ESPP" beginning on page [].

Q: When do you expect to complete the merger of Avid and Pinnacle?

A: We expect to complete the merger during the third calendar quarter of 2005, but neither Avid nor Pinnacle can predict the exact timing.

Q: Do the boards of directors of Avid and Pinnacle recommend approval of the proposals required to complete the merger?

A: Yes. For a more complete description of the recommendation of Avid's board of directors, see the sections entitled "The Merger Consideration of the Merger by Avid Avid's Reasons for the Merger and Board Approval" beginning on page [] and "Proposals for Avid's 2005 Annual Meeting Proposal 1: Amendment to Avid's Certificate of Incorporation Board Recommendation" beginning on page []. For a more complete description of the recommendation of Pinnacle's board of directors, see the sections entitled "The Merger Consideration of the Merger by Pinnacle Pinnacle's Reasons for the Merger and Board Recommendation" beginning on page [] and "Proposals for Pinnacle's Special Meeting Proposal 1: Approval of the Terms of the Merger Board Recommendation" beginning on page [].

Q: What vote of Avid stockholders is required in order for Avid to complete the merger?

A: In order to complete the merger, Avid must increase the number of shares of common stock authorized under its certificate of incorporation. Avid's board of directors voted unanimously to recommend to Avid stockholders that Avid's certificate of incorporation be amended to increase the number of shares of common stock authorized for issuance from 50,000,000 to 100,000,000. The purpose of this increase is to provide shares for future corporate needs, such as capital-raising transactions, stock dividends, stock splits, issuances under current or future stock plans and acquisitions, including the proposed merger with Pinnacle. In addition, Avid's board of directors voted unanimously to approve the merger. The affirmative vote of the holders of a majority of the

outstanding shares of Avid common stock is required to approve the amendment to Avid's certificate of incorporation. Certain executive officers and directors of Avid have agreed to vote the shares of Avid common stock owned by them in favor of the amendment to Avid's certificate of incorporation. As of [], 2005, the record date for Avid's annual meeting, these officers and directors beneficially owned approximately [] outstanding shares of Avid common stock, representing less than []% of the outstanding shares of Avid common stock.

Q: What vote of Pinnacle shareholders is required in order for Pinnacle to complete the merger?

A: The affirmative vote of the holders of a majority of the outstanding shares of Pinnacle common stock is required to approve the terms of the merger. Certain executive officers and directors of Pinnacle have agreed to vote the shares of Pinnacle common stock owned by them in favor of the approval of the terms of the merger. As of [], 2005, the record date for Pinnacle's special meeting, these officers and directors beneficially owned approximately [] outstanding shares of Pinnacle common stock, representing less than []% of the outstanding shares of Pinnacle common stock.

Q: What other proposals will be considered at Avid's annual meeting and Pinnacle's special meeting?

A: Avid stockholders will consider and act upon the election of two Class III Directors, the approval of Avid's 2005 Stock Incentive Plan, the ratification of PricewaterhouseCoopers LLP as Avid's independent registered public accounting firm for the current fiscal year and the approval of adjournments or postponements of Avid's annual meeting if there are not sufficient votes to approve the amendment to Avid's certificate of incorporation. For a more complete description of these proposals, see the section entitled "Proposals for Avid's 2005 Annual Meeting" beginning on page [].

Pinnacle shareholders will consider and act upon the approval of adjournments or postponements of Pinnacle's special meeting if there are not sufficient votes to approve the terms of the merger. For a more complete description of this proposal, see the section entitled "Proposals for Pinnacle's Special Meeting" beginning on page [].

Q: What do I need to do now?

A: Avid and Pinnacle urge you to carefully read this joint proxy statement/prospectus, including its annexes, and to consider how the merger will affect you. You also may want to review the documents referenced under the section entitled "Where You Can Find Additional Information" beginning on page []. You should then vote as soon as possible in accordance with the instructions provided in this joint proxy statement/prospectus and on the enclosed proxy card for your meeting.

Q: How do I vote?

A: If you are an Avid stockholder, you should indicate how you want to vote on your proxy card. You may also attend Avid's annual meeting and vote in person instead of submitting a proxy. **If you are an Avid stockholder and fail either to return your proxy card or to vote in person at Avid's annual meeting, or if you mark your proxy "abstain," it will have the same effect as a vote against the approval of the amendment to Avid's certificate of incorporation.** If you sign and mail in your proxy but fail to indicate your vote on your proxy, your proxy will be counted as a vote for the amendment to Avid's certificate of incorporation, unless your shares are held in street name. If your shares are held in street name, you will receive instructions from the holder of record that you must follow for your shares to be voted.

If you are a Pinnacle shareholder, you should indicate how you want to vote on your proxy card. You may also attend Pinnacle's special meeting and vote in person instead of submitting a proxy. **If you are a Pinnacle shareholder and fail either to return your proxy card or to vote in person at**

Pinnacle's special meeting, or if you mark your proxy "abstain," it will have the same effect as a vote against the approval of the terms of the merger for all purposes other than perfection of dissenters' rights. If you sign and mail in your proxy but fail to indicate your vote on your proxy, your proxy will be counted as a vote for the merger, unless your shares are held in street name. If your shares are held in street name, you will receive instructions from the holder of record that you must follow for your shares to be voted.

Q:

If my shares are held in a brokerage account, will my broker vote my shares for me?

A:

No, your broker cannot vote your shares on the proposal for Avid stockholders to approve the amendment to Avid's certificate of incorporation or the proposal for Pinnacle shareholders to approve the terms of the merger without instructions from you on how to vote. Therefore, it is important that you follow the directions provided by your broker regarding how to instruct your broker to vote your shares. **If you are an Avid stockholder and fail to follow the instructions provided by your broker, it will have the same effect as a vote against the amendment to Avid's certificate of incorporation. If you are a Pinnacle shareholder and fail to follow the instructions provided by your broker, it will have the same effect as a vote against the approval of the terms of the merger for all purposes other than perfection of dissenters' rights.**

Q:

May I change my vote after I have mailed in my signed proxy card?

A:

Yes, if you are an Avid stockholder, you may change your vote at any time before the vote takes place at Avid's annual meeting. To change your vote, you may either submit a later-dated proxy card or send a written notice to Ethan E. Jacks at Avid Technology, Inc., Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876, stating that you would like to revoke your proxy. In addition, you may attend Avid's annual meeting and vote in person. However, if you elect to vote in person at Avid's annual meeting and your shares are held by a broker, bank or other nominee, you must bring to Avid's annual meeting a proxy from the broker, bank or other nominee authorizing you to vote the shares.

If you are a Pinnacle shareholder, you may change your vote at any time before the vote takes place at Pinnacle's special meeting. To change your vote, you may either submit a later-dated proxy card or send a written notice to Scott E. Martin at Pinnacle Systems, Inc., 280 North Bernardo Avenue, Mountain View, California 94043, stating that you would like to revoke your proxy. In addition, you may attend Pinnacle's special meeting and vote in person. However, if you elect to vote in person at Pinnacle's special meeting and your shares are held by a broker, bank or other nominee, you must bring to Pinnacle's special meeting a proxy from the broker, bank or other nominee authorizing you to vote the shares.

Q:

Should Pinnacle shareholders send in the certificates representing their shares of Pinnacle common stock?

A:

No, not at this time. After Avid and Pinnacle complete the merger, Avid's transfer agent will send instructions to Pinnacle shareholders regarding the exchange of shares of Pinnacle common stock for Avid common stock and cash. Avid stockholders should not submit their stock certificates at any time because their shares will not be converted in the merger.

Q:

What are the U.S. federal income tax consequences of the merger to Pinnacle shareholders?

A:

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If the merger so qualifies, a Pinnacle shareholder will recognize gain, but not loss, for U.S. federal income tax purposes equal to the lesser of (a) the excess of the sum of the cash and the fair market value, as of the effective time of the merger, of the shares of Avid common stock the Pinnacle shareholder receives over the Pinnacle shareholder's adjusted tax basis in the shares of Pinnacle common stock surrendered in exchange therefor and (b) the amount of

cash the Pinnacle shareholder receives (excluding cash the Pinnacle shareholder receives in lieu of a fractional share of Avid common stock). In addition, a Pinnacle shareholder should recognize gain or loss for United States federal income tax purposes equal to the difference between the cash the Pinnacle shareholder receives in lieu of a fractional share of Avid common stock and the tax basis allocable to the fractional share. Pinnacle shareholders are urged to read the information regarding the material United States federal income tax consequences contained in the sections entitled "Summary The Merger and Merger Agreement Material United States Federal Income Tax Considerations" beginning on page [] and "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page []. In certain circumstances, including if the fair market value of Avid common stock at the effective time is below approximately \$47 per share, the merger may not qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, in which event each Pinnacle shareholder will recognize gain or loss equal to the difference between (a) the sum of the cash and the fair market value, as of the effective time of the merger, of the shares of Avid common stock received by the Pinnacle shareholder in the merger and (b) the Pinnacle shareholder's tax basis in the shares of Pinnacle common stock exchanged therefor. On April 28, 2005, the last reported sale price for Avid common stock on the Nasdaq National Market was \$48.25 per share. The tax consequences to a Pinnacle shareholder of the merger will depend on the shareholder's particular circumstances. Each Pinnacle shareholder should consult his, her or its tax advisor for a full understanding of the tax consequences of the merger to the shareholder.

Q: What are the U.S. federal income tax consequences of the merger to holders of options to purchase Pinnacle common stock?

A: Each holder of an option to purchase shares of Pinnacle common stock will have compensation income equal to the sum of the cash and the fair market value, as of the effective time of the merger, of the shares of Avid common stock payable to the option holder in exchange for his or her option. Avid may withhold any taxes required by law to be withheld from any amounts payable to a holder of an option to purchase shares of Pinnacle common stock pursuant to the merger.

Q: Are Avid stockholders or Pinnacle shareholders entitled to dissenters' or appraisal rights in connection with the merger?

A: If you are an Avid stockholder, you have no dissenters' or appraisal rights in connection with the merger. If you are a Pinnacle shareholder, you are entitled to dissenters' rights under the California General Corporation Law in connection with the merger if the specific conditions set forth in the section entitled "The Merger Dissenters' Rights and Appraisal Rights," which begins on page [], are met.

Q: Whom may I contact with any additional questions?

A: Avid stockholders may call Dean Ridlon, Investor Relations Director, Avid Technology, Inc. at (978) 640-5309 or write to him at Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876-1234.

Pinnacle shareholders may call Demer IR Counsel, Inc. at (925) 938-2678 extension 224 or write to Demer IR Counsel, Inc., 1981 North Broadway, Suite 265, Walnut Creek, California 94596-3827.

SUMMARY

This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this entire document and the documents to which we have referred you. See the section entitled "Where You Can Find Additional Information" beginning on page [].

The Companies

Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, Massachusetts 01876
(978) 640-6789

Avid develops, markets, sells and supports a wide range of software and hardware for digital media production, management and distribution. Digital media are video, audio or graphic elements in which the image, sound or picture is recorded and stored in digital values, as opposed to analog, or tape-based, signals. Avid's diverse range of product and service offerings enables customers to "Make, Manage and Move Media."

Pinnacle Systems, Inc.
280 North Bernardo Avenue
Mountain View, California 94043
(650) 526-1600

Pinnacle is a supplier of digital video products to a variety of customers, ranging from individuals with little or no video experience to broadcasters with specific and sophisticated requirements. Pinnacle's digital video products allow Pinnacle's customers to capture, edit, store, view and play video, and to burn that programming onto a compact disc or digital versatile disc. For broadcasters, Pinnacle offers products that provide solutions for live-to-air, play-out, editing and news broadcasts. For consumers, Pinnacle offers low-cost, easy-to-use home video editing and viewing solutions that allow consumers to edit their home videos using a personal computer and view television programming on their computers. In addition, Pinnacle provides products that allow consumers to view on their television sets video and other media content stored on their computers.

The Merger and Merger Agreement

Stockholder Approval Required by Avid (Page [])

In order to complete the merger, Avid must increase the number of shares of common stock authorized under its certificate of incorporation. On February 16, 2005, Avid's board of directors voted unanimously to recommend to Avid stockholders that Avid's certificate of incorporation be amended to increase the number of shares of common stock authorized for issuance from 50,000,000 to 100,000,000. The purpose of this increase is to provide shares for future corporate needs, such as capital-raising transactions, stock dividends, stock splits, issuances under current or future stock plans, including the proposed stock incentive plan, and acquisitions, including the proposed merger with Pinnacle. The affirmative vote of the holders of a majority of the outstanding shares of Avid common stock is required to approve the amendment to Avid's certificate of incorporation. Certain executive officers and directors of Avid have agreed to vote the shares of Avid common stock owned by them in favor of the amendment to Avid's certificate of incorporation. As of [], 2005, the record date for Avid's annual meeting, these officers and directors beneficially owned approximately []

outstanding shares of Avid common stock, representing less than []% of the outstanding shares of Avid common stock.

Shareholder Approval Required by Pinnacle (Page [])

The affirmative vote of the holders of a majority of the outstanding shares of Pinnacle common stock is required to approve the terms of the merger. Certain executive officers and directors of Pinnacle have agreed to vote the shares of Pinnacle common stock owned by them in favor of the approval of the terms of the merger. As of [], 2005, the record date for Pinnacle's special meeting, these officers and directors beneficially owned approximately [] outstanding shares of Pinnacle common stock, representing less than []% of the outstanding shares of Pinnacle common stock.

Avid's Board Recommendation to Stockholders (Page [])

Avid's board of directors has voted unanimously to approve the merger and to recommend to Avid stockholders that Avid's certificate of incorporation be amended to increase the number of shares of common stock authorized for issuance from 50,000,000 to 100,000,000, which will provide shares for Avid's future corporate needs and will enable the issuance of shares of Avid common stock in the merger. Avid's board of directors has determined that the merger is fair to, and in the best interests of, Avid. Avid's board of directors unanimously recommends that Avid stockholders vote FOR the amendment to Avid's certificate of incorporation.

Avid's board of directors considered a number of factors in determining to approve the merger agreement and the issuance of Avid common stock in the merger and to recommend the amendment to Avid's certificate of incorporation. These considerations are described below under the sections entitled "The Merger Consideration of the Merger by Avid Avid's Reasons for the Merger and Board Approval" beginning on page [] and "Proposals for Avid's 2005 Annual Meeting Proposal 1: Amendment to Avid's Certificate of Incorporation Board Recommendation" beginning on page [].

Pinnacle's Board Recommendation to Shareholders (Page [])

Pinnacle's board of directors has unanimously approved the merger agreement and the merger. Pinnacle's board of directors has determined that the merger and the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Pinnacle shareholders. Pinnacle's board of directors unanimously recommends that Pinnacle shareholders vote FOR the approval of the terms of the merger.

Pinnacle's board of directors considered a number of factors in determining to approve the merger agreement and the merger. These considerations are described below under the section entitled "The Merger Consideration of the Merger by Pinnacle Pinnacle's Reasons For The Merger and Board Recommendation" beginning on page [].

Structure of the Merger (Page [])

If all of the conditions to the merger are satisfied or waived, a wholly-owned subsidiary of Avid will merge with and into Pinnacle. After the merger, Pinnacle will become a wholly-owned subsidiary of Avid, and Pinnacle shareholders will become Avid stockholders.

What Holders of Pinnacle Common Stock Will Receive (Page [])

If the merger is consummated, each outstanding share of Pinnacle common stock will be converted into the right to receive 0.0869 of a share of Avid common stock plus \$1.00 in cash. Based on the closing price of Avid common stock and the number of shares of Pinnacle common stock outstanding on March 18, 2005 and assuming that no options to purchase shares of Pinnacle common stock are exercised prior to the effective time of the merger:

Avid would issue a total of approximately 6.2 million shares of Avid common stock as a result of the merger, including shares of Avid common stock that would be issued to former Pinnacle option holders; and

Avid would pay a total of approximately \$71.3 million in cash as a result of the merger, including cash that would be paid to former Pinnacle option holders.

The 0.0869 of a share of Avid common stock plus \$1.00 in cash that Pinnacle shareholders will receive for each share of Pinnacle common stock are fixed numbers. Regardless of fluctuations in the market prices of Avid or Pinnacle common stock, this number will not change between now and the effective date of the merger, but the value of the shares of Avid common stock to be received by Pinnacle shareholders will fluctuate with the market price of Avid common stock.

Avid will not issue fractional shares of Avid common stock in connection with the merger. Instead, Avid will pay cash, without interest, for any fractional shares.

Treatment of Pinnacle Stock Options (Page [])

Immediately prior to the effective time of the merger, each unvested outstanding option to purchase Pinnacle common stock will be accelerated in full, and each option holder will have the right to exercise his or her option in exchange for Pinnacle common stock. Shares of Pinnacle common stock issued in connection with any such exercise will be converted into the right to receive the merger consideration described above. Each option to purchase shares of Pinnacle common stock not exercised at or prior to the effective time with an exercise price per share that is less than the value a holder of Pinnacle common stock would receive in exchange for one share of Pinnacle common stock in the merger will be cancelled and converted into the right to receive cash plus shares of Avid common stock. The value of the cash plus shares of Avid common stock received by the holder of an option to purchase shares of Pinnacle common stock will equal the number of shares of Pinnacle common stock subject to such option multiplied by the difference between the value a holder of Pinnacle common stock would receive in exchange for one share of Pinnacle common stock in the merger and the exercise price of such option. Each option to purchase shares of Pinnacle common stock not exercised at or prior to the effective time with an exercise price per share that is equal to or greater than the value a holder of Pinnacle common stock would receive in exchange for one share of Pinnacle common stock will be cancelled without payment of any consideration. For the purposes of calculating the shares of Avid common stock and cash to be received by holders of options to purchase shares of Pinnacle common stock, the value of a share of Avid common stock will be based on the last reported sales price of Avid common stock on the Nasdaq National Market on the effective date.

Conditions to the Merger (Page [])

The completion of the merger depends on the satisfaction of a number of conditions, including:

Avid stockholders must have approved the amendment to Avid's certificate of incorporation increasing the number of authorized shares of Avid common stock;

Pinnacle shareholders must have approved the terms of the merger;

the waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the Hart-Scott-Rodino Act, shall have expired or been terminated, and all other necessary approvals under applicable antitrust laws shall have been obtained, except with respect to jurisdictions in which neither Avid nor Pinnacle derives significant sales;

the registration statement on Form S-4 of which this joint proxy statement/prospectus is a part must have become effective and not be the subject of a stop order, and no proceedings seeking a stop order shall have been threatened or initiated; and

other conditions specified in the merger agreement shall have been satisfied.

The party entitled to assert any condition to the merger may waive the condition.

No Solicitation by Pinnacle (Page [])

Pinnacle has agreed that until the effective time of the merger or the termination of the merger agreement, whichever occurs first, it will not, and will not authorize or permit any of its directors, officers, employees, affiliates or their representatives to, directly or indirectly:

solicit, initiate, knowingly or intentionally encourage, or take any other action to facilitate any inquiries, proposals or offers that constitute, or could reasonably be expected to lead to, any acquisition proposal, as defined in the merger agreement;

engage in any discussions or negotiations regarding, furnish to any person any information with respect to, or assist or participate in any effort or attempt by any person with respect to any acquisition proposal;

subject to applicable law and the satisfaction of certain conditions, withdraw or modify, or propose to withdraw or modify, the approval of the merger by Pinnacle's board of directors or the recommendation by Pinnacle's board of directors that Pinnacle shareholders approve the terms of the merger;

cause or permit Pinnacle to enter into any agreement, letter of intent, merger agreement or similar agreement constituting or relating to any acquisition proposal, except as specifically provided in the merger agreement; or

adopt, approve or recommend, or propose to adopt, approve or recommend, any acquisition proposal.

Notwithstanding the foregoing, Pinnacle and its board of directors may furnish non-public information to, and enter into discussions or negotiations with, a person or entity in connection with an acquisition proposal that is reasonably likely to lead to a superior proposal, as defined in the merger agreement, if Pinnacle's board of directors determines in good faith, after consultation with its outside counsel and financial advisor, that such action is necessary for it to comply with its fiduciary duties to shareholders.

Termination of the Merger Agreement (Page [])

Avid and Pinnacle can mutually agree to terminate the merger agreement without completing the merger. In addition, Avid and Pinnacle can each terminate the merger agreement under the circumstances set forth in the merger agreement and described below in this joint proxy statement/prospectus.

Termination Fees and Expenses (Page [])

Avid and Pinnacle generally will bear their own expenses related to the merger. Avid and Pinnacle are each obligated to pay the other a termination fee of \$15,000,000 if the merger agreement is terminated under specified circumstances set forth in the merger agreement and described below in this joint proxy statement/prospectus.

Opinion of Avid's Financial Advisor (Page [])

In connection with the merger, Piper Jaffray & Co., or Piper Jaffray, Avid's financial advisor, rendered a written opinion, dated March 19, 2005, to Avid's board of directors that, as of March 19, 2005 and based upon and subject to the assumptions, factors, qualifications and limitations set forth in its written opinion, the consideration proposed to be paid by Avid in the proposed merger was fair, from a financial point of view, to Avid. The full text of the written opinion of Piper Jaffray is included in this joint proxy statement/prospectus as Annex D. Avid urges its stockholders to read the opinion in its entirety to understand the procedures followed, the assumptions made, the matters considered and the limitations on the review undertaken by Piper Jaffray in providing its opinion. Piper Jaffray's opinion is directed to Avid's board of directors and relates only to the fairness of the consideration to be paid by Avid in the proposed merger from a financial point of view to Avid as of the date of the opinion. The written opinion does not constitute an opinion or recommendation to any Avid stockholder as to how the stockholder should vote with respect to the proposed amendment to Avid's certificate of incorporation.

Opinion of Pinnacle's Financial Advisor (Page [])

In connection with the merger, Lazard Frères & Co. LLC, or Lazard, Pinnacle's financial advisor, rendered a written opinion, dated March 20, 2005, to Pinnacle's board of directors that, as of March 20, 2005 and based upon and subject to the assumptions, factors and qualifications described in its written opinion, the consideration to be paid to Pinnacle shareholders in the merger is fair, from a financial point of view, to Pinnacle shareholders. The full text of the written opinion of Lazard is included in this joint proxy statement/prospectus as Annex E. Pinnacle encourages its shareholders to read the opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and the qualifications and limitations on the review undertaken by Lazard in connection with its opinion. Lazard's opinion is directed to Pinnacle's board of directors and only addresses the fairness to Pinnacle shareholders of the consideration to be paid to Pinnacle shareholders in the merger from a financial point of view as of the date of the opinion. The written opinion does not constitute an opinion or recommendation to any Pinnacle shareholder as to any matter relating to the merger.

Interests of Certain Persons in the Merger (Page [])

In considering the recommendation of Pinnacle's board of directors, Pinnacle shareholders should be aware of the interests that certain Pinnacle executive officers and directors have in the merger. These include:

severance payments, retention payments, acceleration of options and other potential benefits for certain executive officers and directors of Pinnacle that may be paid under pre-existing agreements, programs and stock option plans;

as of April 1, 2005, the executive officers and directors of Pinnacle held 198,157 shares of Pinnacle common stock and options to purchase 3,315,959 shares of Pinnacle common stock; and

customary rights to indemnification of directors and executive officers of Pinnacle against specified liabilities.

In considering the fairness of the merger to Pinnacle shareholders, Pinnacle's board of directors took into account these interests. Some of these interests are different from, or in addition to, the interests of Pinnacle shareholders generally in the merger.

Material United States Federal Income Tax Considerations (Page [])

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If the merger so qualifies, a Pinnacle shareholder will recognize gain, but not loss, for United States federal income tax purposes equal to the lesser of (a) the excess of the sum of the cash and the fair market value, as of the effective time of the merger, of the shares of Avid common stock the Pinnacle shareholder receives over the Pinnacle shareholder's adjusted tax basis in the shares of Pinnacle common stock surrendered in exchange therefor and (b) the amount of cash the Pinnacle shareholder receives (excluding cash the Pinnacle shareholder receives in lieu of a fractional share of Avid common stock). In addition, a Pinnacle shareholder should recognize gain or loss for United States federal income tax purposes equal to the difference between the cash the Pinnacle shareholder receives in lieu of a fractional share of Avid common stock and the tax basis allocable to the fractional share. Pinnacle shareholders are urged to read the information regarding the material United States federal income tax consequences contained in this joint proxy statement/prospectus carefully. In certain circumstances, including if the fair market value of Avid common stock at the effective time is below approximately \$47 per share, the merger may not qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, in which event a Pinnacle shareholder will recognize gain or loss equal to the difference between (a) the sum of the cash and the fair market value, as of effective time of the merger, of the shares of Avid common stock received by the Pinnacle shareholder in the merger and (b) the Pinnacle shareholder's tax basis in the shares of Pinnacle common stock exchanged therefor. On April 28, 2005, the last reported sale price for Avid common stock on the Nasdaq National Market was \$48.25 per share.

Each holder of options to purchase shares of Pinnacle common stock will have compensation income equal to the sum of the cash and the fair market value, as of the effective time of the merger, of the shares of Avid common stock the option holder receives in exchange for his or her option. Avid may withhold any taxes required by law to be withheld from any amounts payable to a holder of an option to purchase shares of Pinnacle common stock pursuant to the merger.

This tax treatment may not apply to certain Pinnacle shareholders, and certain Pinnacle shareholders may be subject to taxes other than United States federal income taxes. Pinnacle shareholders are urged to consult their own tax advisors for a full understanding of the tax consequences of the merger to them.

Accounting Treatment (Page [])

Avid will account for the merger as a purchase of a business, which means that the assets and liabilities of Pinnacle, including intangible assets, will be recorded at their fair value and the results of operations of Pinnacle will be included in Avid's results from the effective date of the merger.

Dissenters' Rights (Page [])

Under applicable law:

Avid stockholders have no dissenters' or appraisal rights with respect to the merger; and

Pinnacle shareholders are entitled to dissenters' rights under the California General Corporation Law in connection with the merger if the specific conditions set forth in the section entitled "The Merger Dissenters' Rights and Appraisal Rights," which begins on page [], are met.

How the Rights of Pinnacle Shareholders Will Differ as Avid Stockholders (Page [])

The rights of Pinnacle shareholders as Avid stockholders after the merger will be governed by Avid's certificate of incorporation and bylaws and the laws of the State of Delaware. Those rights differ from the rights of Pinnacle shareholders under Pinnacle's articles of incorporation and bylaws and the laws of the State of California.

Avid Price Information (Page [])

Shares of Avid common stock are listed on the Nasdaq National Market. On March 18, 2005, the last full trading day prior to the public announcement of the proposed merger, Avid common stock closed at \$62.95 per share. On [], 2005, Avid common stock closed at \$[] per share.

Pinnacle Price Information (Page [])

Shares of Pinnacle common stock are listed on the Nasdaq National Market. On March 18, 2005, the last full trading day prior to the public announcement of the proposed merger, Pinnacle common stock closed at \$4.97 per share. On [], 2005, Pinnacle common stock closed at \$[] per share.

Avid's Recent Operating Results

On April 28, 2005, Avid announced the following operating results for its first quarter ended March 31, 2005:

Revenues for the quarter ended March 31, 2005 were \$166.0 million, compared to revenues of \$127.4 million for the corresponding quarter of 2004.

Operating income for the quarter ended March 31, 2005 was \$20.3 million, compared to \$14.8 million for the corresponding quarter of 2004. Net income for the quarter ended March 31, 2005 was \$19.7 million, or \$.53 per diluted share, compared to net income of \$14.7 million, or \$.44 per diluted share, for the corresponding quarter of 2004.

Net income for the quarter ended March 31, 2005 included acquisition-related amortization of \$1.9 million, related tax benefits of \$0.2 million and acquisition-related stock-based compensation of \$0.8 million.

At March 31, 2005, Avid's cash and marketable securities totaled \$176.2 million.

Pinnacle's Recent Operating Results

On April 27, 2005, Pinnacle announced the following operating results for its third fiscal quarter ended March 31, 2005:

Net sales for the quarter ended March 31, 2005 were \$65.2 million, compared to net sales of \$82.1 million for the corresponding quarter of fiscal 2004.

Net loss for the quarter ended March 31, 2005 was \$615,000, or \$.01 per share, compared to a net loss of \$292,000, or slightly less than break-even on a per-share basis for the corresponding quarter of fiscal 2004.

Net loss for the quarter ended March 31, 2005 included the net effect of \$848,000 for the amortization of other intangible assets, \$2.8 million for transaction costs, \$175,000 for the net reversal of accrued liabilities related to restructuring and \$6.5 million in income from discontinued operations, net of taxes. Income from discontinued operations reflected a \$7.9 million gain on Pinnacle's sales of its Steinberg and Sports businesses and a \$1.4 million operating loss for the Steinberg and Sports businesses.

At March 31, 2005, Pinnacle's cash, cash equivalents and marketable securities totaled \$133.4 million.

Pinnacle also announced that, based upon information currently available, it anticipated its net sales in the fourth fiscal quarter ending June 30, 2005 will be below its net sales for the third fiscal quarter ended March 31, 2005.

RISK FACTORS

Risks Relating to the Merger

Because Pinnacle shareholders will receive a fixed ratio of 0.0869 of a share of Avid common stock plus \$1.00 in cash for each share of Pinnacle common stock that they own at the closing of the merger, if Avid's stock price decreases for any reason, Pinnacle shareholders will receive less value for their Pinnacle common stock.

At the closing of the merger, each share of Pinnacle common stock will be converted in accordance with a fixed exchange ratio into the right to receive 0.0869 of a share of Avid common stock plus \$1.00 in cash. Accordingly, while the cash portion of the exchange ratio will not fluctuate, the then-current dollar value of Avid common stock that Pinnacle shareholders will receive upon the completion of the merger will depend entirely upon the market value of Avid common stock at the time the merger is completed, which may be lower than the closing price of Avid common stock on the last full trading day preceding the public announcement of the merger, the last full trading day prior to the date of this joint proxy statement/prospectus or the date of Avid's annual meeting and Pinnacle's special meeting. Moreover, the completion of the merger may occur some time after approvals from Avid stockholders and Pinnacle shareholders have been obtained. The market price of Avid common stock has experienced volatility in the past, with a trading high of \$68.35 and low of \$40.90 on the Nasdaq National Market between January 1, 2004 and the date of this joint proxy statement/prospectus, and neither Avid nor Pinnacle can predict or give any assurances as to the market price of Avid common stock at any time before or after the completion of the merger. Neither Avid nor Pinnacle may unilaterally terminate or renegotiate the merger agreement solely because of changes in the market price of Avid common stock or Pinnacle common stock. Any reduction in the price of Avid common stock will result in Pinnacle shareholders receiving less value in the merger at closing.

Avid may face challenges in integrating Avid and Pinnacle and, as a result, may not realize the expected benefits of the proposed merger.

The successful integration of Avid and Pinnacle will require, among other things, integration of Pinnacle's operations, policies and personnel into Avid. Avid may not achieve successful integration in a timely manner, or at all, and Avid may not realize the benefits and synergies of the merger to the extent, or in the timeframe, anticipated. The diversion of the attention of Avid's management and any difficulties encountered in the process of combining the companies could cause disruption of the activities of the combined company's business. The inability to integrate the operations, policies and personnel of Avid and Pinnacle successfully, or any significant delay in achieving integration, could have a material adverse effect on the combined company after the merger and, as a result, on the market price of Avid common stock.

Customer, supplier, distributor and partner uncertainty about the merger could harm the combined company, or the respective businesses of Avid and Pinnacle, whether or not the merger is completed.

Existing or potential customers of Avid or Pinnacle may, in response to the announcement or consummation of the merger, delay or defer their purchasing decisions. In addition, customers and prospective customers could choose not to purchase their respective products or to reduce or eliminate current products because of perceived or actual conflicts of interest or doubts about the combined company's ability to provide products in a satisfactory manner. Furthermore, Avid and Pinnacle's respective suppliers, distributors and partners may experience uncertainty about their future relationship with the combined company and may limit their involvement with either company until or after the merger is completed. As a result, revenues that may have ordinarily been received by Avid or Pinnacle may be delayed or not earned at all.

The merger could cause Pinnacle to lose key personnel, which could adversely affect Pinnacle's business.

As a result of Pinnacle's change in ownership, current and prospective Pinnacle employees could experience uncertainty about their future roles within Avid. This uncertainty may adversely affect Pinnacle's ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract or retain key personnel could have a material adverse effect on the business of Pinnacle or the combined company.

Obtaining required approvals and satisfying closing conditions may delay or prevent completion of the merger.

Completion of the merger is conditioned upon Avid and Pinnacle obtaining required approvals and satisfying closing conditions, including:

approval by Pinnacle shareholders of the terms of the merger;

approval by Avid stockholders of an amendment to Avid's certificate of incorporation to increase the number of authorized shares of Avid common stock from 50,000,000 to 100,000,000;

Avid and Pinnacle receiving all material governmental authorizations, consents, orders and approvals, including the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Act; and

Avid and Pinnacle obtaining all other necessary approvals under applicable antitrust laws, except with respect to jurisdictions in which neither Avid nor Pinnacle derives significant sales.

The requirement for certain governmental approvals could delay the completion of the merger for a significant period of time after Avid stockholders have approved the amendment to Avid's certificate of incorporation at Avid's annual meeting and Pinnacle shareholders have approved the terms of the merger at Pinnacle's special meeting. See "The Merger Agreement Closing Conditions" beginning on page [] for a discussion of the conditions to the completion of the merger and "The Merger Regulatory Approvals in Connection with the Merger" beginning on page [] for a description of the regulatory approvals necessary in connection with the merger. No assurance can be given that these approvals will be obtained or that the required conditions to closing will be satisfied. Even if all such approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals.

If the fair market value of Avid common stock at the effective time is below approximately \$47 per share, the merger will not qualify as a reorganization and the holders of Pinnacle common stock will recognize taxable gain or loss for United States federal income tax purposes on the entire portion of merger consideration received.

Avid and Pinnacle intend that the merger qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. However, one of the requirements for a reorganization will not be satisfied, and the merger will not qualify as a reorganization, if the fair market value of Avid common stock at the effective time is below approximately \$47 per share, assuming that the number of outstanding shares of Pinnacle common stock at the effective time of the merger is the same as the number of outstanding shares of Pinnacle common stock on [], 2005 and that no Pinnacle shareholders exercise dissenters' rights. If Pinnacle shareholders exercise dissenters' rights, even if the fair market value of Avid common stock is above approximately \$47 per share, the merger may not qualify as a reorganization. If the merger does not qualify as a reorganization, the holders of Pinnacle common stock will recognize taxable gain or loss for United States federal income tax purposes on the entire portion of merger consideration received. On April 28, 2005, the last reported sale price for Avid common stock on the Nasdaq National Market was \$48.25 per share. See "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page [].

As a result of the merger, Avid will be a substantially larger and broader organization, and if Avid's senior executive team is unable to manage the combined company, its operating results will suffer.

As a result of the merger, Avid will face challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to develop appropriate systems, policies, benefits and compliance programs. The inability to manage the organization of the combined company effectively could have a material adverse effect on the combined company after the merger and, as a result, on the market price of Avid common stock.

Failure to complete the merger may result in Avid or Pinnacle paying a termination fee to the other. Such a failure could also result in a decrease in the market price of Avid common stock or Pinnacle common stock and cause each company to incur legal and accounting fees.

If the merger is not completed, Avid and Pinnacle may be subject to a number of material risks, including:

either Avid or Pinnacle may be required, under some circumstances, to pay the other a termination fee of \$15,000,000;

the market price of Avid common stock or Pinnacle common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed;

both companies may experience a negative reaction to the termination of the merger from their respective customers, suppliers, distributors or partners; and

Avid and Pinnacle's respective costs incurred related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed.

If the merger agreement is terminated and Pinnacle's board of directors seeks another merger or business combination, Pinnacle shareholders cannot be certain that Pinnacle will be able to find a party willing to pay a price equivalent to or more attractive than the price Avid has agreed to pay in the merger.

Avid may face challenges associated with sales of home video editing and viewing products to consumers.

A significant portion of Pinnacle's revenues are derived from sales of its home video editing and viewing products to consumers. The market for these products is highly competitive, and Avid expects to face price-based competition from competitors selling products similar to Pinnacle's consumer products. Personnel from Avid's M-Audio business have experience in the consumer channel, but Avid's experience in consumer video is limited. In addition, sales of consumer electronics and software increase in the second half of the year, reaching their peak during the year-end holiday season. As a result, to the extent that following the merger a larger percentage of Avid's revenues are from the consumer channel, Avid expects to experience greater seasonality in its revenues.

If Pinnacle's former shareholders and option holders sell the Avid common stock received in the merger immediately, they could cause a decline in the market price of Avid common stock.

Avid's issuance of common stock in the merger will be registered with the Securities and Exchange Commission. As a result, those shares will be immediately available for resale in the public market, except that shares issued to Pinnacle's former shareholders and option holders who are affiliates of Pinnacle before the merger or who become affiliates of Avid after the merger will be subject to transfer restrictions under the federal securities laws. The number of shares of Avid common stock to be issued to Pinnacle's former shareholders and option holders in connection with the merger and immediately available for resale will equal approximately 15% of the number of outstanding shares of Avid common stock currently in the public market. Pinnacle shareholders may sell the stock they receive immediately

after the merger. If this occurs, or if other holders of Avid common stock sell significant amounts of Avid common stock immediately after the merger is completed, the market price of Avid common stock may decline.

Some of the executive officers and directors of Pinnacle have interests that may have influenced them to support or approve the merger.

Pinnacle's executive officers and directors may have been influenced to approve the merger because of arrangements that provide them with interests in the merger that are different from, or in addition to, the interests of Pinnacle shareholders generally in the merger. For example, as a result of the merger or other triggering events, Pinnacle or the combined company could be obligated to make cash severance and restricted stock unit payments to certain executive officers that, without giving effect to tax gross-up payments, could total a maximum of approximately \$4.7 million assuming certain restricted stock units are valued at \$4.55 per share, the closing price of Pinnacle's common stock on April 28, 2005. These arrangements are described under the section entitled "The Merger Interests of Certain Persons in the Merger" beginning on page []. Pinnacle's board of directors was aware of and took into account these arrangements when it approved the merger.

Risks Relating to Avid's Business

Poor global economic conditions could adversely affect demand for Avid's products and the financial condition of Avid's suppliers, distributors and resellers.

The revenue growth and profitability of Avid's business depends primarily on the overall demand for Avid's products. If global economic conditions worsen, demand for Avid's products may weaken, as could the financial health of Avid's suppliers, distributors and resellers, which could adversely affect Avid's revenues and business.

Avid's performance will depend in part on continued customer acceptance of Avid's digital nonlinear editing products.

Avid continues to introduce new digital non-linear products based on its Digital Nonlinear Accelerator architecture, including upgrades and enhancements to its Media Composer Adrenaline and NewsCutter Adrenaline systems, as well as Avid Xpress Pro with Avid Mojo and Avid DS Nitris hardware. Avid will need to continue to focus marketing and sales efforts on educating potential customers and Avid's resellers about the uses and benefits of these products. The future success of certain of these products that enable high-definition production, such as Avid DS Nitris, will also depend on demand for high definition content and appliances, such as television sets and monitors, that utilize the high definition standard. In addition, the introduction of new products involves other risks, including the possibility of defects or errors, failure to meet customer expectations, delays in shipping new products and the introduction of similar products by Avid's competitors. The introduction and transition to new products could also have a negative impact on Avid's existing products, which could adversely affect Avid's revenues and business.

The digital media business is large, widely dispersed and highly competitive, and Avid may not be successful in growing Avid's customer base or predicting customer demand in this business.

Avid is continuing to enhance its status in the digital broadcast business and has augmented its NewsCutter product offering with the Avid Unity for News products, and other server, newsroom, and browser products. In this business, in addition to or in lieu of discrete point products, customers often seek complex solutions involving highly integrated components, including the configuration of unique workflows, from a single or multiple vendors. Success in this business requires, among other things, creating and implementing compelling solutions and developing a strong, loyal customer base.

In addition, large, complex broadcast orders often require Avid to devote significant sales, engineering, manufacturing, installation, and support resources to ensure their successful and timely fulfillment. As the broadcast business converts from analog to digital, Avid's strategy has been to build Avid's broadcast solutions team in response to customer demand. To the extent that customer demand for Avid's broadcast solutions exceeds Avid's expectations, Avid may encounter difficulties in the short term meeting its customers' needs. Meanwhile, Avid's competitors may devote greater resources to the broadcast business than Avid does, or may be able to leverage their presence more effectively. If Avid is unsuccessful in expanding within the digital broadcast business or in predicting and satisfying customer demand, Avid's business and revenues could be adversely affected.

A portion of Avid's revenue is dependent on sales of large, complex solutions.

Avid expects sales of large, complex solutions to continue to constitute a material portion of its net revenues, particularly as news stations convert from analog, or tape-based, processes to digital formats. Avid's quarterly and annual revenues could fluctuate if:

sales to one or more of Avid's customers are delayed or are not completed within a given quarter;

contract terms preclude Avid from recognizing revenues relating to one or more significant contracts during a particular quarter;

news stations' migrations to networked digital infrastructure slow down;

Avid is unable to complete complex customer installations on schedule;

Avid's customers reduce their capital investments in Avid's products in response to slowing economic growth; or

any of Avid's large customers terminates its relationship with Avid or significantly reduces the amount of business it does with Avid.

When Avid acquires other companies or businesses, Avid becomes subject to potential events or circumstances that could hurt its business.

Avid periodically acquires other companies or businesses. For example, in January 2004, Avid acquired NXN Software GmbH, a company that manufactures asset and production management systems specifically targeted for the entertainment and computer graphics industries, and, in August 2004, Avid acquired Midiman, Inc. (d/b/a M-Audio), a provider of digital audio and MIDI solutions for electronic musicians and audio professionals. The risks associated with such acquisitions include, among others:

the difficulty of assimilating the operations, policies and personnel of the target companies;

the failure to realize anticipated returns on investment, cost savings and synergies;

the diversion of management's time and attention;

the dilution existing Avid stockholders experience if Avid issues common stock or other equity rights in the acquisition;

the potential loss of key employees of the target company;

the difficulty in complying with a variety of foreign laws and regulations;

the impairment of relationships with customers or suppliers;

the risks associated with contingent payments and earnouts;

the possibility of incurring debt and amortization expenses related to goodwill and other intangible assets; and

unidentified issues not discovered in due diligence, which may include product quality issues and legal contingencies.

Such acquisitions often involve significant transaction-related costs and could cause disruption to normal operations. In the future, Avid may also make debt or equity investments. If so, Avid may fail to realize anticipated returns on such investments. If Avid is unable to overcome or mitigate these risks, they could adversely affect Avid's business and revenues.

Avid competes with many other enterprises, and Avid expects competition to intensify in the future.

The digital video and audio businesses are highly competitive, with limited barriers to entry, and are characterized by pressure to reduce prices, incorporate new features and accelerate the release of new products. Some of Avid's current and potential competitors have substantially greater financial, technical, distribution, support and marketing resources than Avid does. Such competitors may use these resources to lower their product costs, allowing them to reduce prices to levels at which Avid could not operate profitably. Delays or difficulties in product development and introduction may also harm Avid's business. In addition to price, Avid's products must also compete favorably with Avid's competitors' products in terms of reliability, performance, ease of use, range of features, product enhancements, reputation and training. If Avid is unable to compete for its target customers effectively, its business and results of operations could suffer.

New product announcements by Avid's competitors and by Avid also could have the effect of reducing customer demand for Avid's existing products. New product introductions require Avid to devote time and resources to training Avid's sales channels in product features and target customers, with the temporary result that the sales channels may have less time to devote to selling Avid's products. In addition, Avid's introduction of new products and expansion of existing product offerings can put Avid into competition with companies with whom Avid formerly collaborated. To the extent such companies discontinue their alliances with Avid, it could have a negative impact on Avid's business.

Avid's products are complex, and may contain errors or defects resulting from such complexity.

As Avid continues to enhance and expand its product offerings, Avid's products have grown increasingly complex and, despite extensive testing and quality control, may contain errors or defects. Such errors or defects could cause Avid to issue corrective releases and could result in loss of revenues, delay of revenue recognition, increased product returns, lack of market acceptance and damage to Avid's reputation.

Avid has a significant presence in the audio business, and therefore the growth of its audio business will depend in part on its ability to successfully introduce new products.

Avid's Digidesign division has a significant presence in the audio business, due in large part to a series of successful product introductions. Avid's future success will depend in part upon Avid's ability to offer, on a timely and cost-effective basis, new audio products and enhancements of Avid's existing audio products. This can be a complex and uncertain process, and Avid could experience design, manufacturing, marketing, or other difficulties that delay or prevent the introduction of new or enhanced products, or the integration of acquired products, which, in turn, could harm Avid's business.

A component of M-Audio's business strategy is to expand into the highly competitive consumer channel, a sales channel in which Avid has limited experience. Historically, a significant portion of Avid's audio revenues has been derived from sales to professional musicians and studios. M-Audio is

currently expanding its sales channel to include sales through the broader consumer channel. Members of M-Audio's senior staff have experience in this channel, but Avid's overall experience addressing the consumer channel is limited, and the process of developing a channel for non-specialty stores and establishing Avid's products in these stores will be difficult. While Avid is not anticipating that a material portion of its revenues will come through the consumer audio channel in the near term, there are costs related to pursuing the consumer channel that are, to a large extent, fixed. As a result, Avid may be unable to adjust its spending in a timely manner to compensate for any unexpected revenue shortfall, which would harm Avid's operating results. Also, to the extent Avid increases sales of its audio products through the consumer channel, Avid expects to experience greater seasonality in sales of such products. Typically, sales of consumer electronics and software increase in the second half of the year, reaching their peak during the year-end holiday season.

Avid's use of independent firms and contractors to perform some of Avid's product development and manufacturing activities could expose Avid to risks that could adversely impact Avid's revenues.

Independent firms and contractors, some of whom are located in other countries, perform some of Avid's product development and manufacturing activities. Avid generally owns the software developed by these contractors. The use of independent firms and contractors, especially those located abroad, could expose Avid to risks related to governmental regulation, foreign taxation, intellectual property ownership and rights, exchange rate fluctuation, political instability and unrest, natural disasters and other risks, which could adversely impact Avid's revenues.

An interruption of Avid's supply of certain products or key components from Avid's sole source suppliers, or a price increase in such products or components, could hurt Avid's business.

Avid is dependent on a number of specific suppliers for certain products and key components of Avid's products. Avid purchases these sole source products and components pursuant to purchase orders placed from time to time. Avid generally does not carry significant inventories of these sole source products and components and has no guaranteed supply arrangements. If any of Avid's sole source vendors should fail to produce such products or to supply or enhance such components, such failure could imperil Avid's supply and Avid's ability to continue selling and servicing products that use these components. Similarly, if any of Avid's sole source vendors should encounter technical, operating or financial difficulties, such difficulties could threaten Avid's supply of these products or components. While Avid believes that alternative sources for these products and components could be developed, or Avid's products could be redesigned to permit the use of alternative components, an interruption of Avid's supply could damage Avid's business and negatively affect Avid's operating results.

Avid's gross profit margin varies from product to product depending primarily on the proportion and cost of third-party hardware included in each product. From time to time, Avid adds functionality and features to its products. If Avid effects such additions through the use of more, or more costly, third-party hardware, and is not able to increase the prices of such products to offset these increased costs, Avid's gross profit margin on these products could decrease and Avid's operating results could be adversely affected.

Avid relies on third-party software for some of its products and if Avid is unable to use or integrate such software, its product and service development may be delayed.

Avid relies on certain software that Avid licenses from third parties, including software that is bundled with its products and sold to end users and software that is integrated with internally developed software and used in Avid's products to perform key functions. These third-party software licenses may not continue to be available on commercially reasonable terms, and the software may not be appropriately supported, maintained or enhanced by the licensors. The loss of licenses to, or inability to support, maintain and enhance, any such software, could result in increased costs, or in

delays or reductions in product shipments until equivalent software could be developed, identified, licensed and integrated, which would likely harm Avid's business.

Qualifying and supporting Avid's products on multiple computer platforms is time consuming and expensive.

Avid's software engineers devote significant time and effort to qualify and support Avid's products on various computer platforms, including Microsoft and Apple platforms. Computer platform modifications and upgrades require additional time to be spent to ensure that Avid's products function properly. To the extent that the current configurations of qualified and supported platforms change or Avid needs to qualify and support new platforms, Avid could be required to expend valuable engineering resources, which could adversely affect Avid's operating results.

Avid's operating results are dependent on several unpredictable factors.

The revenue and gross profit from Avid's products depend on many factors, including:

mix of products sold;

cost and proportion of third-party hardware and software included in such products;

product distribution channels;

acceptance of Avid's new product introductions;

product offers and platform upgrades;

price discounts and sales promotion programs;

volume of sales of aftermarket hardware products;

costs of swapping or fixing products released to the market with defects;

provisions for inventory obsolescence;

competitive pressure on product prices;

costs incurred in connection with "solution" sales, which typically have longer selling and implementation cycles; and

timing of delivery of solutions to customers.

Changes in any of these factors could adversely affect Avid's operating results.

Avid's international operations expose Avid to significant exchange fluctuations and regulatory, intellectual property and other risks that could harm Avid's operating results.

Avid generally derives approximately half of its revenues from customers outside of the United States. This business is, for the most part, transacted through international subsidiaries and generally in the currency of the end-user customers. Therefore, Avid is exposed to the risk that

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

changes in foreign currency could adversely impact its revenues, net income (loss) and cash flow. To hedge against the foreign exchange exposure of certain forecasted receivables, payables and cash balances of Avid's foreign subsidiaries, Avid enters into foreign currency forward-exchange contracts. The success of Avid's hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are over- or understated during periods of currency volatility, Avid could experience currency gains or losses.

Other risks inherent in Avid's international operations include changes in regulatory practices, environmental laws, tax laws, trade restrictions and tariffs, longer collection cycles for accounts receivable, and greater difficulty in protecting intellectual property.

Avid's operating costs are tied to projections of future revenues, which may differ from actual results.

Avid's operating expense levels are based, in part, on Avid's expectations of future revenues. Such future revenues are difficult to predict. A significant portion of Avid's business occurs near the end of each quarter, which can impact Avid's ability to forecast revenues on a quarterly basis with precision. Further, Avid is generally unable to reduce quarterly operating expense levels rapidly in the event that quarterly revenues levels fail to meet internal expectations. Therefore, if quarterly revenue levels fail to meet internal expectations upon which expense levels are based, Avid's results of operations could be adversely affected.

Terrorism, acts of war and other catastrophic events may seriously harm Avid's business.

Terrorism, acts of war or other catastrophic events may disrupt Avid's business and harm Avid's employees, facilities, suppliers, distributors, resellers or customers, which could significantly impact Avid's revenue and operating results. The increasing presence of these threats has created many economic and political uncertainties that could adversely affect Avid's business and stock price in ways that cannot be predicted. Avid is predominantly uninsured for losses and interruptions caused by terrorism, acts of war and other catastrophic events.

If Avid fails to maintain strong relationships with its resellers, distributors and suppliers, Avid's ability to deploy its products successfully may be harmed.

Avid sells many of its video products and services, and substantially all of its audio products and services, indirectly through resellers and distributors. In Avid's audio segment, a few distributors account for a significant portion of Avid's revenues in that segment. The loss of one or more key distributors could reduce Avid's revenues. The resellers and distributors of Avid's video segment products typically purchase Avid software and Avid-specific hardware from Avid, and third-party components from various other vendors, in order to produce complete systems for resale. Any disruption to Avid's resellers and distributors, or their third-party suppliers, could reduce Avid's revenues. Increasingly, Avid is distributing its products directly, which could put Avid in competition with its resellers and distributors and could adversely affect Avid's revenues. In addition, Avid's resellers could diversify the manufacturers from whom they purchase products to sell to final end users, which could lead to a weakening of Avid's relationships with its resellers and could adversely affect its revenues.

Most of the resellers and distributors of Avid's video products are not granted rights to return products after purchase, and actual product returns from such resellers and distributors have been insignificant to date. Avid's revenues from sales of audio products is generally derived, however, from transactions with distributors and authorized resellers that typically allow limited rights of return, inventory stock rotation and price protection. Accordingly, reserves for estimated returns and exchanges, and credits for price protection are recorded as a reduction of revenues upon shipment of the related products to such distributors and resellers, based upon Avid's historical experience. To date, actual returns have not differed materially from management's estimates. However, if returns of Avid's audio segment products were to exceed estimated levels, Avid's revenues and operating results could be adversely impacted.

Changes in accounting rules could adversely affect Avid's future operating results.

Avid's financial statements are prepared in accordance with United States generally accepted accounting principles. These principles are subject to interpretation by various governing bodies, including the Financial Accounting Standards Board and the Securities and Exchange Commission which promulgate and interpret appropriate accounting regulations. Changes from current accounting

regulations, including changes in the rules regarding accounting for stock-based compensation, may have a significant effect on Avid's reported financial results.

Avid's future growth could be harmed if Avid loses the services of certain employees.

Avid's success depends upon the services of a talented and dedicated workforce, including members of Avid's executive team and employees in technical positions. The loss of the services of one or more key employees could harm Avid's business. Avid's success also depends upon Avid's ability to attract and retain highly skilled new employees. Competition for such employees is intense in the industries and geographic areas in which Avid operates. In the past, Avid has relied on its ability to grant stock options as one mechanism for recruiting and retaining highly skilled talent. If Avid's 2005 Stock Incentive Plan is not approved by Avid stockholders, Avid's ability to provide these incentives will be impaired. Even if Avid's 2005 Stock Incentive Plan is approved, changes in the accounting rules that will require Avid to expense stock options will impair Avid's ability to provide these incentives without incurring compensation costs. If Avid is unable to compete successfully for talented employees, its business could suffer.

If Avid fails to manage its growth effectively, its business could be harmed.

Avid's success depends on its ability to manage the growth of its operations effectively. As a result of Avid's acquisitions and increasing demand for Avid's products and services, the scope of Avid's operations has grown both domestically and internationally. Avid's management team will face challenges inherent in efficiently managing an increased number of employees over larger geographic distances. These challenges include implementing effective operational systems, procedures and controls, as well as training new personnel. Inability to respond successfully to these challenges could have a material adverse effect on the growth of Avid's business.

Avid's websites could subject Avid to legal claims that could harm Avid's business.

Some of Avid's websites provide information and services to Avid's customers. To the extent that materials may be posted on or downloaded from these websites and distributed to others, Avid may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury, or other theories of liability based on the nature, content, publication or distribution of such materials. In addition, although Avid has attempted to limit its exposure by contract, Avid may also be subject to claims for indemnification by end users in the event that the security of its websites is compromised. As these websites are available on a worldwide basis, they could potentially be subject to a wide variety of international laws.

Avid could incur substantial costs protecting its intellectual property or defending against a claim of infringement.

Avid's ability to compete successfully and achieve future revenue growth depends, in part, on Avid's ability to protect its proprietary technology and operate without infringing upon the intellectual property rights of others. Avid relies upon a combination of patent, copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions, as well as required hardware components and security keys, to protect its proprietary technology. However, Avid's means of protecting its proprietary rights may not be adequate. In addition, the laws of certain countries do not protect Avid's proprietary technology to the same extent as do the laws of the United States. From time to time, unauthorized parties have obtained, copied and used information that Avid considers proprietary. Policing the unauthorized use of Avid's proprietary technology is costly and time-consuming, and Avid is unable to measure the extent to which piracy of its software exists. Avid expects software piracy to be a persistent problem.

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Avid occasionally receives communications suggesting that its products may infringe the intellectual property rights of others. Avid's practice is to investigate the factual basis of such communications and negotiate licenses where appropriate. While it may be necessary or desirable in the future to obtain licenses relating to one or more products or relating to current or future technologies, Avid may be unable to do so on commercially reasonable terms. If Avid is unable to protect its proprietary technology or unable to negotiate licenses for the use of others' intellectual property, its business could be impaired.

Avid also may be liable to some of its customers for damages that they incur in connection with intellectual property claims. Although Avid attempts to limit its exposure to liability arising from infringement of third-party intellectual property rights in its agreements with customers, Avid may not always be successful. If Avid is required to pay damages to its customers, or indemnify its customers for damages they incur, Avid's business could be harmed. Moreover, even if a particular claim falls outside of Avid's indemnity or warranty obligations to its customers, its customers may be entitled to additional contractual remedies against Avid.

Avid's association with industry organizations could subject Avid to litigation.

Avid is a member of several industry organizations, trade associations and standards consortia. Membership in these and similar groups could subject Avid to litigation as a result of the activities of such groups. For example, in connection with its anti-piracy program, designed to enforce copyright protection of its software, Avid is a member of the Business Software Alliance. From time to time, the BSA undertakes litigation against suspected copyright infringers. These lawsuits could lead to counterclaims alleging improper use of litigation or violation of other local laws. To date, none of these lawsuits or counterclaims has had an adverse effect on Avid's results of operations, but should Avid become involved in material litigation, its cash flows or financial position could be adversely affected.

Compliance with rules and regulations concerning corporate governance has caused Avid's operating expenses to increase and has put additional demands on Avid's management.

The Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities and Exchange Commission and the Nasdaq National Market increased the scope, complexity and cost of Avid's corporate governance, reporting and disclosure practices. These laws, rules and regulations also may divert management's attention from business operations, increase the cost of obtaining director and officer liability insurance and make it more difficult for Avid to attract and retain qualified executive officers, key personnel and members of Avid's board of directors.

If Avid experiences problems with its third-party leasing program, Avid's revenues could be adversely impacted.

Avid has an established leasing program with a third party that allows certain of its customers to finance their purchases of Avid products. If this program ended abruptly or unexpectedly, some of Avid's customers might be unable to purchase Avid's products unless or until they were able to arrange for alternative financing, which could adversely impact Avid's revenues.

Avid's stock price may continue to be volatile.

The market price of Avid common stock has experienced volatility in the past and could continue to fluctuate substantially in the future based upon a number of factors, most of which are beyond Avid's control. These factors include:

changes in Avid's quarterly operating results;

shortfalls in Avid's revenues or earnings compared to securities analysts' expectations;

changes in analysts' recommendations or projections;

fluctuations in investors' perceptions of Avid or Avid's competitors;

shifts in the markets for Avid's products;

development and marketing of products by Avid's competitors;

changes in Avid's relationships with suppliers, distributors, resellers, system integrators or customers;

announcements of major acquisitions;

a shift in financial markets; and

global macroeconomic conditions.

Further, the stock market has experienced volatility with respect to the price of equity securities of high technology companies generally, and this volatility has, at times, appeared to be unrelated to or disproportionate to any of the factors above.

Risks Relating to Pinnacle's Business

There are various factors that may cause Pinnacle's future net revenue and operating results to fluctuate. As a result, quarter-to-quarter variations could result in a substantial decrease in the price of Pinnacle common stock and, after the merger, the price of Avid common stock, if Pinnacle's net revenue and operating results are below expectations.

Pinnacle's net revenue and operating results have varied significantly in the past and may continue to fluctuate because of a number of factors, many of which are beyond Pinnacle's control. These factors include:

adverse changes in general economic conditions in any of the countries in which Pinnacle does business;

increased competition and pricing pressure;

the timing of significant orders from and shipments to major customers, including OEMs and Pinnacle's large broadcast accounts;

Pinnacle's ability to retain, recruit and hire key executives, technical personnel and other employees in the positions and numbers, with the experience and capabilities and at the compensation levels that Pinnacle needs to implement its business and product plans;

the timing and customer acceptance of Pinnacle's new products and upgrades;

the timing of customer acceptance of large system sales;

Pinnacle's success in developing, marketing and shipping new products;

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Pinnacle's dependence on the distribution channels through which Pinnacle's products are sold;

the accuracy of Pinnacle and its resellers' forecasts of end-user demand;

the accuracy of inventory forecasts;

Pinnacle's ability to obtain sufficient supplies from its subcontractors on a timely basis;

the timing and level of consumer product returns;

foreign currency fluctuations;

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Pinnacle's ability to integrate the operations of acquired businesses successfully and to retain the customers of acquired businesses;

delays and significantly higher costs associated with integrating the operations of acquired businesses than Pinnacle anticipated;

failure to realize expected benefits from the disposition of non-core businesses and the distraction to Pinnacle's management associated with such dispositions;

the discontinuation or sale of businesses resulting from Pinnacle's restructuring plan;

excess or obsolete inventories;

overdue or uncollectible accounts receivables;

the introduction of new products by major competitors;

intellectual property infringement claims by or against Pinnacle; and

changes to business terms and conditions with Pinnacle's large broadcast customers.

Pinnacle also experiences significant fluctuations in orders and sales due to seasonal fluctuations, the timing of major trade shows and the sale of consumer products in anticipation of the holiday season. Sales usually slow down during the summer months of July and August, especially in Pinnacle's consumer business in Europe. Also, Pinnacle attends a number of annual trade shows, including CEBIT in March, the NAB convention in April and the IBC convention in September, which can influence the ordering pattern for Pinnacle's products.

Pinnacle's operating expense levels are based, in part, on Pinnacle's expectations of future revenue. Such future revenue levels are difficult to forecast. Any shortfall in Pinnacle's quarterly net sales would have a disproportionate, negative impact on Pinnacle's quarterly net income. The resulting quarter-to-quarter variations in Pinnacle's revenue and operating results could create uncertainty about the direction or progress of Pinnacle's business, which could cause a decline in the price of Pinnacle common stock or, after the merger, a decline in the price of Avid common stock.

Due to these factors, Pinnacle's future net revenue and operating results are not predictable with any significant degree of accuracy. As a result, Pinnacle believes that quarter-to-quarter comparisons of its operating results are not necessarily meaningful and should not be relied upon as indicators of future performance.

If Pinnacle does not compete effectively against other companies for Pinnacle's target customers, Pinnacle's business and operating results will be harmed.

Pinnacle competes in the broadcast, professional, business and consumer video production business. Each of these businesses is highly competitive and diverse, and the technologies for Pinnacle's products can change rapidly. The competitive nature of these businesses results in pricing pressure and drives the need to incorporate product upgrades and accelerate the release of new products. New products are introduced frequently and existing products are continually enhanced. Pinnacle anticipates increased competition in the broadcast, professional, business and consumer video production businesses, particularly since the industry continues to undergo a period of rapid technological change and consolidation. Competition for Pinnacle's broadcast, professional, business and consumer video products is generally based on:

product performance;

breadth of product line;

quality of service and support;

market presence and brand awareness;

price; and

ability of competitors to develop new, higher performance, lower cost consumer video products.

Certain competitors in the broadcast, professional, business and consumer video businesses have larger financial, technical, marketing, sales and customer support resources, greater name recognition and larger installed customer bases than Pinnacle does. In addition, some competitors have established relationships with Pinnacle's current and potential customers and offer a wide variety of video equipment that can be bundled in certain large system sales.

Pinnacle's principal competitors for broadcast and professional customers include:

Adobe Systems, Inc.

Avid (prior to the merger)

Chyron Corporation

Leitch Technology Corporation

Matsushita Electric Industrial Co. Ltd.

Quantel Ltd.

SeaChange Corporation

Sony Corporation

Thomson S.A.

Pinnacle's principal competitors for business and consumer customers include:

Adobe Systems, Inc.

Apple Computer Inc.

Avid (prior to the merger)

Hauppauge Digital, Inc.

Matrox Electronics Systems, Ltd.

Microsoft Corporation

Roxio, Inc.

Sonic Solutions

Sony Corporation

Ulead Systems, Inc.

The preceding lists are not all-inclusive.

Increased competition for broadcast, professional, business or consumer customers could result in price reductions, reduced margins and loss of market share. If Pinnacle cannot compete effectively for these customers by offering products that are comparable in functionality, ease of use and price to those of Pinnacle's competitors, Pinnacle's revenue will decrease and Pinnacle's operating results will be adversely affected.

Pinnacle incurred losses in fiscal year 2004 and the first three quarters of fiscal year 2005 and may generate losses in the fourth quarter of fiscal year 2005.

In its fiscal year ended June 30, 2004, Pinnacle recorded a net loss of approximately \$54.2 million, which included acquisition-related amortization charges, in-process research and development costs related to the acquisition of certain assets of SCM Microsystems, Inc. and Dazzle Multimedia, Inc., restructuring costs, goodwill and other acquisition-related intangible asset impairment charges, interest expense related to the DES earnout settlement, and a loss from discontinued operations related to Jungle KK.

Pinnacle incurred net losses of \$9.9 million, \$6.9 million and \$615,000 during the first, second and third quarters of its fiscal year ending June 30, 2005, respectively, and may incur net losses during the fourth quarter of its fiscal year ending June 30, 2005. In the future, Pinnacle's operating results and the price of its common stock may decline if economic conditions deteriorate, Pinnacle's revenue grows at a slower rate than in the past or declines, its expenses increase without a commensurate increase in Pinnacle's revenue, or Pinnacle takes any additional restructuring charges or charges related to the sale of assets.

The sale of Pinnacle's Steinberg and Sports businesses may not result in the anticipated benefits for Pinnacle's operating results or shareholders.

On January 21, 2005, Pinnacle completed the sale of its Steinberg audio software business to Yamaha Corporation for \$28.5 million in cash. On February 4, 2005, Pinnacle completed the sale of its Sports business for \$12.0 million in cash. Pinnacle believes that the sale of these businesses will enable Pinnacle's management to focus on its core businesses where operating initiatives may result in greater growth of Pinnacle's revenue and operating results. However, since many of Pinnacle costs, such as corporate infrastructure costs, are fixed, particularly in the short term, the sale of these businesses will not result in significant cost reductions immediately. Therefore, because the revenue that these businesses generated historically will not be repeated in future periods, Pinnacle's operating results will be adversely affected until Pinnacle's costs are reduced or revenue that Pinnacle derived from its Steinberg and Sports products is replaced by revenue from its remaining businesses.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on Pinnacle's business and stock price.

Pinnacle is in the process of documenting and testing Pinnacle's internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires an annual management assessment of the effectiveness of Pinnacle's internal control over financial reporting and a report by Pinnacle's independent registered public accounting firm addressing this assessment. During the course of Pinnacle's testing, Pinnacle has in the past identified, and may in the future identify, deficiencies which, despite the devotion of significant resources and management attention, Pinnacle may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. Moreover, the process of documenting and testing Pinnacle's internal control procedures is more costly and challenging due to the fact that Pinnacle is relying on outside consultants and has international operations, particularly in Germany. Pinnacle may face additional challenges to its ability to satisfy the requirements of the Sarbanes-Oxley Act in a timely manner if Pinnacle conducts additional business dispositions in the future as a part of Pinnacle's strategic evaluation of Pinnacle's core businesses. In addition, if Pinnacle fails to maintain the adequacy of Pinnacle's internal controls, as such standards are modified, supplemented or amended from time to time, Pinnacle may not be able to ensure that Pinnacle can conclude on an ongoing basis that Pinnacle has effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act or Pinnacle's independent registered public accounting firm may not be able to render the required attestation concerning Pinnacle's assessment and the effectiveness of the internal control over

financial reporting. If Pinnacle fails to achieve and maintain an effective internal control environment or Pinnacle's independent registered public accounting firm is unable to render the required attestation, it could have a material adverse effect on investor confidence in Pinnacle's reported financial information, business and stock price.

Pinnacle may be unable to attract, retain and motivate key senior management and technical personnel, which could seriously harm Pinnacle's business.

If certain of Pinnacle's key senior management and technical personnel leave or are no longer able to perform services for Pinnacle, this could materially and adversely affect Pinnacle's business and may result in certain payments to those managers. Pinnacle has entered into change of control severance agreements with certain executive officers that could result in the payment of certain benefits if management changes trigger benefits in accordance with those agreements. In the past Pinnacle has failed to retain key senior management and may do so in the future. Pinnacle believes that the efforts and abilities of Pinnacle's senior management and key technical personnel are very important to Pinnacle's continued success. As a result, Pinnacle's success is dependent upon Pinnacle's ability to attract and retain qualified technical and managerial personnel. Pinnacle may not be able to retain Pinnacle's key technical and managerial employees or attract, assimilate and retain such other highly qualified technical and managerial personnel as are required in the future. Also, employees may leave Pinnacle and subsequently compete against Pinnacle, or contractors may perform services for Pinnacle's competitors.

Pinnacle has recently experienced key personnel changes within Pinnacle's finance and accounting department, which could harm Pinnacle's business.

Pinnacle has recently experienced several personnel changes within Pinnacle's finance and accounting department. For example, during fiscal year 2005, Arthur D. Chadwick resigned from his position as Pinnacle's Senior Vice President Finance and Administration and Chief Financial Officer. In addition, an accounting director and Pinnacle's Director of Audit Services resigned during fiscal year 2005. Pinnacle believes that the efforts and abilities of Pinnacle's senior finance personnel are very important to Pinnacle's continued success and Pinnacle's ability to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act. For example, Mary Dotz was appointed as Pinnacle's Senior Vice President and Chief Financial Officer, effective January 17, 2005. Ms. Dotz replaced Suzy Seandel, who served as Pinnacle's interim Chief Financial Officer since October 2004. Ms. Seandel continues to serve as Pinnacle's Vice President Finance and Accounting. Pinnacle's future success is dependent upon Pinnacle's ability to attract new and retain existing qualified finance personnel. Pinnacle may not be able to retain Pinnacle's key finance employees or attract, assimilate and retain such other highly qualified personnel as are required in the future, which could materially and adversely affect Pinnacle's business. If Pinnacle loses the services of either Ms. Dotz or Ms. Seandel or is unable to recruit qualified new personnel to replace recent departures in the finance and accounting department, Pinnacle's business could be adversely affected.

In the past, Pinnacle has recognized a substantial portion of Pinnacle's revenue in the last month or weeks of a given quarter and may do so again in future quarters.

Pinnacle's sales were relatively even throughout the first, second and third quarters of fiscal year 2003 and the second, third and fourth quarters of fiscal year 2004. However, during the fourth quarter of fiscal year 2003, the first quarter of fiscal year 2004, and the first three quarters of fiscal year 2005, Pinnacle recognized a substantial portion of its revenue in the last month or weeks of each quarter, and Pinnacle's revenue depended substantially on orders booked during the last month or weeks of such quarter. Pinnacle may recognize a substantial portion of Pinnacle's revenue in the last month or weeks of future quarters. This makes it difficult for Pinnacle to accurately predict total sales for the quarter

until late in the quarter. If certain sales cannot be closed during those last weeks, sales may be recognized in subsequent quarters. This may cause Pinnacle's quarterly revenue to fall below analysts' expectations.

Since Pinnacle derives a large portion of its sales from foreign countries, it is subject to the risks of changing economic conditions throughout the world and foreign currency risks.

During the three months ended December 31, 2004, sales of Pinnacle's products by geographic region were comprised of the following: approximately 55.1% of sales from Europe, 29.8% of sales from the Americas, 11.2% of sales from Asia Pacific and 3.9% of sales from Japan. During the three months ended September 30, 2004, sales of Pinnacle's products by geographic region were comprised of the following: approximately 50.4% of sales from Europe, 37.3% of sales from the Americas, 8.8% of sales from Asia Pacific and 3.5% of sales from Japan. Sales of Pinnacle's products outside of North America represented approximately 62.0% of net sales in the fiscal year ended June 30, 2004. Because Pinnacle expects that international sales will continue to represent a significant portion of its net sales, Pinnacle is subject to the risks of changing economic conditions in other countries around the world, which may harm Pinnacle's future international sales and, consequently, Pinnacle's business. In addition, Pinnacle makes foreign currency denominated sales in many, primarily European, countries. This exposes Pinnacle to risks associated with currency exchange fluctuations. Pinnacle expects that in fiscal year 2005 and beyond, a majority of Pinnacle's European sales will continue to be denominated in local currencies, primarily the Euro. Pinnacle has developed natural hedges for some of this risk since most of the European operating expenses are also denominated in local currency. As these local currencies, and especially the Euro, fluctuate in value against the U.S. dollar, Pinnacle's sales, cost of sales, expenses and income may fluctuate when converted into U.S. dollars. While Pinnacle attempts to minimize these foreign exchange exposures by taking advantage of natural hedge opportunities and by continually assessing the need to use foreign currency forward exchange contracts to offset the risk associated with the effects of certain foreign currency exposures, Pinnacle's operational structure is such that fluctuations in foreign exchange rates can impact and cause fluctuations in Pinnacle's sales, cost of sales, expenses, income and cash balances.

Pinnacle's international presence and significant foreign operations may subject Pinnacle to additional risks and governmental regulation.

Since Pinnacle conducts business internationally, with sales to foreign jurisdictions representing a significant portion of its operations, Pinnacle may be subject to the following risks:

- unexpected changes in regulatory requirements;
- export license requirements;
- restrictions and controls on the export of critical technology;
- political instability;
- trade restrictions;
- changes in tariffs;
- difficulties in staffing and managing international operations; and
- potential insolvency of international dealers and difficulty in collecting accounts.

In addition, Pinnacle has significant operations in Europe, where a large number of engineers for its consumer division reside. Pinnacle's management, which is principally located in the United States, may experience difficulty managing geographically disparate operations, such as in Europe, and may

encounter challenges with respect to managing foreign workforces, nationalizing foreign assets, including intellectual property, and developing software in multiple foreign languages.

If Pinnacle's products do not keep pace with the technological developments in the rapidly changing video production industry, Pinnacle's business may be materially adversely affected.

The video production industry is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. The introduction of products embodying new technologies or the emergence of new industry standards can render existing products obsolete or unmarketable. For example, the broadcast business is currently undergoing a transition from tape-based systems to information technology-based systems. Demand for Pinnacle's products may decrease if this transition slows or if Pinnacle is unable to adapt to the next generation of industry standards. In addition, Pinnacle's future growth will depend, in part, upon Pinnacle's ability to introduce new features and increased functionality for Pinnacle's existing products, improve the performance of existing products, respond to Pinnacle's competitors' new product offerings and adapt to new industry standards and requirements. Delays in the introduction or shipment of new or enhanced products, Pinnacle's inability to develop and introduce such new products in a timely manner, the failure of such products to gain significant customer acceptance or problems associated with new product transitions could materially harm Pinnacle's business, particularly on a quarterly basis.

Pinnacle is critically dependent on the successful introduction, customer acceptance, manufacture and sale of new products that offer Pinnacle's customers additional features and enhanced performance at competitive prices. Once a new product is developed, Pinnacle must rapidly commence volume production. This process requires accurate forecasting of customer requirements and attainment of acceptable manufacturing costs. The introduction of new or enhanced products also requires Pinnacle to manage the transition from older, displaced products to minimize disruption in customer ordering patterns, avoid excessive levels of older product inventories and ensure that adequate supplies of new products can be delivered to meet customer demand. In addition, as is typical with any new product introduction, quality and reliability problems may arise. Any such problems could result in reduced bookings, manufacturing rework costs, delays in collecting accounts receivable, additional service warranty costs and limited customer acceptance of the product.

Pinnacle is dependent on contract manufacturers and single or limited source suppliers for Pinnacle's components. If these manufacturers and suppliers do not meet Pinnacle's demand, either in volume or quality, Pinnacle's business and financial condition could be materially harmed.

Pinnacle relies on subcontractors to manufacture Pinnacle's professional and consumer products and the major subassemblies of Pinnacle's broadcast products. Pinnacle and Pinnacle's manufacturing subcontractors are dependent upon single or limited source suppliers for a number of components and parts used in Pinnacle's products, including certain key integrated circuits. Pinnacle's strategy to rely on subcontractors and single or limited source suppliers involves a number of significant risks, including:

- loss of control over the manufacturing process;
- potential absence of adequate manufacturing capacity;
- potential delays in lead times;
- unavailability of certain process technologies;
- reduced control over delivery schedules, manufacturing yields, quality and cost; and
- unexpected increases in component costs.

As a result of these risks, the financial stability of, and Pinnacle's continuing relationships with, Pinnacle's subcontractors and single or limited source suppliers are important to Pinnacle's success. If

any significant subcontractor or single or limited source supplier becomes unable or unwilling to continue manufacturing these subassemblies or providing critical components in required volumes, Pinnacle will have to identify and qualify acceptable replacements or redesign Pinnacle's products with different components. Additional sources may not be available and product redesign may not be feasible on a timely basis. This could materially harm Pinnacle's business. Any extended interruption in the supply of or increase in the cost of the products, subassemblies or components manufactured by third party subcontractors or suppliers could materially harm Pinnacle's business.

Pinnacle may be adversely affected if it becomes subject to intellectual property disputes or litigation.

There has been substantial litigation regarding patent, trademark and other intellectual property rights involving technology companies. Companies are more frequently seeking to patent software and business methods because of developments in the law that may extend the ability to obtain such patents, which may result in an increase in the number of patent infringement claims. Pinnacle is also exposed to litigation arising from disputes in the ordinary course of business. This litigation, regardless of its validity, may:

be time-consuming and costly to defend;

divert management's attention away from the operation of Pinnacle's business;

subject Pinnacle to significant liabilities;

require Pinnacle to enter into royalty and licensing agreements that Pinnacle would not normally find acceptable; and

require Pinnacle to stop manufacturing or selling its products or to redesign them.

Any of these results could materially harm Pinnacle's business.

In the course of business, Pinnacle has received communications asserting that Pinnacle's products infringe patents or other intellectual property rights of third parties. Pinnacle is currently investigating the factual basis of such communications and will respond accordingly. It is likely that, in the course of Pinnacle's business, Pinnacle will receive similar communications in the future. While it may be necessary or desirable in the future to obtain licenses relating to one or more of Pinnacle's products, or relating to current or future technologies, Pinnacle may not be able to do so on commercially reasonable terms, or at all. These disputes may not be settled on commercially reasonable terms and may result in long and costly litigation. In the event there is a successful claim of patent infringement against Pinnacle requiring Pinnacle to pay royalties to a third party and Pinnacle fails to develop or license a substitute technology, Pinnacle's business, operating results or financial condition could be materially adversely affected. In cases where Pinnacle may choose to avoid litigation and agree to certain royalty terms, the payment of those royalties could have a material impact on Pinnacle's financial results. The magnitude of such royalties would be even higher if they pertained to intellectual property contained within Pinnacle's consumer products since the volume and numbers of consumer products sold by Pinnacle have increased significantly during the last few years.

Pinnacle may be adversely affected if Pinnacle initiates intellectual property litigation.

It may be necessary for Pinnacle to initiate litigation against other companies in order to protect the patents, copyrights, trade secrets, trademarks and other intellectual property rights owned by Pinnacle. Such litigation can be costly and there can be no assurance that companies involved in such litigation would be prevented from using Pinnacle's intellectual property. In addition, such actions could:

divert management's attention away from the operation of Pinnacle's business;

result in costly litigation that could materially affect Pinnacle's financial results; and

result in the loss of Pinnacle's proprietary rights.

Pinnacle may be unable to protect its proprietary information and procedures effectively.

Pinnacle must protect its proprietary technology and operate without infringing the intellectual property rights of others. Pinnacle relies on a combination of patent, copyright, trademark and trade secret laws and other intellectual property protection methods to protect Pinnacle's proprietary technology. In addition, Pinnacle generally enters into confidentiality and nondisclosure agreements with its employees and OEM customers and limits access to, and distribution of, Pinnacle's proprietary technology. These steps may not adequately protect Pinnacle's proprietary information or give Pinnacle any competitive advantage. Others may independently develop substantially equivalent intellectual property, otherwise gain access to Pinnacle's trade secrets or intellectual property or disclose such intellectual property or trade secrets. Additionally, policing the unauthorized use of Pinnacle's proprietary technology is costly and time-consuming, and software piracy can be expected to be a persistent problem. If Pinnacle is unable to protect Pinnacle's intellectual property, Pinnacle's business could be materially harmed.

Pinnacle relies on independent distributors, dealers, VARs, OEMs and retail chains to market, sell and distribute many of Pinnacle's products. In turn, Pinnacle depends heavily on the success of these resellers. If these resellers are not successful in selling Pinnacle's products or if Pinnacle is not successful in opening up new distribution channels, Pinnacle's financial performance will be negatively affected.

A significant portion of Pinnacle's sales are sourced, developed and closed through independent distributors, dealers, VARs, OEMs and retail chains. Pinnacle believes that these resellers have a substantial influence on customer purchase decisions, especially purchase decisions by large enterprise customers. These resellers may not effectively promote or market Pinnacle's products or may experience financial difficulties or even close operations. In addition, Pinnacle's dealers and retailers are not contractually obligated to sell Pinnacle's products. Therefore, they may, at any time, refuse to promote or distribute Pinnacle's products. Also, since many of Pinnacle's distribution arrangements are non-exclusive, Pinnacle's resellers may carry Pinnacle's competitors' products and could discontinue Pinnacle's products in favor of Pinnacle's competitors' products. Pinnacle also relies on certain information provided to Pinnacle by several of Pinnacle's distributors and retail chains to recognize revenue on a quarterly basis.

Also, because these distribution channels exist between Pinnacle and the end-user market, Pinnacle may not be able to gauge current demand for products accurately or anticipate demand for newly introduced products. For example, dealers may place large initial orders for a new product based on their forecasted demand, which may or may not materialize.

With respect to consumer product offerings, Pinnacle has expanded its distribution network to include several consumer channels, including large distributors of products to computer software and hardware retailers, which in turn sell products to end users. Pinnacle also sells its consumer products directly to certain retailers. Pinnacle's consumer product distribution network exposes Pinnacle to the following risks, some of which are out of Pinnacle's control:

Pinnacle is obligated to provide price protection to Pinnacle's retailers and distributors and, while the agreements limit the conditions under which product can be returned to Pinnacle, Pinnacle may be faced with product returns or price protection obligations;

these distributors or retailers may not continue to stock and sell Pinnacle's consumer products; and

retailers and distributors often carry competing products.

As a result of these risks, Pinnacle could experience unforeseen variability in its revenue and operating results.

When Pinnacle accounts for employee stock options using the fair value method, Pinnacle's net loss could significantly increase.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), "Share-Based Payment", or SFAS 123R, which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," or SFAS 123, and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." As modified by SEC Press Release 2005-57, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first fiscal year beginning after June 15, 2005. Pinnacle is required to adopt SFAS 123R for fiscal year 2006, beginning July 1, 2005. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. As a result, beginning on July 1, 2005, Pinnacle will be required to record an expense for its stock-based compensation plans using the fair value method as described in SFAS 123R, which could significantly increase Pinnacle's net loss.

Compliance with new rules and regulations concerning corporate governance may be costly and time consuming.

The Sarbanes-Oxley Act requires, among other things, that companies adopt new corporate governance measures and impose comprehensive reporting and disclosure requirements, set stricter independence and financial expertise standards for boards of directors and audit committee members and imposes increased civil and criminal penalties for companies, their chief executive officers and chief financial officers for securities law violations. In addition, the Nasdaq National Market, on which Pinnacle common stock is traded, has adopted additional comprehensive rules and regulations relating to corporate governance. These laws, rules and regulations will increase the scope, complexity and cost of Pinnacle's corporate governance, reporting and disclosure practices, which could harm Pinnacle's results of operations and divert management's attention from business operations. These new rules and regulations may also make it more difficult and more expensive for Pinnacle to obtain director and officer liability insurance and make it more difficult for Pinnacle to attract and retain qualified members of Pinnacle's board of directors, particularly members willing to serve on Pinnacle's audit committee.

Pinnacle's goodwill and other intangible assets may become impaired, rendering their carrying amounts unrecoverable, and, as a result, Pinnacle may be required to record a substantial impairment charge that would adversely affect Pinnacle's financial position.

In accordance with Financial Accounting Standards Board Statement No. 142, "Goodwill and Intangibles," or SFAS No. 142, Pinnacle evaluates, on an annual basis, or whenever significant events or changes occur in Pinnacle's business, whether its goodwill has been impaired. Pinnacle has chosen the first quarter of each fiscal year, which ends on September 30, as the period of the annual impairment test.

In the quarter ended December 31, 2004, certain events triggered an interim impairment analysis of goodwill as required by SFAS No. 142. As a result, in the quarter ended December 31, 2004, Pinnacle concluded that Pinnacle's goodwill was impaired and recorded a goodwill impairment charge of \$9.4 million for two of its reporting units during the quarter ended December 31, 2004. As of December 31, 2004, Pinnacle had approximately \$52.1 million of goodwill and \$7.2 million of other intangible assets.

If Pinnacle determines that its goodwill has been impaired in future quarters, Pinnacle will be required to record impairment charges that may be substantial and would adversely affect its financial position and operating results.

Pinnacle may need additional capital in the future to support Pinnacle's growth, and such additional funds may not be available to Pinnacle.

Pinnacle intends to expend substantial funds for capital expenditures and working capital related to Pinnacle's future expected net loss, new information technology systems, restructuring, and other working capital and general corporate purposes. Although Pinnacle believes its existing cash, cash equivalents and cash flow anticipated to be generated by future operations will be sufficient to meet Pinnacle's operating requirements for the next 12 months, Pinnacle may be required to seek additional financing within this period.

If Pinnacle needs additional capital in the future, Pinnacle may seek to raise additional funds through public or private financing, or other arrangements. Any additional equity or debt financing may be dilutive to existing Pinnacle shareholders or have rights, preferences and privileges senior to those of existing Pinnacle shareholders. If Pinnacle raises additional capital through borrowings, the terms of such borrowings may impose limitations on how Pinnacle's management may operate the business in the future. Pinnacle's failure to raise capital on acceptable terms when needed could prevent Pinnacle from developing Pinnacle's products and its business.

Pinnacle has made use of a device to limit the possibility that Pinnacle is acquired, which may mean that a transaction that shareholders are in favor of or are benefited by may be prevented.

Pinnacle's board of directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the rights, preferences, privileges and restrictions of such shares without any further vote or action by Pinnacle's shareholders. To date, Pinnacle's board of directors has designated 25,000 shares as Series A participating preferred stock in connection with Pinnacle's anti-takeover plan. The issuance of preferred stock under certain circumstances could have the effect of delaying or preventing an acquisition of Pinnacle or otherwise adversely affecting the rights of Pinnacle shareholders. The anti-takeover plan may have the effect of rendering more difficult or discouraging an acquisition of Pinnacle that is deemed undesirable by Pinnacle's board of directors. The anti-takeover plan may cause substantial dilution to a person or group attempting to acquire Pinnacle on terms or in a manner not approved by Pinnacle's board of directors, except pursuant to an offer conditioned on the negation, purchase or redemption of the rights issued under the anti-takeover plan. While Pinnacle's board of directors has amended its anti-takeover plan to permit the Avid merger and the other transactions contemplated by the merger agreement without triggering any distribution or adverse event under the anti-takeover plan, the anti-takeover plan may nonetheless limit the possibility for other transactions that Pinnacle shareholders may favor or by which they may be benefited.

AVID SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth selected condensed consolidated financial data of Avid Technology, Inc. for the five years ended December 31, 2004. The financial data are derived from Avid's audited consolidated financial statements. The financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Avid's Annual Report on Form 10-K for the year ended December 31, 2004, and Avid's consolidated financial statements and notes thereto incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page [].

Consolidated Statements of Operations Data:

For the Year Ended December 31,

	2004	2003	2002	2001	2000
(in thousands, except per share data)					
Net revenues	\$ 589,605	\$ 471,912	\$ 418,719	\$ 434,638	\$ 476,090
Cost of revenues	255,496	209,373	207,236	213,572	234,424
Gross profit	334,109	262,539	211,483	221,066	241,666
Operating expenses:					
Research and development	94,940	85,552	82,346	86,140	82,900
Marketing and selling	135,811	109,704	100,761	113,053	119,469
General and administrative	29,780	23,208	19,819	23,313	27,504
Restructuring and other costs, net		3,194	2,923	8,268	
Amortization of intangible assets	3,641	1,316	1,153	31,168	66,872
Impairment of intangible assets	1,187				
Total operating expenses	265,359	222,974	207,002	261,942	296,745
Operating income (loss)	68,750	39,565	4,481	(40,876)	(55,079)
Other income, net	1,339	1,874	218	5,529	3,730
Income (loss) before income taxes	70,089	41,439	4,699	(35,347)	(51,349)
Provision for (benefit from) income taxes	(1,612)	550	1,700	2,800	5,000
Net income (loss)	\$ 71,701	\$ 40,889	\$ 2,999	\$ (38,147)	\$ (56,349)
Net income (loss) per common share basic	\$ 2.21	\$ 1.40	\$ 0.11	\$ (1.49)	\$ (2.28)
Net income (loss) per common share diluted	\$ 2.05	\$ 1.25	\$ 0.11	\$ (1.49)	\$ (2.28)
Weighted average common shares outstanding basic	32,485	29,192	26,306	25,609	24,683
Weighted average common shares outstanding diluted	35,003	32,653	26,860	25,609	24,683

Consolidated Balance Sheet Data:

As of December 31,

	2004	2003	2002	2001	2000
(in thousands)					
Cash, cash equivalents and marketable securities	\$ 155,419	\$ 196,309	\$ 89,034	\$ 72,961	\$ 83,206
Working capital	176,384	196,605	94,130	85,490	96,585

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

As of December 31,

Total assets	576,234	348,119	235,803	215,806	266,482
Long-term debt and other liabilities	1,689	607	1,427	13,020	13,449
Total stockholders' equity	424,621	227,105	123,564	104,758	137,850

35

PINNACLE SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth selected condensed consolidated financial data of Pinnacle Systems, Inc. for the five years ended June 30, 2004. The financial data are derived from Pinnacle's audited consolidated financial statements, including the audited revised financial statements set forth in Pinnacle's Current Report on Form 8-K filed with the SEC on April 20, 2005, which were revised to reclassify and separately present Pinnacle's Steinberg business as a discontinued operation for all applicable historical periods. The tables also set forth selected condensed consolidated financial data of Pinnacle for the six months ended December 31, 2004 and 2003, which are derived from Pinnacle's unaudited condensed consolidated financial statements set forth in Pinnacle's Quarterly Report on Form 10-Q for the quarter ended December 31, 2004, which are presented on a basis consistent with the financial statements for the year ended June 30, 2004 included in Pinnacle's Current Report on Form 8-K that was filed by Pinnacle on April 20, 2005. Operating results for the six months ended December 31, 2004 are not necessarily indicative of the results that may be expected for the entire year ending June 30, 2005. The financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Pinnacle's Current Report on Form 8-K filed April 20, 2005 and in Pinnacle's Quarterly Report on Form 10-Q for the three months ended December 31, 2004, and the audited and unaudited financial statements and notes thereto, incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page [].

Consolidated Statements of Operations Data:

	Six Months Ended December 31,		Fiscal Year Ended June 30,				
	2004	2003	2004	2003	2002	2001	2000
	(in thousands, except per share data)						
Net sales	\$ 152,104	\$ 144,978	\$ 311,295	\$ 316,325	\$ 231,791	\$ 250,237	\$ 236,830
Costs and expenses:							
Cost of sales	84,564	88,383	165,141	147,964	114,204	144,549	113,573
Engineering and product development	17,895	18,714	38,827	36,443	31,445	34,305	27,767
Sales, marketing and service	38,431	41,831	96,986	88,620	71,457	65,882	54,989
General and administrative	13,374	11,534	22,025	19,019	15,607	14,686	10,554
Amortization of goodwill					18,018	14,352	7,173
Amortization of other intangible assets	1,693	3,014	4,861	12,257	17,873	16,391	11,209
Impairment of goodwill	9,447	5,950	12,311				
Restructuring costs	5,773	3,320	3,640				
Legal judgment				15,161			
In-process research and development		2,193	2,193				3,500
Legal settlement	(3,137)						2,102
Acquisition settlement						12,880	
Total costs and expenses	168,040	174,939	345,984	319,464	268,604	303,045	230,867
Operating income (loss)	(15,936)	(29,961)	(34,689)	(3,139)	(36,813)	(52,808)	5,963
Interest and other income (expense), net	908	(1,426)	(371)	2,601	2,208	1,890	3,403
Impairment of equity investments						(1,658)	
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle	(15,028)	(31,387)	(35,060)	(538)	(34,605)	(52,576)	9,366
Income tax expense	1,913	1,825	4,721	3,220	5,478	7,616	1,779
Income (loss) from continuing operations before cumulative effect	(16,941)	(33,212)	(39,781)	(3,758)	(40,083)	(60,192)	7,587

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Six Months Ended
December 31,

Fiscal Year Ended June 30,

of change in accounting principle

36

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Discontinued operations:							
Income (loss) from discontinued operations, net of taxes	151	(9,623)	(7,592)	1,188			
Loss on sale of discontinued operations, net of taxes			(6,820)				
Income (loss) from discontinued operations	151	(9,623)	(14,412)	1,188			
Income (loss) before cumulative effect of change in accounting principle	(16,790)	(42,835)	(54,193)	(2,570)	(40,083)	(60,192)	7,587
Cumulative effect of change in accounting principle				(19,291)		(356)	
Net income (loss)	\$ (16,790)	\$ (42,835)	\$ (54,193)	\$ (21,861)	\$ (40,083)	\$ (60,548)	7,587
Income (loss) per share from continuing operations before cumulative effect of change in accounting principle:							
Basic	\$ (0.24)	\$ (0.50)	\$ (0.59)	\$ (0.06)	\$ (0.70)	\$ (1.16)	0.16
Diluted	\$ (0.24)	\$ (0.50)	\$ (0.59)	\$ (0.06)	\$ (0.70)	\$ (1.16)	0.14
Income (loss) per share from discontinued operations:							
Basic and diluted	\$	\$ (0.15)	\$ (0.22)	0.02	\$	\$	
Cumulative effect per share of change in accounting principle:							
Basic and diluted	\$	\$	\$	\$ (0.32)	\$	\$ (0.01)	
Net income (loss) per share:							
Basic	\$ (0.24)	\$ (0.65)	\$ (0.81)	\$ (0.36)	\$ (0.70)	\$ (1.17)	0.16
Diluted	\$ (0.24)	\$ (0.65)	\$ (0.81)	\$ (0.36)	\$ (0.70)	\$ (1.17)	0.14
Shares used to compute net income (loss) per share:							
Basic	69,280	65,744	67,069	61,247	56,859	51,729	48,311
Diluted	69,280	65,744	67,069	61,247	56,859	51,729	55,442

Consolidated Balance Sheet Data:

As of December 31,		As of June 30,				
2004	2003	2004	2003	2002	2001	2000
(in thousands)						

Cash, cash equivalents and marketable securities	\$ 92,075	\$ 71,307	\$ 70,014	\$ 78,843	\$ 88,429	\$ 47,751	\$ 82,145
--	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

	As of December 31,		As of June 30,				
Working capital	100,251	77,683	81,327	106,616	115,698	114,422	138,330
Total assets	284,777	317,484	301,744	310,876	255,703	266,957	322,799
Long-term liabilities	1,988	4,981	2,078	7,984			
Total shareholders' equity	204,478	216,897	210,682	226,157	205,908	220,362	259,620

In December 2004, Pinnacle entered into a Share Purchase and Transfer Agreement to sell its wholly-owned subsidiary Steinberg Media Technologies GmbH (Steinberg). Pinnacle originally acquired Steinberg in January 2003. In accordance with SFAS No. 144, Steinberg's financial position and results of operations have been reclassified and separately presented for all applicable reporting periods as discontinued operations.

SELECTED COMBINED COMPANY UNAUDITED PRO FORMA FINANCIAL DATA

The following table sets forth selected unaudited pro forma condensed combined financial data based on the historical consolidated balance sheets and related historical consolidated statements of operations of Avid and Pinnacle using the purchase method of accounting for business combinations. The unaudited pro forma condensed combined balance sheet has been prepared assuming the acquisition occurred on December 31, 2004. The unaudited pro forma condensed combined statement of operations has been prepared assuming the acquisition occurred on January 1, 2004. This information has been derived from and should be read in conjunction with the unaudited pro forma condensed combined financial statements and notes thereto included in this joint proxy statement/prospectus beginning on page [].

Unaudited Pro Forma Condensed Combined Statement of Operations Data:

	Pro Forma Condensed Combined Twelve Month Period Ended December 31, 2004
	(in thousands, except per share data)
Net revenues	\$ 933,083
Cost of revenues	457,693
Gross profit	475,390
Total operating expenses	433,743
Operating income	41,647
Other income, net	1,777
Provision for income taxes	(3,324)
Income from continuing operations	\$ 40,100
Income from continuing operations per common share basic	\$ 1.04
Income from continuing operations per common share diluted	\$ 0.97
Weighted average common shares outstanding basic	38,684
Weighted average common shares outstanding diluted	41,202

Unaudited Pro Forma Condensed Combined Balance Sheet Data:

	Pro Forma Condensed Combined as of December 31, 2004
	(in thousands)
Cash, cash equivalents and marketable securities	\$ 162,504
Working capital	187,322
Total assets	974,694
Long-term liabilities	1,689
Total stockholders' equity	747,719

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following tables set forth certain historical per share data of Avid and Pinnacle and combined per share data on an unaudited pro forma and pro forma equivalent basis after giving effect to the merger using the purchase method of accounting, using the exchange ratio of 0.0869 of a share of Avid common stock plus \$1.00 in cash for each share of Pinnacle common stock outstanding as of December 31, 2004. The comparative historical and pro forma per share data should be read in conjunction with the unaudited pro forma condensed combined financial statements and related notes thereto and the separate historical consolidated financial statements of Avid and Pinnacle incorporated by reference or included in this joint proxy statement/prospectus. The unaudited pro forma condensed combined per share data are not necessarily indicative of future operating results or the actual results that would have occurred had the merger been completed at the beginning of the period presented.

	For the Twelve Month Period Ended December 31, 2004	
	(in thousands, except per share data)	
Avid Historical:		
Net income per common share basic	\$	2.21
Net income per common share diluted	\$	2.05
Book value per common share at December 31, 2004	\$	12.19
Weighted average common shares outstanding basic		32,485
Weighted average common shares outstanding diluted		35,003
Common shares outstanding at December 31, 2004		34,837
Pinnacle Historical:		
Loss from continuing operations per common share basic	\$	(0.34)
Loss from continuing operations per common share diluted	\$	(0.34)
Book value per common share at December 31, 2004	\$	2.93
Weighted average common shares outstanding basic		68,840
Weighted average common shares outstanding diluted		68,840
Common shares outstanding at December 31, 2004		69,818
Pro Forma Combined:		
Income from continuing operations per common share basic	\$	1.04
Income from continuing operations per common share diluted	\$	0.97
Book value per common share at December 31, 2004	\$	18.22
Weighted average common shares outstanding basic		38,684
Weighted average common shares outstanding diluted		41,202
Common shares outstanding at December 31, 2004		41,036
Pro Forma Equivalent Share Data(1):		
Income from continuing operations per common share basic	\$	0.09
Income from continuing operations per common share diluted	\$	0.08
Book value per common share at December 31, 2004	\$	1.58

(1) Amounts are based on pro forma combined amounts adjusted by the exchange ratio in the merger of 0.0869 of a share of Avid common stock for each share of Pinnacle common stock.

MARKET PRICE INFORMATION AND DIVIDEND POLICIES**Avid Market Price Information**

Avid common stock is listed on the Nasdaq National Market under the symbol "AVID". The table below shows the high and low sales prices of Avid common stock for each calendar quarter beginning January 1, 2003.

2003		
	High	Low
First Quarter	\$ 24.15	\$ 16.76
Second Quarter	\$ 38.15	\$ 21.86
Third Quarter	\$ 57.95	\$ 33.96
Fourth Quarter	\$ 59.77	\$ 44.65
2004		
	High	Low
First Quarter	\$ 55.42	\$ 38.43
Second Quarter	\$ 61.68	\$ 44.11
Third Quarter	\$ 54.66	\$ 40.90
Fourth Quarter	\$ 62.57	\$ 46.48
2005		
	High	Low
First Quarter	\$ 68.35	\$ 52.06
Second Quarter (through [], 2005)	\$ []	\$ []

On [], 2005, the last reported sale price for Avid common stock on the Nasdaq National Market was \$ [] per share. The approximate number of holders of record of Avid common stock on [], 2005 was []. This number does not include stockholders for whom shares were held in a "nominee" or "street" name.

Pinnacle Market Price Information

Pinnacle common stock is listed on the Nasdaq National Market under the symbol "PCLE". The table below shows the high and low sales prices of Pinnacle common stock for each calendar quarter beginning January 1, 2003.

2003		
	High	Low
First Quarter	\$ 14.45	\$ 8.30
Second Quarter	\$ 12.11	\$ 8.86
Third Quarter	\$ 13.80	\$ 7.50
Fourth Quarter	\$ 8.95	\$ 6.60
2004		
	High	Low
First Quarter	\$ 9.42	\$ 7.12
Second Quarter	\$ 9.91	\$ 6.63
Third Quarter	\$ 7.00	\$ 3.25
Fourth Quarter	\$ 6.24	\$ 3.65
2005		
	High	Low
First Quarter	\$ 6.18	\$ 3.81
Second Quarter (through [], 2005)	\$ []	\$ []

On [], 2005, the last reported sale price for Pinnacle common stock on the Nasdaq National Market was \$ [] per share. The approximate number of holders of record of Pinnacle common stock on [], 2005 was []. This number does not include shareholders for whom shares were held in a "nominee" or "street" name.

Recent Closing Prices

The following table sets forth the closing prices per share of Avid common stock and Pinnacle common stock as reported on the Nasdaq National Market on March 18, 2005, the last full trading day prior to the public announcement of the merger agreement, and [], 2005, the last full trading day for which closing prices were available. This table also sets forth the value of the consideration per share of Pinnacle common stock that would be received in cash and Avid common stock by a Pinnacle shareholder as a result of the merger based on the market price of Avid common stock on the dates set forth below. The equivalent price per share is equal to the closing price of a share of Avid common stock on that date multiplied by 0.0869 plus \$1.00.

	Closing Price Avid Common Stock	Closing Price Pinnacle Common Stock	Consideration per Share of Pinnacle Common Stock
March 18, 2005	\$ 62.95	\$ 4.97	\$ 6.47
[], 2005	\$ []	\$ []	\$ []

Dividend Policies

Avid has never declared or paid cash dividends on its capital stock and currently intends to retain all available funds for use in the operation of its business. Avid does not anticipate paying any cash dividends in the foreseeable future.

Pinnacle has never declared or paid cash dividends on its capital stock and currently intends to retain all available funds for use in the operation of its business. Pinnacle does not anticipate paying any cash dividends in the foreseeable future.

2005 ANNUAL MEETING OF AVID STOCKHOLDERS

Date, Time and Place of Meeting

This joint proxy statement/prospectus is furnished to Avid stockholders in connection with the solicitation of proxies by Avid's board of directors for use at Avid's annual meeting of stockholders and at any adjournments or postponements of that meeting. Avid's annual meeting will be held on [], [], 2005, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts, at [:] a.m., local time.

The notice of Avid's annual meeting, this joint proxy statement/prospectus, the accompanying proxy card and Avid's Annual Report to Stockholders for 2004 are being mailed to Avid stockholders on or about [], 2005.

Purposes of the Annual Meeting

At Avid's annual meeting, Avid stockholders will be asked to consider and act upon the following matters:

1. To approve an amendment to Avid's certificate of incorporation to increase the number of authorized shares of Avid common stock from 50,000,000 to 100,000,000, which will provide shares for Avid's future corporate needs and enable the issuance of shares of Avid common stock in the proposed merger of a wholly-owned subsidiary of Avid with and into Pinnacle, pursuant to which Pinnacle will become a wholly-owned subsidiary of Avid and each outstanding share of Pinnacle common stock will be converted into the right to receive 0.0869 of a share of Avid common stock plus \$1.00 in cash.
2. To elect two Class III Directors to serve on Avid's board of directors for the ensuing three years.
3. To approve Avid's 2005 Stock Incentive Plan.
4. To ratify the selection of PricewaterhouseCoopers LLP as Avid's independent registered public accounting firm for the current fiscal year.
5. To approve adjournments or postponements of Avid's annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the amendment to Avid's certificate of incorporation.
6. To transact such other business as may properly come before Avid's annual meeting or any adjournments or postponements thereof.

Record Date and Outstanding Shares

At the close of business on [], 2005, the record date for the determination of Avid stockholders entitled to notice of and to vote at Avid's annual meeting, there were outstanding and entitled to vote an aggregate of [] shares of Avid common stock, \$.01 par value per share. Avid stockholders are entitled to one vote per share of Avid common stock.

Voting and Revocation of Proxies

All proxies will be voted in accordance with Avid 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 Avid's annual meeting. If you are an Avid stockholder, you may revoke your proxy at any time before it is voted at Avid's annual meeting. Any proxy may be revoked at any time before its exercise by delivery of written revocation or a subsequently dated proxy to Ethan E. Jacks at Avid Technology, Inc., Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876, or by specifically revoking your

proxy and voting in person at Avid's annual meeting. If you elect to vote in person at Avid's annual meeting and your shares are held by a broker, bank or other nominee, you must bring to Avid's annual meeting a proxy from the broker, bank or other nominee authorizing you to vote the shares.

If you are an Avid stockholder and your shares are held in street name, you will receive instructions from the holder of record that you must follow for your shares to be voted.

Votes Required

Shares of Avid common stock represented in person or by proxy, including shares which abstain or do not vote for any reason with respect to one or more of the matters presented for Avid stockholder approval, will be counted for purposes of determining whether a quorum is present at Avid's annual meeting. The affirmative vote of the holders of a majority of the shares of Avid common stock outstanding on the record date is required to approve the amendment to Avid's certificate of incorporation. The affirmative vote of the holders of a plurality of the shares of Avid common stock present or represented and voting at Avid's 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 Avid common stock present or represented and voting at Avid's annual meeting is required to approve Avid's 2005 Stock Incentive Plan, to ratify the selection of PricewaterhouseCoopers LLP as Avid's independent registered public accounting firm for the current fiscal year and to approve adjournments or postponements of Avid's annual meeting.

Quorum; Abstentions and Broker Non-Votes

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 such matter and also will not be counted as votes cast or shares voting on such matter. Because shares that abstain from voting as to a particular matter and shares represented by broker non-votes are nonetheless considered outstanding shares, abstentions and broker non-votes will have the same effect as a vote against the proposed amendment to Avid's certificate of incorporation, which requires the affirmative vote of a majority of the shares of Avid common stock outstanding. Abstentions and broker non-votes will not affect the voting on the election of the Class III Directors, the approval of Avid's 2005 Stock Incentive Plan, the ratification of the selection of PricewaterhouseCoopers LLP as Avid's independent registered public accounting firm for the current fiscal year or the approval of adjournments or postponements of Avid's annual meeting.

Solicitation of Proxies and Expenses

Avid and Pinnacle will share the costs, other than fees of accountants and attorneys, of preparing and mailing this joint proxy statement/prospectus, and Avid will bear the other costs relating to the solicitation of proxies from its stockholders. None of Avid's directors intends to oppose any action for which Avid stockholder approval is being solicited. Avid has retained the services of Georgeson Shareholder Communications to assist in obtaining proxies from brokers and nominees of Avid stockholders for Avid's annual meeting. The estimated cost of such services is \$[] plus out-of-pocket expenses. In addition, Avid may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Certain of Avid's directors, officers and employees may solicit proxies, personally, by telephone or facsimile, on behalf of Avid's board of directors without additional compensation.

SPECIAL MEETING OF PINNACLE SHAREHOLDERS

Date, Time and Place of the Special Meeting

This joint proxy statement/prospectus is furnished to Pinnacle shareholders in connection with the solicitation of proxies by Pinnacle's board of directors for use at Pinnacle's special meeting and at any adjournments or postponements of that meeting. The special meeting will be held on [], [], 2005, at [], [], [], California, at [:] a.m., local time.

The notice of Pinnacle's special meeting, this joint proxy statement/prospectus and the accompanying proxy card are being mailed to Pinnacle shareholders on or about [], 2005.

Purposes of the Special Meeting

At Pinnacle's special meeting, Pinnacle shareholders will be asked to consider and act upon the following matters:

1. To approve the terms of the merger set forth in the Agreement and Plan of Merger, dated as of March 20, 2005, by and among Pinnacle, Avid and a wholly-owned subsidiary of Avid, included as Annex A to this joint proxy statement/prospectus, and in the agreement of merger to be filed with the Secretary of State of the State of California on the effective date of the merger, included as Annex B to this joint proxy statement/prospectus, pursuant to which Pinnacle will become a wholly-owned subsidiary of Avid and each outstanding share of Pinnacle common stock will be converted into the right to receive 0.0869 of a share of Avid common stock plus \$1.00 in cash.
2. To approve adjournments or postponements of Pinnacle's special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the terms of the merger.
3. To transact such other business as may properly come before Pinnacle's special meeting or any adjournments or postponements thereof.

Record Date and Outstanding Shares

At the close of business on [], 2005, the record date for the determination of Pinnacle shareholders entitled to notice of and to vote at Pinnacle's special meeting, there were outstanding and entitled to vote an aggregate of [] shares of Pinnacle common stock, no par value per share. Shareholders are entitled to one vote per share of Pinnacle common stock.

Voting and Revocation of Proxies

All proxies will be voted in accordance with the Pinnacle shareholders' instructions, and if no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying notice of Pinnacle's special meeting. If you are a Pinnacle shareholder, you may revoke your proxy at any time before it is voted at Pinnacle's special meeting. Any proxy may be revoked by a Pinnacle shareholder at any time before its exercise by delivery of written revocation or a subsequently dated proxy to Pinnacle Systems, Inc., 280 North Bernardo Avenue, Mountain View, California 94303 Attention: Scott E. Martin, Corporate Secretary, or by specifically revoking your proxy and voting in person at Pinnacle's special meeting. If you elect to vote in person at Pinnacle's special meeting and your shares are held by a broker, bank or other nominee, you must bring to Pinnacle's special meeting a proxy from the broker, bank or other nominee authorizing you to vote the shares.

If you are a Pinnacle shareholder and your shares are held in street name, you will receive instructions from the holder of record that you must follow for your shares to be voted.

Votes Required

Shares of Pinnacle common stock represented in person or by proxy (including shares which abstain or do not vote for any reason with respect to one or more of the matters presented for shareholder approval) will be counted for purposes of determining whether a quorum is present at Pinnacle's special meeting. The affirmative vote of the holders of a majority of the shares of Pinnacle common stock outstanding on the record date is required to approve the proposal regarding the terms the merger. The affirmative vote of holders of a majority of the shares represented at Pinnacle's special meeting, either in person or by proxy, is required to approve the proposal regarding adjournments or postponements of Pinnacle's special meeting.

Quorum; Abstentions and Broker Non-Votes

According to Pinnacle's bylaws, as amended, a quorum constitutes the presence in person or by proxy of the holders of a majority of the outstanding shares.

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 such matter, and also will not be counted as votes cast or shares voting on such matter. Because shares that abstain from voting as to a particular matter and shares represented by broker non-votes are nonetheless considered outstanding shares, abstentions and broker non-votes will have the same effect as a vote against such matter for all purposes other than perfection of dissenters' rights.

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Proposals 1 and 2 are non-routine matters and shareholders' brokers will NOT have discretionary authority to vote shareholders' shares on proposals 1 and 2. Because shares that abstain from voting as to a particular matter and shares represented by broker non-votes are nonetheless considered outstanding shares, abstentions and the broker non-votes described above will have the same effect as a vote against approval of the proposed merger for all purposes other than perfection of dissenters' rights. Abstentions and broker non-votes will not affect the voting on the proposal regarding adjournments or postponements of Pinnacle's special meeting.

Solicitation of Proxies and Expenses

Avid and Pinnacle will share the costs, other than fees of accountants and attorneys, of preparing and mailing this joint proxy statement/prospectus, and Pinnacle will bear the other costs relating to the solicitation of proxies from its shareholders. None of Pinnacle's directors intends to oppose any action for which Pinnacle shareholder approval is being solicited. Pinnacle has retained the services of MacKenzie Partners, Inc. to assist in obtaining proxies from brokers and nominees of Pinnacle shareholders for Pinnacle's special meeting. The estimated cost of such services is \$[] plus out-of-pocket expenses. In addition, Pinnacle may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Certain of Pinnacle's directors, officers and employees may solicit proxies, personally, by telephone or facsimile, on behalf of Pinnacle's board of directors without additional compensation. Pinnacle expects MacKenzie Partners to tabulate the proxies and act as the inspector of elections. MacKenzie Partners can be contacted at the following address and phone number:

MacKenzie Partners, Inc.
105 Madison Avenue
New York, NY 10016
(800) 322-2885

THE MERGER

Background of the Merger

Avid and Pinnacle have been familiar with each other for a number of years. In June 2000, Pinnacle acquired Avid Sports, Inc., a provider of sports editing and online sports media management solutions, which was then 30% owned by Avid, for stock and cash valued at approximately \$25 million at closing. Avid has also been a customer of Pinnacle, with aggregate purchases of approximately \$20.3 million since January 1, 2002. These purchases were primarily for specialized hardware for performing digital video effects. As a result of a greater reliance on software, host graphics processing and Avid-designed hardware for performing digital video effects in Avid's more recent products, Avid's purchases from Pinnacle have declined from \$12.2 million in 2002 to \$5.6 million in 2003 to \$2.4 million in 2004 and to \$160,000 in the first quarter of 2005. Avid and Pinnacle have also engaged in informal discussions in the past regarding the potential for a strategic combination of the two companies.

Avid's board of directors and management regularly review Avid's competitive position in light of market changes, technological advances and other factors, with the objective of identifying strategic opportunities to enhance stockholder value. For example:

In September 2004, Avid acquired Avid Nordic AB, a Sweden-based reseller of Avid products operating in the Nordic and Belgium/Netherlands/Luxembourg regions of Europe, in order to expand its presence in these regions.

In August 2004, Avid acquired California-based Midiman, Inc. (d/b/a M-Audio), a leading provider of digital audio and MIDI (Music Instrument Digital Interface) solutions for electronic musicians and audio professionals, in order to bolster its investment in the home studio market segment the fastest growing portion of Avid's audio business.

In January 2004, Avid acquired Germany-based NXN Software GmbH, a leading provider of asset and production management systems targeted for the entertainment and computer graphics industries, in order to enhance Avid's film and video postproduction, broadcast news and 3D product lines by enriching them with a feature set that facilitates media creation and management.

Pinnacle's board of directors has from time to time evaluated the long-term strategy and potential strategic options for Pinnacle and considered various alternatives to enhance shareholder value. Alternatives considered by Pinnacle's board of directors included, for example:

a stand-alone scenario whereby Pinnacle would continue to sell and innovate in its current area of strategic focus and divest non-core operations;

an acquisition scenario whereby Pinnacle would remain independent while pursuing strategic incremental acquisitions to strengthen its market position and diversify its product portfolio and earnings base;

a sale scenario whereby Pinnacle would seek to sell the company to a larger company in related industries; and

a merger scenario whereby Pinnacle would seek to merge with another mid-size company in related industries in an effort to strengthen both companies.

On March 1, 2004, Pinnacle's board of directors appointed Patti S. Hart to the positions of Chairman of the Board of Directors, President and Chief Executive Officer. As part of this management change, Pinnacle's board of directors authorized a review of Pinnacle's various businesses to determine which were core and non-core to its future. While historically Pinnacle had pursued an acquisition strategy pursuant to which it had purchased 22 companies since its initial public offering in

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

1994, this review led to the implementation of a reorganization plan in April 2004 in which Pinnacle would focus on and invest in those businesses that it had determined were core businesses and consider discontinuing or selling any non-core businesses, with the plan to rationalize its product lines, improve organizational efficiency, make operational improvements and invest in new information technology systems.

In accordance with this strategy, in April 2004 Pinnacle began to explore the divestiture of Steinberg, its digital audio software company based in Germany, and, after consideration of several financial advisors, Pinnacle's board of directors authorized the engagement of Lazard to serve as Pinnacle's financial advisor with respect to the potential divestiture of the Steinberg business.

In May 2004, a potential acquiror, referred to in this joint proxy statement/prospectus as Company A, inquired of Ms. Hart whether Pinnacle's board of directors would consider the acquisition of Pinnacle by Company A.

On June 18, 2004, Pinnacle's board of directors held a meeting at Pinnacle's offices in Mountain View, California during which Ms. Hart presented the inquiry from Company A to Pinnacle's board of directors. At the meeting, Pinnacle's board of directors authorized the engagement of Lazard as Pinnacle's financial advisor with respect to discussions concerning a possible acquisition of Pinnacle by Company A, and appointed a transaction committee to assist management in exploring the possible acquisition of Pinnacle by Company A. Pinnacle's board of directors also authorized the sale of its interest in Jungle KK, Pinnacle's consumer software subsidiary based in Japan.

On June 29, 2004, Pinnacle amended its existing nondisclosure agreement with Company A, previously entered into for the exploration of various strategic opportunities, to provide for due diligence to be conducted for a possible acquisition of Pinnacle by Company A.

On June 30, 2004, Pinnacle sold its interest in Jungle KK.

In June and July 2004, Company A engaged in business and legal due diligence regarding its potential acquisition of Pinnacle. During this period, legal advisors to Pinnacle and Company A negotiated terms of a draft merger agreement involving the acquisition of Pinnacle by Company A. On July 16, 2004, Company A withdrew from these discussions, citing other internal commitments that prevented it from proceeding at that time.

On July 20, 2004, Pinnacle's board of directors held a meeting at Pinnacle's offices during which Lazard and management reported on the termination of discussions with Company A, and management reviewed the status of, and issues relating to, the potential divestiture of the Steinberg business. Pinnacle's board of directors authorized Lazard to begin contacting potential purchasers of the Steinberg business.

On September 11, 2004, Ms. Hart met with David A. Krall, the President and Chief Executive Officer of Avid, at the International Broadcasting Convention in Amsterdam, The Netherlands. Mr. Krall and Ms. Hart discussed the possibility of a business combination between Avid and Pinnacle. Later that day, Ms. Hart met with representatives of Company A and was informed that Company A continued to have potential interest in Pinnacle, but would not be in a position to negotiate actively until late October 2004.

In October 2004, Pinnacle began to explore alternatives for the potential sale of its Sports business, located in Massachusetts, and engaged Lazard as financial advisor for the potential sale of that division.

Between September and December 2004, Mr. Krall and Ms. Hart had several telephone discussions concerning their respective businesses and the synergies that could be realized from a possible business combination, but no specific terms of a combination were discussed. Ms. Hart

periodically communicated the status and substance of the conversations with Avid and with Company A to the members of Pinnacle's board of directors.

On December 6, 2004, Ms. Hart; Pinnacle's Chief Operating Officer, Ajay Chopra; Pinnacle's then interim Chief Financial Officer, Suzy Seandel (participating by telephone); and representatives of Lazard met with representatives of Avid, including Mr. Krall; Avid's Chief Financial Officer, Paul J. Milbury; Avid's Chief Operating Officer, Avid Video, Joseph Bentivegna; and Avid's Vice President of Business Development and Chief Legal Officer, Ethan E. Jacks at Avid's executive offices in Tewksbury, Massachusetts. At the meeting, Pinnacle's representatives provided an overview of Pinnacle's business and strategy.

At a regular meeting of Avid's board of directors held on December 8, 2004, Mr. Krall reported on his recent discussions with Pinnacle about a possible business combination between Avid and Pinnacle. Thereafter, Mr. Krall periodically updated members of Avid's board of directors on the status of discussions with Pinnacle.

On December 10, 2004, Pinnacle's board of directors held a special telephonic board meeting at which it authorized Pinnacle to enter into an agreement to sell the Steinberg business to Yamaha Corporation. On December 20, 2004, Pinnacle entered into an agreement with Yamaha to sell the Steinberg business.

In December 2004, Ms. Hart had a series of telephone discussions with representatives of Company A regarding a potential acquisition of Pinnacle by Company A. No specific terms were discussed.

On January 5, 2005, Avid and Pinnacle entered into a confidentiality agreement relating to the provision of nonpublic information for Avid's use in evaluating a possible transaction with Pinnacle. This agreement was later amended on March 14, 2005 to supplement the confidentiality provisions in order to permit Avid representatives to have limited access to certain portions of Pinnacle's source code as part of Avid's due diligence investigation of Pinnacle.

On January 6, 2005, Ms. Hart met with a representative of Company A at the Consumer Electronics Show in Las Vegas, Nevada, who informed Ms. Hart that Company A no longer was interested in an acquisition of the entire company, but had continued interest in selected portions of Pinnacle's Broadcast & Professional division. Ms. Hart advised the representative that due to the interdependent structure of the division, such a proposal would likely be considered by Pinnacle's board of directors only if it were for the entire Broadcast & Professional division, including associated contracts and liabilities.

On January 10 and 11, 2005, Avid representatives conducted business due diligence on Pinnacle, including document review and conversations with Pinnacle's management, at the offices of DLA Piper Rudnick Gray Cary US LLP, or DLA Piper, counsel for Pinnacle.

On January 14 and 18, 2005, representatives of Avid, Pinnacle and Lazard participated in conference calls in which Pinnacle and Lazard provided a briefing on Pinnacle's Business & Consumer division and updated the Avid representatives on the performance and strategy of the Broadcast & Professional division. No terms of a possible business combination of Avid and Pinnacle were discussed.

On January 20, 2005, Lazard spoke with another company, referred to in this joint proxy statement/prospectus as Company B, which had contacted Pinnacle indicating an interest in purchasing selected Broadcast & Professional division assets of Pinnacle. Lazard informed Company B that due to the interdependent structure of the division, such a proposal would likely be considered by Pinnacle's board of directors only if it were for the entire division, including associated contracts and liabilities. Lazard offered to arrange for the exchange of confidential information to permit Company B to develop a specific proposal.

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

On January 21, 2005, Pinnacle sold its Steinberg business to Yamaha Corporation.

On January 21, 2005, representatives of Pinnacle, Lazard, Company A and the financial advisor to Company A, participated in a conference call in which representatives of Pinnacle and Lazard provided an update on the performance of Pinnacle's Broadcast & Professional division.

On January 27, 2005, representatives of Pinnacle presented an overview of the Broadcast & Professional division to representatives of Company B by telephone conference call.

Throughout January 2005, executives of Avid and Pinnacle and their representatives spoke periodically, and representatives of Pinnacle provided information to Avid relating to a possible business combination.

On January 30, 2005, a representative of Lazard had a conversation with Mr. Krall, who advised Lazard as to the status of Avid's internal evaluation process, and indicated that Avid might submit an indication of interest to Pinnacle before Pinnacle's board meeting scheduled for February 3, 2005.

On January 31, 2005, a Lazard representative had another conversation with Mr. Krall, who indicated potential interest in moving forward with a business combination transaction providing Pinnacle shareholders with consideration in the form of Avid common stock, with a current estimated value of \$5.00 per share of Pinnacle common stock, but a potential for up to \$6.00 per share upon completion of satisfactory due diligence. The Lazard representative indicated that the price would likely need to be higher to gain Pinnacle board approval, and requested a written proposal.

On the same date, another Lazard representative had a conversation with representatives of the financial advisor to Company B. These representatives indicated Company B had an interest only in Pinnacle's Broadcast & Professional assets, and suggested a value of one times revenue or less.

On February 1, 2005, a Lazard representative had a conversation with Mr. Krall, who communicated a possible valuation range of between \$5.00 and \$7.00 per share of Pinnacle common stock for the entire company, payable in Avid common stock, although Mr. Krall declined to put an offer in writing at that time.

On February 2, 2005, Pinnacle received a written expression of interest from Company A for the potential purchase of Pinnacle's Broadcast & Professional division and all intellectual property relating to Pinnacle's Liquid professional video editing product line, including those elements within Pinnacle's Business & Consumer division, with a license back of the Liquid intellectual property to Pinnacle for use in the Business & Consumer division. The expression of interest indicated a potential purchase price of between \$100 million and \$120 million in cash.

On February 3, 2005, at a regularly scheduled meeting of Pinnacle's board of directors, Ms. Hart briefed Pinnacle's board of directors regarding the discussions with Avid with respect to a potential merger and the other two parties who had expressed interest in the Broadcast & Professional division. Ms. Hart reviewed the written expression of interest received from Company A. Lazard, counsel and management reviewed with Pinnacle's board of directors various strategic alternatives as well as the possibility of continuing as an independent, stand alone entity without effecting any transaction. Pinnacle's board of directors discussed the risks and benefits of the various strategic alternatives, including Pinnacle's competitive position and the risks and prospects of its ongoing business. Pinnacle's board of directors also discussed difficulties that would be associated with a sale of Pinnacle's Broadcast & Professional division relating to the division of intellectual property and engineering personnel and the fact that such a transaction would result in Pinnacle being solely a consumer business relying upon a license back of key intellectual property from Company A and with its workforce principally located in Europe but its management located in the United States. Pinnacle's board of directors authorized management and Lazard to continue to pursue discussions with all of the

interested parties for a potential business combination involving the entire company and, as an alternative, the sale of the Broadcast & Professional division.

At the February 3, 2005 meeting, Pinnacle's board of directors also appointed an M&A committee comprised of three outside directors, Messrs. Krause, Finocchio and Motro, to provide guidance and direction to senior Pinnacle management and Pinnacle's financial and legal advisors regarding the various potential transactions. Ms. Hart conferred periodically with each member of the M&A Committee and each of the other members of Pinnacle's board of directors, and advised them of the status of negotiations in the period following the appointment of the committee through March 20, 2005. From time to time after its appointment, the M&A Committee met, generally with most of the other Pinnacle board members in attendance, to consider and provide guidance and direction regarding the various potential transactions.

On February 4, 2005, Ms. Hart and representatives from Lazard spoke with representatives of Avid and provided an update as to the Pinnacle board's authorization to continue pursuing discussions. On that same day, Ms. Hart and representatives from Lazard also spoke with representatives of Company A and provided an update as to the Pinnacle board's authorization and, later that same day, Lazard spoke to representatives of the financial advisor to Company B and provided an update as to the Pinnacle board's authorization.

On February 4, 2005, Pinnacle sold its Sports business to XOS Technologies, Inc.

In early February 2005, Avid began consulting with outside financial and legal advisors about the possible transaction with Pinnacle. Avid retained Piper Jaffray as its financial advisor and Wilmer Cutler Pickering Hale and Dorr LLP, or Wilmer Hale, as its outside legal counsel.

On February 7, 2005, representatives of Avid and Piper Jaffray held a conference call with representatives of Pinnacle's management and Lazard to discuss the diligence process. Commencing on February 11, 2005, Avid was permitted access to due diligence materials through Pinnacle's electronic dataroom at DLA Piper. Avid and its legal, accounting and financial advisors conducted due diligence regarding Pinnacle through March 20, 2005.

On February 11, 2005, representatives of Company A held a conference call with Pinnacle representatives, including each party's counsel and financial advisors, to discuss key business and legal issues raised by a potential purchase of the Broadcast & Professional division, including the ownership or licensing of intellectual property.

On February 15, 2005, representatives of Pinnacle's management and Lazard held a conference call with representatives of Avid's management and Piper Jaffray to discuss process with respect to Avid's due diligence review.

On February 16, 2005, Ms. Hart had a telephone call with Company A to discuss the status of Company A's expression of interest to purchase the Broadcast & Professional division.

On that same date, Company B advised Lazard that although it continued to have an interest in the potential purchase of the assets of Pinnacle's Broadcast & Professional division, it was not in a position to pursue a due diligence review in the near term due to internal commitments.

At a regular meeting of Avid's board of directors held on February 15 and 16, 2005, Avid's management provided an update on the status of discussions with Pinnacle. At the conclusion of the meeting, Avid's board of directors authorized management to proceed with discussions with Pinnacle regarding a possible transaction.

On February 17, 2005, Pinnacle and Avid representatives, including their respective counsel and financial advisors, held due diligence calls.

On February 18, 2005, representatives of Company A held a meeting at DLA Piper's offices with Pinnacle representatives concerning certain business and legal issues relating to the potential sale of the Broadcast & Professional division.

On February 23, 2005, DLA Piper delivered an initial draft of a proposed asset purchase agreement and license agreement to counsel for Company A, and Company A was permitted access to due diligence materials through Pinnacle's electronic dataroom at DLA Piper.

In order to better understand Pinnacle's business and the potential of a business combination, Avid's representatives and financial advisors met with representatives of Pinnacle on February 23 and 24, 2005 at DLA Piper's offices. Discussions involved business, finance, human resources and legal representatives of both companies and focused in greater detail on due diligence matters and the potential benefits of a business combination between the two companies.

On February 24, 2005, Pinnacle's M&A Committee, along with Ms. Hart and Mr. Chopra, held a meeting at which Pinnacle's management, Lazard and DLA Piper reviewed the status of discussions with each of Avid and Company A. Ms. Hart reviewed the potential benefits and risks of each transaction, including risks relating to the ownership of intellectual property significant to Pinnacle's Business & Consumer division under Company A's proposal. DLA Piper reviewed legal considerations relating to the potential transactions, including the possibility of antitrust regulatory review and shareholder approval requirements. The M&A Committee authorized Pinnacle's management and advisors to proceed with discussions with both Avid and Company A.

On February 28, 2005, representatives of Company A met with Mr. Chopra in Munich, Germany to review certain intellectual property diligence matters.

On February 28, 2005, Avid's counsel, Wilmer Hale, delivered an initial draft merger agreement and related agreements to Pinnacle's counsel, DLA Piper, in order to begin negotiating some of the terms of a possible transaction.

On March 2 and 3, 2005, representatives of Avid visited Pinnacle's operations in Braunschweig, Germany to conduct due diligence.

On March 3, 2005, Ms. Hart and a Lazard representative met with representatives of Company A and its financial advisor to discuss Company A's potential acquisition of Pinnacle's Broadcast & Professional division.

On March 4, 2005, Messrs. Krall, Milbury and Jacks and Ms. Hart, together with representatives of Lazard and Piper Jaffray, met in New York, New York to discuss a potential business combination between the two companies. The parties discussed the business strategy and prospects of their respective companies and the strategic rationale for a potential transaction. Mr. Krall indicated orally a willingness to pursue a stock-for-stock business combination with a valuation of approximately \$6.25 to \$6.50 per share of Pinnacle common stock. Lazard representatives requested that Avid submit a proposal in writing.

On March 6, 2005, after consultation with its financial and legal advisors, Avid delivered to Pinnacle a written, non-binding expression of interest for a stock-for-stock business combination with a fixed exchange ratio to be based on the 20-day trading average of Avid common stock prior to signing and with an expected value of \$6.50 per Pinnacle share, subject to Avid's satisfactory completion of due diligence and other conditions. Avid also requested that Pinnacle enter into an exclusivity arrangement with Avid.

On March 7, 2005, Avid's board of directors had an update conference call regarding the possible transaction with Pinnacle. During the call, Avid's management and financial and legal advisors summarized the status of due diligence and discussions with Pinnacle, including the principal open issues, and the process and estimated timing if the transaction proceeded.

On March 7, 2005, Pinnacle's M&A Committee held a telephonic meeting in which Ms. Hart, Mr. Chopra and an additional member of Pinnacle's board of directors participated. Ms. Hart reviewed the status of discussions with each of the interested parties, including the terms of the written non-binding expression of interest from Avid, and reviewed strategic alternatives available to Pinnacle. Ms. Hart reviewed negotiations to date with Avid regarding the proposed exchange ratio and advised Pinnacle's M&A Committee that Avid had refused to consider a collar. Lazard reviewed a financial presentation regarding the potential business combination with Avid and the potential sale of the Broadcast & Professional division and discussed the potential transactions and other alternatives. DLA Piper provided legal advice to the M&A Committee regarding the potential transactions with Avid and Company A, including a discussion of the fiduciary duties of the directors considering the transactions, the potential terms of the transactions and legal considerations, including antitrust review, the potential structures, and process and timing considerations. Ms. Hart and the Lazard representatives noted that Mr. Krall had indicated a desire to travel to California to meet with the M&A Committee to discuss the potential business combination. The M&A Committee, along with an additional member of Pinnacle's board of directors, met in an executive session with DLA Piper and reviewed the alternatives available to Pinnacle. At the conclusion of this executive session, the M&A Committee expressed support for continuing discussions with all interested parties, and directed that no exclusivity arrangement be finalized. The M&A Committee directed management and Lazard to attempt to increase the consideration set forth in Avid's expression of interest.

During the evening of March 7, 2005, Ms. Hart contacted Mr. Krall and sought an increase in the price included in Avid's expression of interest. Mr. Krall declined to consider increasing the consideration payable to Pinnacle shareholders and advised that he would cancel his proposed visit to California to meet with the M&A Committee and the proposed diligence meetings scheduled for the following week if the M&A Committee insisted on such an increase as a condition to further discussions.

On March 8, 2005, the M&A Committee held a telephonic meeting in which Ms. Hart, Mr. Chopra and an additional member of Pinnacle's board of directors participated. Ms. Hart reported on her conversation with Mr. Krall. The M&A Committee authorized Ms. Hart to request a meeting with Mr. Krall at which Mr. Krall would provide further information regarding the potential strategic and other benefits of the proposed business combination with Avid. The M&A Committee authorized DLA Piper to deliver comments to Wilmer Hale on the draft acquisition agreements. In a conversation Ms. Hart held with Mr. Krall later that evening, Mr. Krall indicated that he would meet with the M&A Committee to provide further information regarding the potential business combination, but due to inclement weather, such meeting could not take place until Saturday, March 12.

On March 9, 2005, the M&A Committee held a telephonic meeting in which Ms. Hart, Mr. Chopra and an additional member of Pinnacle's board of directors participated. Ms. Hart and representatives of Lazard and DLA Piper provided a briefing regarding the status of negotiations with Avid.

On March 9, 2005, DLA Piper delivered proposed revisions to the draft merger and related agreements to Wilmer Hale. From March 10, 2005 through March 20, 2005, representatives and legal advisors of Avid and Pinnacle engaged in negotiations regarding the merger agreement and related agreements. During this period, representatives of Avid and Pinnacle also continued to conduct due diligence and engaged in discussions relating to the potential financial terms of the transaction.

On March 11, 2005, Avid's board of directors held a special meeting to discuss the potential transaction with Pinnacle. At the meeting, Avid's management reviewed the status of the negotiations, indicating that the parties had not reached agreement on significant issues, and discussed with the board the strategic rationale for the possible transaction, the major due diligence findings to date, and challenges involved in integrating Pinnacle's business with Avid should a transaction be consummated.

Avid's board of directors then received a presentation on financial considerations relating to the potential transaction from representatives of Piper Jaffray. Following Piper Jaffray's presentation, Avid's legal advisors summarized legal issues arising out of the potential merger, including the need for antitrust regulatory clearance in the United States and various foreign jurisdictions. At the conclusion of the meeting, Avid's board of directors authorized management to continue discussions with Pinnacle regarding a possible transaction.

On March 12, 2005, the M&A Committee held a meeting at the offices of DLA Piper, in which Ms. Hart and Mr. Chopra also participated, and received a briefing from management and Lazard on the status of the negotiations with Avid and Company A, the operating, strategic and financial considerations of the two potential transactions, and financial information concerning Avid and Pinnacle. Additional members of Pinnacle's board of directors attended all or a portion of the meeting. Lazard reviewed a presentation regarding the financial implications of the two potential transactions and possible alternative transactions, as well as information regarding Avid and Pinnacle. DLA Piper reviewed the fiduciary duties of Pinnacle's board of directors and reviewed the status of negotiations on the merger agreement and related agreements. Mr. Krall and Mr. Milbury attended a portion of the meeting of the M&A Committee and provided an overview of Avid's business, financial results and prospects, and Avid's strategic rationale for the potential business combination.

Following the presentation by Messrs. Krall and Milbury, the M&A Committee met in an executive session with DLA Piper and discussed the alternatives available to Pinnacle. The M&A Committee and the outside directors then met with management, Lazard and DLA Piper and authorized continuing negotiations with Avid for a potential strategic business combination. The M&A Committee noted that the expression of interest by Avid provided for an exchange ratio, to be based on the average trading price of Avid common stock over the 20 trading days prior to signing, which then had a value of \$6.50. The M&A Committee noted that the Avid common stock price had been declining. The M&A Committee directed Ms. Hart and Lazard to communicate the M&A Committee's view that the consideration payable to Pinnacle shareholders to be embodied in the final exchange ratio should not be adversely impacted by the decline in recent trading prices for Avid common stock, although the Committee recognized that the value of the transaction would fluctuate following the announcement of the transaction. At this meeting, the M&A Committee also directed Ms. Hart to communicate in writing to Company A the need to address each of Pinnacle's specific concerns regarding the potential sale of the Business & Professional division, including issues relating to intellectual property and the noncompete provisions, by the close of business on March 14, 2005, including a response in writing to the draft agreements that Pinnacle had previously provided to Company A.

On March 13, 2005, Ms. Hart delivered a letter to Company A making these requests and, in a telephone call that same day, Ms. Hart and a Lazard representative discussed with a senior representative of Company A Pinnacle's request for a specific response on the various issues outlined by Pinnacle. On March 13, 2005, representatives of Company A and its financial advisor had a conference call with representatives of Pinnacle and Lazard on diligence matters.

On March 14, 2005, Company A provided a written response to Pinnacle on the issues raised by Pinnacle in its March 13, 2005 correspondence and proposed revisions to the draft agreements presented by DLA Piper, which included an affirmation of a proposed purchase price of \$120 million for the acquisition of Pinnacle's Broadcast & Professional division and certain assets and all business activities of Pinnacle's Liquid professional video editing product line. The response indicated that the assets that Company A sought to purchase could include intellectual property significant to Pinnacle's Business & Consumer division.

On March 14 and 15, 2005, Avid continued its due diligence review of Pinnacle at the offices of DLA Piper.

On March 15, 2005, representatives of Pinnacle and its financial advisors visited Avid's headquarters to conduct a due diligence review of Avid. Pinnacle's representatives met with various members of Avid's management, and received presentations and asked questions regarding Avid's business, product strategy, operations, finances and legal matters. Later that day, Ms. Hart and Mr. Chopra held a telephonic conference call with representatives of Avid and Piper Jaffray, in which Mary Dotz, Pinnacle's Chief Financial Officer, and a representative of Lazard also participated, to discuss Pinnacle's expected financial performance and to provide updated Pinnacle forecasts for future periods.

On the evening of March 15, 2005, Pinnacle's board of directors held a telephonic meeting during which Ms. Hart and the legal and financial advisors to Pinnacle reviewed with Pinnacle's board of directors the status of negotiations with Company A, including the response by Company A to the issues raised by Pinnacle, the open business issues with Company A, and Pinnacle's negotiating posture and negotiating strategy regarding the transaction. Ms. Hart and the legal and financial advisors to Pinnacle also reviewed the status of negotiations with Avid and the status of due diligence. Lazard discussed financial considerations relating to the proposed merger with Avid. DLA Piper provided a briefing on the fiduciary duties of Pinnacle's board of directors, reviewing with Pinnacle's board of directors the fact that the sale to Avid as proposed was a strategic business combination in which the shareholders could participate in the possible appreciation of the combined entity, and summarized the principal terms of the Avid merger agreement and the remaining open issues between the parties. Pinnacle's board of directors discussed the strategic rationale for the potential merger with Avid and the risks and benefits of the transaction, including the conditions to the consummation of the transaction. Pinnacle's board of directors discussed the benefits and risks of Company A's proposal, including the conditions to the transaction, the risk of protracted negotiations relating to the division of intellectual property rights and engineering personnel with no assurances of terms acceptable to Pinnacle and the potential benefits and risks to Pinnacle of Pinnacle continuing as an independent, stand-alone entity following such proposed transaction that would result in Pinnacle becoming solely a consumer business with its workforce principally located in Europe but its management located in the United States. Pinnacle's board of directors also discussed the benefits and risks of not effecting any transaction, and continuing as an independent, stand-alone entity.

On March 16, 2005, a series of telephonic conference calls were held by Ms. Hart, Mr. Krall, Mr. Milbury and the respective financial and legal advisors for Avid and Pinnacle to discuss the outstanding issues between the parties, including the proposed exchange ratio and the terms of the merger agreement. Lazard and Ms. Hart communicated the view of the M&A Committee that the value of the transaction consideration payable to Pinnacle shareholders should not be negatively impacted by any decline in the trading price of Avid common stock through signing, so that the recent decline in the trading price of Avid common stock would result in the need for a higher exchange ratio than that proposed by Avid. Following these calls, Avid's representatives convened a telephone conference call for senior management of Avid and Pinnacle and the parties' respective financial and legal advisors, and communicated a package of terms, including a proposed fixed exchange ratio for a stock-for-stock, tax-free reorganization, and responses to Pinnacle's remaining issues on the merger agreement, accommodating most of the issues raised by Pinnacle. The proposed fixed exchange ratio represented an implied value of \$6.53 per share of Pinnacle common stock based on the prior trading day's closing prices for Avid common stock, \$6.71 per share based on the average of the prior 20 trading days' closing prices of Avid common stock, and \$6.34 per share based on the closing trading price of Avid common stock that day. As proposed, the exchange ratio would not be affected by subsequent trading prices for Avid common stock.

On March 16, 2005, the M&A Committee, along with Ms. Hart, Mr. Chopra and additional members of Pinnacle's board of directors, held a telephonic meeting at which Ms. Hart, Lazard and DLA Piper reported on the status of negotiations with Avid and reviewed the proposal from Avid,

including the proposed exchange ratio and Avid's responses to outstanding issues on the merger agreement. Lazard reviewed financial considerations relating to the proposed transaction with Avid, and DLA Piper provided legal advice regarding the potential terms. The M&A Committee authorized management, Lazard and DLA Piper to continue negotiations with Avid to document the transaction as proposed.

On March 17, 2005, Ms. Hart and a representative of Lazard held a telephone conference call with representatives of Company A to discuss the terms of Company A's proposal.

On March 17, 2005, Mr. Krall advised Ms. Hart that Avid had an interest in modifying the form of consideration so that Pinnacle shareholders would receive \$1.00 in cash and the remainder of the consideration in Avid common stock, based on a revised exchange ratio designed to give equivalent value, taking into account the cash component, to the previously proposed fixed exchange ratio. The parties and their financial advisors negotiated regarding the proposed exchange ratio, and Avid proposed a revised exchange ratio as a result of these negotiations.

On the morning of March 18, 2005, the M&A Committee, along with Ms. Hart, Mr. Chopra and additional members of Pinnacle's board of directors, held a telephonic conference call in which Ms. Hart and Lazard reviewed the proposed change in the consideration and the revised exchange ratio. Lazard provided a presentation on financial considerations for the revision and DLA Piper reviewed legal considerations relating to the potential transaction, including the fact that the potential transaction would not necessarily result in a tax-free reorganization and the final tax treatment would depend on the trading price of Avid common stock at the time of closing. The M&A Committee directed that negotiations should proceed with the change in the proposed merger consideration.

Later on March 18, 2005, Pinnacle's board of directors held a special meeting at the offices of DLA Piper to discuss the potential merger of Pinnacle and Avid and the potential transaction with Company A. At that meeting, senior management of Pinnacle and representatives of Lazard and DLA Piper reviewed with Pinnacle's board of directors various matters relating to the potential business combination with Avid and the other potential transaction with Company A, including the results of their business and financial due diligence review of Avid, the respective progress and status of negotiations with Avid and Company A, and the risks and benefits of the respective potential transactions. Pinnacle's board of directors discussed the risks and uncertainties relating to the potential transaction with Company A, including the difficulties relating to the division of intellectual property and engineering personnel and the fact that such a transaction would result in Pinnacle being solely a consumer business with its workforce principally located in Europe but its management located in the United States. Management and representatives of Lazard and DLA Piper reviewed the structure of the potential business combination with Avid, including the proposed consideration and the tax treatment of the transaction, and representatives of Lazard reviewed the financial terms of the potential transaction. Pinnacle's board of directors discussed the merger consideration and the structure of the transaction, including the cash component and the fixed exchange ratio, noting that Avid had been unwilling to consider a collar. DLA Piper discussed the fiduciary duties of Pinnacle's board of directors and further reviewed with the board certain legal considerations relating to each of the potential transactions, including antitrust regulatory review and the respective risks, benefits and conditions to each transaction. DLA Piper also reviewed the principal terms of the Avid merger agreement and voting agreements. Pinnacle's board of directors directed management and its advisors to continue discussions with both parties. Ms. Hart reviewed proposals relating to retention benefits for certain Pinnacle employees and reviewed the interests certain persons might have in the merger. The compensation committee of Pinnacle's board of directors then met to review the effect of the transaction with regard to Ms. Hart's existing employment and change of control agreements with Pinnacle and the employee retention plan for other employees then being proposed by management. After discussion, the compensation committee approved a modified version of the employee retention plan.

On March 19, 2005, a representative of Lazard held a telephonic conference call with representatives of the financial advisor to Company A regarding the status of Pinnacle's internal evaluation of Company A's proposal.

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Avid's board of directors held a special meeting on March 19, 2005 to consider the proposed transaction with Pinnacle. At the meeting, Avid's senior management updated Avid's board of directors on the final results of Avid's due diligence review. Representatives of Piper Jaffray made a financial presentation to Avid's board of directors and delivered Piper Jaffray's oral opinion that, as of that date, and based upon and subject to the considerations described in its subsequently delivered written opinion, the merger consideration to be paid by Avid pursuant to the merger agreement was fair to Avid from a financial point of view. Avid's legal representatives provided a summary of the principal terms of the merger agreement and voting agreements, and reviewed the process and timing for the proposed transaction, including with respect to regulatory approvals. Following the presentations and discussion, Avid's board of directors unanimously approved the merger agreement, the proposed merger and the issuance of shares and payment of cash pursuant to the merger.

On March 20, 2005, Pinnacle's board of directors held a special meeting at which the proposed merger with Avid was discussed and considered by Pinnacle's board of directors. At this meeting, Pinnacle's senior management reviewed the strategic and business considerations relating to the Avid transaction, and the risks and benefits of the transaction. Representatives of DLA Piper reviewed the final terms of the Avid merger agreement and voting agreements. Lazard reviewed the financial terms of the proposed merger with Avid, summarized a financial presentation regarding the merger consideration, and delivered its oral opinion, subsequently confirmed in writing, to Pinnacle's board of directors that, as of March 20, 2005, based upon and subject to the factors and assumptions set forth in its opinion, the merger consideration as set forth in the merger agreement was fair, from a financial point of view, to the holders of Pinnacle common stock. Following the presentations and discussion, Pinnacle's board of directors voted unanimously to approve the merger agreement and resolved to recommend that Pinnacle shareholders vote to approve the terms of the merger.

On March 20, 2005, Avid and Pinnacle executed the merger agreement and the voting agreements, and Ms. Hart communicated to a representative of Company A that Pinnacle would not be continuing discussions with Company A because of the non-solicitation provisions of the merger agreement. On March 21, 2005, Avid and Pinnacle issued a joint press release announcing the execution of the merger agreement.

On March 28, 2005, a private equity firm, referred to in this joint proxy statement/prospectus as Company C, submitted a written proposal to Pinnacle to acquire Pinnacle for \$6.25 per share in a cash transaction that Company C represented would not involve any material regulatory approvals or shareholder vote. The proposal indicated that Company C contemplated a combination of Pinnacle with a portfolio software company, which is a business partner of Pinnacle, owned by Company C. The proposal indicated that Company C was prepared to enter into a confidentiality agreement immediately, undertake confirmatory due diligence and negotiate a definitive agreement containing substantially similar (and in some cases less restrictive) terms and conditions as the merger agreement with Avid, except that Company C contemplated a cash tender offer followed by a second step merger. As required by the merger agreement between Avid and Pinnacle, Pinnacle informed Avid of the receipt of, and provided Avid with a copy of, the March 28, 2005 letter from Company C.

On March 31, 2005, Pinnacle's board of directors held a special telephonic meeting to consider the potential transaction with Company C, with representatives from Lazard and DLA Piper in attendance. DLA Piper advised Pinnacle's board of directors regarding its fiduciary duties and Pinnacle's obligations under the merger agreement. Pinnacle's board of directors reviewed and discussed with its advisors the terms of Company C's proposal in comparison to the Avid transaction, including:

the structure and form of consideration proposed by Company C, including the possibility that Company C might not proceed with a tender offer structure after negotiations;

the tax consequences of the proposed Company C transaction compared to the Avid transaction;

the timing considerations related to each of the two transactions;

the possible conditions to the transaction proposed by Company C compared to those in the Avid transaction;

the information available to Pinnacle's board of directors and its advisors regarding Company C and its affiliates, including the apparent lack of experience of Company C and the portfolio company in completing transactions of similar size and complexity, and the lack of definitive information regarding the financial resources of Company C and possible risks associated with Company C's ability to obtain required financing; and

the lack of specificity regarding the particular issues requiring due diligence or the time required for the due diligence process.

Pinnacle's board of directors noted the historical and recent post-announcement trading prices of Avid common stock and considered the possible fluctuation in the trading price of Avid common stock during the pendency of the Avid transaction. Pinnacle's board of directors also considered the potential risks and benefits of the business combination with Avid, including the strategic rationale and the possible appreciation in value of the combined company if the benefits of the combination were realized. Pinnacle's board of directors noted that the Avid transaction permitted Pinnacle shareholders who continued to hold Avid stock following the transaction to participate in the possible appreciation of the combined business if the strategic benefits of the combination were realized, while the Company C proposal was a cash transaction and Pinnacle shareholders would not have the ability to participate in any appreciation in the value of the combined business after the transaction. In addition, Pinnacle's board of directors considered:

risks associated with a due diligence process with Company C, including the possibility that due diligence would disrupt Pinnacle's business or that a transaction might not be proposed by Company C on similar terms following a due diligence process;

the absence of a specific plan for financing by Company C and the possibility of complications arising due to participation of multiple parties;

risks related to the potential delay and distraction associated with such a process on Pinnacle's business;

the possible effect of such risks on the terms of Company C's proposal;

the possible impact of the participation of Pinnacle in negotiations or due diligence with Company C on the likelihood of consummation of the Avid transaction; and

risks related to the condition of Avid stockholder approval.

After a review and discussion of the possible benefits and risks of Company C's proposal compared with the Avid transaction. Pinnacle's board of directors determined in good faith, after consultation with Lazard and DLA Piper, that Company C's proposal was not reasonably likely to lead to a "superior proposal," as defined in the merger agreement. On April 1, 2005, Pinnacle informed Company C of this determination.

On April 1, 2005, Company C submitted a letter to Pinnacle reiterating its continued interest in a possible acquisition of Pinnacle for \$6.25 per share in a cash transaction, providing information as to the potential interest of a co-investor in participating in Company C's financing of the proposed acquisition and limited additional information concerning Company C's financial resources, and reiterating the proposed terms, conditions and process set forth in its prior letter. As required by the merger agreement between Avid and Pinnacle, Pinnacle informed Avid of the receipt of, and provided Avid with a copy of, the April 1, 2005 letter from Company C.

On April 4, 2005, Pinnacle's board of directors held a special telephonic meeting to consider the communication from Company C, with representatives from Lazard and DLA Piper in attendance. DLA Piper advised Pinnacle's board of directors regarding its fiduciary duties and Pinnacle's obligations under the merger agreement. Pinnacle's board of directors reviewed the historical and recent post-announcement trading prices of Avid common stock and noted the possible fluctuation in the trading price of Avid common stock during the pendency of the Avid transaction. Pinnacle's board of directors also reviewed the conditions to the Avid transaction, including the respective stockholder and shareholder vote requirements for Avid and Pinnacle. Pinnacle's board of directors reviewed the additional information provided by Company C in its April 1, 2005 letter, including the representation by Company C of an indication of interest of a co-participant in the financing for the proposed acquisition, although the third party had made no commitment. Pinnacle's board of directors considered the possible impact of a co-participant in the diligence process if one were commenced. Pinnacle's board of directors reviewed an analysis prepared by Lazard regarding the potential tax implications of the Company C transaction and an analysis of the historical trading prices of Avid common stock. Pinnacle's board of directors noted that Company C had not increased its price per share, nor had it provided any specificity regarding the particular issues requiring due diligence or the time required for due diligence, and it had also not provided any specific plan for financing, definitive information regarding its financial resources, or any commitment by third parties for such financing.

Pinnacle's board of directors also reviewed the considerations relating to both the Company C proposal and the Avid transaction previously reviewed at its meeting held on March 31, 2005, including the difference in the amount, form and structure of consideration offered by Company C and Avid and the risks and benefits of the respective transactions. Pinnacle's board of directors also discussed the risks of a due diligence process with Company C, the possibility that due diligence would disrupt Pinnacle's business and the possibility that a transaction might not be proposed by Company C on similar terms following a due diligence process.

Pinnacle's board of directors concluded that the information provided by Company C in its April 1, 2005 letter did not change the prior conclusion of Pinnacle's board of directors regarding the Company C proposal. After a review and discussion of the possible benefits and risks of Company C's proposal compared to the Avid transaction, Pinnacle's board of directors determined in good faith, after consultation with Lazard and DLA Piper, that Company C's proposal was not reasonably likely to lead to a "superior proposal," as defined in the merger agreement. On April 4, 2005, Pinnacle informed Company C of this determination.

On April 7, 2005, a representative of Company C sent an electronic mail correspondence to Mr. Chopra in response to Mr. Chopra's cancellation of a routine business meeting that had been previously scheduled with the portfolio software company owned by Company C. The correspondence repeated Company C's interest in acquiring Pinnacle and its desire to engage in discussions with Pinnacle's board of directors regarding the proposed acquisition, stating Company C's belief that its proposed cash offer was superior to Avid's offer along multiple dimensions and requesting that this communication and interest be disseminated to Pinnacle's board of directors. The electronic mail correspondence was provided by Ms. Hart to all Pinnacle directors and provided to Avid.

On April 13, 2005, Pinnacle made a public announcement regarding its preliminary expectations of net sales for its third quarter of fiscal 2005, indicating that it anticipated third-quarter net sales of approximately \$64 million to \$66 million, lower than its previous expectations of \$70 million to \$73 million (as adjusted for the sale of Pinnacle's Sports business in Pinnacle's third fiscal quarter). Pinnacle noted in the announcement that initial uncertainty regarding the potential impact of the Avid transaction contributed to its revised sales outlook, as orders had slowed from Pinnacle's distribution channels, principally in Europe, in the last 10 days of the quarter.

On April 13, 2005, Company C submitted a letter to Pinnacle reaffirming its continued interest in a possible acquisition of Pinnacle, indicating a proposed purchase price range of \$6.25 to \$7.00 per share in a cash transaction, with the final value to be determined following expedited, confirmatory diligence, and acknowledging Pinnacle's announcement of its revised expectations for its third fiscal quarter results. The letter also indicated that Company C had engaged in discussions with a large strategic partner very familiar with Pinnacle that had expressed an interest in an immediate purchase of a portion of Pinnacle's business, but advised that Company C would be prepared to complete a transaction for all of Pinnacle with or without participation of this strategic partner. The letter reiterated the proposed conditions set forth in its prior letter to Pinnacle dated March 28, 2005. As required by the merger agreement between Avid and Pinnacle, Pinnacle informed Avid of the receipt of, and provided Avid with a copy of, the April 13, 2005 letter from Company C.

On April 14, 2005, Pinnacle's board of directors held a special telephonic meeting during which Pinnacle's board of directors considered the latest correspondence from Company C, with representatives from Lazard and DLA Piper in attendance. DLA Piper advised Pinnacle's board of directors regarding its fiduciary duties and Pinnacle's obligations under the merger agreement. Pinnacle's board of directors reviewed the historical and recent post announcement trading prices of Avid common stock and noted the possible fluctuation in the trading price of Avid common stock during the pendency of the Avid transaction. Pinnacle's board of directors reviewed the additional information provided by Company C in its April 13, 2005 letter, including the acknowledgement of Pinnacle's announcement of revised revenue expectations, Company C's indication of a willingness to proceed with a transaction with a range of possible values from \$6.25 to \$7.00 subject to due diligence, and the reference to a strategic partner interested in a portion of Pinnacle's business. Pinnacle's board of directors reviewed considerations relating to both the Company C proposal and the Avid transaction, including:

the ambiguity of the Company C purchase price as expressed as a range, with the low end of the range being no different than the amount previously offered, and no commitment to proceed at the high end of the range;

the difference in the amount and forms of consideration and structures of the transactions offered by Company C and Avid;

the potential risks and benefits of the respective transactions;

the conditions to the Avid transaction and the likely conditions to a transaction with Company C;

the continued lack of a specific plan for financing by Company C and the possibility of complications arising due to participation by multiple parties;

the requirement that Avid obtain stockholder approval of an amendment to its certificate of incorporation to increase the number of authorized shares of Avid common stock in order to enable the issuance of Avid common stock in the merger, and Avid's plans regarding solicitation of proxies and other communication relating to stockholder approval;

the indication by Company C of its continued interest despite Pinnacle's preannouncement, subject to diligence;

the continued lack of specificity by Company C regarding the particular issues requiring due diligence and the time required for due diligence;

the risks related to the due diligence process with Company C, including the ambiguity of Company C's indication of its willingness to engage in "expedited, confirmatory diligence" when the price being offered was not established for such confirmatory diligence and specific diligence issues were not identified, the possible impact of adding yet another participant to the due

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

diligence process and the possible adverse impact of a further due diligence process on Pinnacle's business; and

the impact of discussions or due diligence with Company C on the transaction with Avid, including possible delay or distraction in Avid's efforts to obtain Avid stockholder approval.

After a review and discussion of the possible benefits and risks of Company C's proposal compared to the Avid transaction, Pinnacle's board of directors determined in good faith, after consultation with Lazard and DLA Piper, that Company C's proposal was not reasonably likely to lead to a "superior proposal," as defined in the merger agreement. On April 15, 2005, Pinnacle informed Company C of this determination.

Consideration of the Merger by Avid

Avid's Reasons for the Merger and Board Approval

Avid believes that its acquisition of Pinnacle presents a compelling strategic opportunity for Avid to expand its product offerings and customer base significantly. Following the completion of the merger, Avid will offer a full range of digital media solutions for professionals and consumers, ranging from home video and audio editing applications to the most advanced content creation products for enterprise customers in the film, video, television, broadcast, audio and computer graphics industries.

Avid also expects that as a result of the acquisition it will derive synergies from a number of sources, including the development of new products, leveraging of the existing channels and sales forces of both companies to reach more customers, operational efficiencies from combining functions where appropriate, the consolidation of redundant facilities and infrastructure, and the reduction of public company expenses.

The decision of Avid's board of directors to approve the merger and the issuance of Avid common stock in the merger was based on various potential benefits of the merger. In reaching its decision to approve the merger, Avid's board of directors considered a number of factors, including the following:

information concerning Avid and Pinnacle's respective businesses, operating results, financial condition, operations, management, competitive positions and prospects;

the complementary nature of each company's digital media products and user bases, allowing the combined company to serve the full spectrum of digital media customer needs from entry-level consumer products to high-end professional products;

the expected synergies from the combined research and development and marketing and sales efforts of the two companies following the merger and the potential operational benefits from the combination, including reduced public company costs;

the results of Avid's due diligence review of Pinnacle's business, finances and operations; and

the opinion of Avid's financial advisor that, as of March 19, 2005, and based upon and subject to the considerations described in its written opinion, the merger consideration to be paid by Avid pursuant to the merger agreement was fair to Avid from a financial point of view.

Avid's board of directors also considered a number of factors relating to each of Pinnacle's two operating segments.

In the broadcast segment, Avid's board of directors considered the following factors, among others:

Professional broadcasters continue to look for more efficient ways to work, and the acquisition of Pinnacle will significantly enhance the family of broadcast solutions and capabilities Avid can offer to these customers. Once completed, the

acquisition will extend Avid's end-to-end broadcast production pipeline with an expanded and integrated set of solutions and individual

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

components, including world-class products such as Pinnacle's Deko on-air graphics system, MediaStream playout servers and Liquid non-linear editing and post-production solutions, as well as other complementary software and services, customer relationships, sales channels and domain expertise.

Avid's current broadcast product line which includes solutions and components for ingest, editing, storage, media asset management and playout is built on open standards that enable integration with a range of third-party products, including systems from Pinnacle. For example, Avid's iNEWS system can be integrated with Pinnacle's Deko on-air graphics system to provide automated control of newsroom content. Avid expects to achieve additional integration between Avid and Pinnacle products after the acquisition is completed.

The acquisition will permit Avid to offer a richer set of offerings to broadcasters who are transitioning from analog to all-digital production. For example, Avid's global sales teams will be able to present a broader portfolio of products including Pinnacle's broadcast playout servers and on-air graphics systems to existing customers and prospects.

In the consumer segment, Avid's board of directors took into account a number of factors, including the following:

Following the acquisition, customers will be able to choose from a wide range of products from Avid, the company that pioneered the industry of digital nonlinear editing. Customers who use Avid and Pinnacle products will benefit from their solutions being road-mapped, designed, engineered, upgraded and supported by a team that includes some of the industry's most talented scientists, engineers and product designers.

Pinnacle's consumer video business which to date has shipped more than 10 million units will provide Avid with an immediate avenue into that segment and complements Avid's 2004 acquisition of M-Audio, which enabled Avid to expand into the consumer end of the audio business. Avid expects Pinnacle's consumer video business will form the basis for a new consumer video division at Avid. Avid expects to be able to leverage Pinnacle's well-established sales channels throughout the world to increase sales of other Avid products.

The acquisition will permit Avid to reach into the next generation of video editors while they are still learning their craft. While not all of the millions of customers who use Pinnacle's consumer products will move up to Avid's professional solutions, they will have the choice to pursue professional editing by upgrading through the range of professional products offered by Avid.

During the course of its deliberations concerning the merger, Avid's board of directors also identified and considered a variety of risks relating to the merger, including the following:

the risk that the potential benefits sought in the merger might not be fully realized;

the challenges, costs and diversion of management time associated with combining and integrating the two companies following the closing;

the fact that Avid has relatively little experience in the consumer video business, and the possibility that the acquisition could slow Avid's revenue growth or reduce its operating margins;

the possibility that the merger might not be completed;

the possible expense and delays associated with obtaining antitrust regulatory approval for the merger;

the effect of the public announcement of the merger on Avid and Pinnacle's respective businesses, including employees, customers and suppliers;

the fact that the merger agreement is not subject to termination by Avid solely as a result of any failure by Pinnacle to meet internal projections or forecasts or published revenue or earnings predictions, any cancellation or deferral of customer orders, reductions in sales, disruption in supplier, distributor, partner or similar relationships, or loss of broadcast employees attributable to the public announcement or pendency of the merger or any decrease in the trading price of Pinnacle common stock; and

the other risks described in this joint proxy statement/prospectus under the section entitled "Risk Factors."

This discussion of information and factors considered by Avid's board of directors is not intended to be exhaustive, but is intended to summarize all material factors considered by Avid's board of directors. In view of the wide variety of factors considered by Avid's board of directors, Avid's board of directors did not find it practicable to quantify or otherwise assign relative weights to the specific factors considered. However, after taking into account all of the factors set forth above, Avid's board of directors unanimously agreed that the merger agreement and the merger were fair to, and in the best interests of, Avid and that Avid should enter into the merger agreement.

Opinion of Avid's Financial Advisor

Avid retained Piper Jaffray to render to Avid's board of directors an opinion as to the fairness, from a financial point of view, of the consideration to be paid by Avid in the merger.

Piper Jaffray delivered to Avid's board of directors on March 19, 2005, its opinion, as of that date and based upon and subject to the assumptions, factors, qualifications and limitations set forth in the written opinion and described below, that the consideration proposed to be paid by Avid in the proposed merger was fair, from a financial point of view, to Avid. A copy of Piper Jaffray's written opinion is attached to this joint proxy statement/prospectus as Annex D and is incorporated into this joint proxy statement/prospectus by reference.

While Piper Jaffray rendered its opinion and provided certain analyses to Avid's board of directors, Piper Jaffray was not requested to and did not make any recommendation to Avid's board of directors as to the specific form or amount of the consideration to be paid by Avid in the proposed merger, which was determined through negotiations between Pinnacle and Avid. Piper Jaffray's written opinion, which was directed to Avid's board of directors, addresses only the fairness, from a financial point of view, of the proposed consideration to be paid by Avid in the proposed merger, does not address Avid's underlying business decision to participate in the merger and does not constitute a recommendation to any Avid stockholder as to how any stockholder should vote with respect to the proposed amendment to Avid's certificate of incorporation to increase the number of Avid's authorized shares of common stock which will enable the issuance of shares of Avid common stock in the merger.

In arriving at its opinion, Piper Jaffray's review included:

a draft of the merger agreement dated March 18, 2005;

publicly available financial and other data with respect to Avid and Pinnacle;

internal financial information of Pinnacle prepared for financial planning purposes and furnished by the management of Pinnacle;

internal financial information of Avid on a stand-alone basis and as a combined company with Pinnacle, prepared for financial planning purposes and furnished by the management of Avid;

Wall Street research estimates for Avid and Pinnacle;

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

reported prices and trading activity of the common stock of Avid and Pinnacle and similar information for certain other companies Piper Jaffray deemed comparable to Avid and Pinnacle; and

financial terms, to the extent publicly available, of certain transactions Piper Jaffray deemed comparable to the proposed merger.

In addition, Piper Jaffray conducted discussions with members of senior management of Avid and Pinnacle with respect to the business and prospects of Avid and Pinnacle on a stand-alone basis and on a combined basis following the merger.

In delivering its opinion to Avid's board of directors, Piper Jaffray prepared and delivered to Avid's board of directors written materials containing various analyses and other information material to the opinion. Here is a summary of the analyses contained in the materials:

Implied Consideration

Giving effect to the 0.0869 of a share of Avid common stock consideration and \$1.00 cash consideration, the implied value of the consideration offered to Pinnacle in the merger was determined to be \$6.47 per share of Pinnacle common stock (based on the closing price for Avid common stock on March 18, 2005). Based on the number of outstanding Pinnacle common shares and common share equivalents, Piper Jaffray calculated the aggregated implied equity value of the consideration payable in the merger to be approximately \$461.5 million. Piper Jaffray also calculated the implied enterprise value (which is equity value plus debt and less cash) of Pinnacle to be approximately \$333.1 million.

Historical Trading Analysis

Piper Jaffray reviewed the price performance, trading volume and stock trading history of Pinnacle and Avid common stock over selected periods during the previous 12 months. Piper Jaffray presented the stock trading information contained in the following table:

	<u>Pinnacle</u>	<u>Avid</u>
Closing price on March 18, 2005	\$ 4.97	\$ 62.95
Closing price 1 week prior	4.24	64.86
Closing price 4 weeks prior	4.28	65.43
6 month closing average	4.75	57.61
1 year closing average	5.55	52.74
52 week high trade	9.91	68.35
52 week low trade	3.25	40.90

Piper Jaffray also presented selected price and volume distribution data of Pinnacle and Avid.

Pinnacle Comparable Company Analysis

Piper Jaffray compared financial information and valuation ratios relating to Pinnacle to corresponding data and ratios from ten publicly traded companies Piper Jaffray deemed comparable to Pinnacle. This group was Adobe Systems Incorporated, Avid, AutoDesk, Inc., InterVideo, Inc., Leitch Technology Corporation, Macromedia, Inc., Macrovision Corporation, SeaChange International, Inc., Sonic Solutions and Thomson S.A. Piper Jaffray selected this group by applying the following criteria:

publicly traded companies that are engaged in providing digital media solutions;

companies with primary Standard Industrial Codes, or SIC codes, similar to that of Pinnacle; and

companies that Piper Jaffray deemed similar to Pinnacle's business.

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

Piper Jaffray used publicly available Wall Street research estimates for Avid and the comparable company group, except for Pinnacle for which Piper Jaffray used Pinnacle's management's estimates. This analysis produced multiples of selected valuation data which Piper Jaffray compared to multiples for Pinnacle derived from the implied value payable in the merger.

	Comparable Companies				
	Pinnacle	Low	Mean	Median	High
Enterprise value to latest twelve months revenue	1.1x	0.8x	4.1x	4.3x	10.0x
Enterprise value to estimated calendar 2005 revenue	1.1	0.8	3.4	3.0	8.9
Enterprise value to estimated calendar 2006 revenue	1.0	0.8	3.2	2.8	8.1
Latest twelve months price to earnings ratio	NM(1)	16.3	29.3	29.4	41.8
Price to earnings ratio for calendar 2005	59.5	13.3	24.8	22.8	39.0
Price to earnings ratio for calendar 2006	30.3	9.3	20.0	19.4	34.1

(1) Data not meaningful because Pinnacle did not have positive earnings in the twelve months ended December 31, 2004.

Merger and Acquisition Analysis

Piper Jaffray reviewed five merger and acquisition transactions that it deemed comparable to the merger. It selected these transactions by searching SEC filings, public company disclosures, press releases, industry and popular press reports, databases and other sources and by applying the following criteria:

transactions involving companies with primary SIC codes similar to that of Pinnacle;

transactions involving the companies comparable to Pinnacle that are identified above;

transactions in which the company being acquired had a business that Piper Jaffray deemed similar to Pinnacle's business in the digital media industry;

transactions completed between January 1, 2000 and March 18, 2005; and

transactions that were not share repurchases or acquisitions of a minority interest.

Piper Jaffray compared the resulting multiples of selected valuation data to multiples for Pinnacle derived from the implied value payable in the merger.

	Comparable Transactions				
	Pinnacle	Low	Mean	Median	High
Enterprise value to latest twelve months revenue	1.1x	0.9x	1.7x	1.7x	2.9x
Enterprise value to next twelve months revenue	1.1	0.8	1.5	1.7	2.3
Equity value to latest twelve months net income	NM(1)	24.4	36.8	36.8	49.3
Equity value to next twelve months net income	59.5	9.8	38.1	12.9	91.6

(1) Data not meaningful because Pinnacle did not have positive earnings in the twelve months ended December 31, 2004.

Premiums Paid Analysis

Piper Jaffray reviewed 35 completed merger and acquisition transactions that it deemed comparable to the merger to determine the implied premiums payable in the transactions over recent trading prices. It selected these transactions by searching SEC filings, public company disclosures, press

Edgar Filing: AVID TECHNOLOGY INC - Form S-4

releases, industry and popular press reports, databases and other sources and by applying the following criteria:

transactions involving companies with primary SIC codes similar to that of Pinnacle;

transactions involving the ten companies deemed by Piper Jaffray to be comparable to Pinnacle that were used for the Pinnacle comparable company analysis above;

transactions completed between January 1, 2003 and March 18, 2005;

transactions with equity values between \$75 million and \$1 billion;

transactions in which the company being acquired was publicly traded; and

transactions that were not share repurchases, acquisitions of a minority interest or acquisitions of a division.

The table below shows a comparison of those premiums to the premium payable to Pinnacle shareholders based on the implied value payable in the merger. The premium calculations for Pinnacle common stock are based upon an assumed announcement date of March 19, 2005:

	Comparable Transactions				
	Pinnacle	Low	Mean	Median	High
One day before announcement	30.2%	(0.5)%	34.5%	23.3%	260.0%
One week before announcement	52.6	(3.9)	34.9	27.5	239.6
Four weeks before announcement	51.2	(2.7)	46.2	40.0	267.4

Pinnacle Discounted Cash Flow Analysis

Piper Jaffray performed a discounted cash flow analysis for Pinnacle in which it calculated the present value of the projected future cash flows of Pinnacle using Pinnacle's management's projections. Piper Jaffray estimated a range of theoretical values for Pinnacle based on the net present value of its implied annual cash flows and a terminal value for Pinnacle in 2009 calculated based upon a multiple of revenue. Piper Jaffray applied a range of discount rates of 15% to 20% and a range of terminal value multiples of 1.0x to 1.5x of projected 2009 revenue:

Equity Value of Pinnacle	
(in millions)	
Low	\$ 407.9
Mid	489.9
High	586.6
Per Share Equity Value of Pinnacle	
Low	\$ 5.82
Mid	6.99
High	8.37