

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants who purchased Avid securities between April 22, 2011 and February 22, 2013, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under §§ 10(b) and 20(a) Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder against the Company and certain of its top officials.

2. Avid develops, markets, sells, and supports a variety of software and systems for creating and manipulating digital media content. The Company develops and sells digital editing systems and newsroom computer systems, as well as digital audio systems. Avid’s products are used worldwide in production and post-production film, video, and television facilities.

3. On February 25, 2013, the Company disclosed that it was postponing the release of its financial results for the fourth quarter of 2012 as it needed additional time “to evaluate its current and historical accounting treatment related to bug fixes, upgrades and enhancements to certain products which the Company has provided to certain customers.”

4. On these revelations, Avid shares declined \$0.68 per share or nearly 9%, to close at \$6.98 per share on February 25, 2013.

5. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company incorrectly accounted for its Software Updates by failing to properly treat the Software Updates as post-contract customer support under U.S. Generally Accepted Accounting Principles; (2) the Company lacked adequate internal and

financial controls; and (3) as a result of the foregoing, the Company's statements were materially false and misleading at all relevant times.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1331.

9. Venue is proper in this District pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1391(b) as Avid's principal place of business is located within this District.

10. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

11. Plaintiff as set forth in the attached certification purchased Avid securities at artificially inflated prices during the Class Period and has been damaged thereby.

12. Defendant Avid is a Delaware corporation, with its principal place of business located at 75 Network Drive, Burlington, MA 01803. Avid's common stock trades on the NASDAQ Global Market ("NASDAQ") under the ticker symbol "AVID."

13. Defendant Gary G. Greenfield ("Greenfield") was, at all relevant times, the Company's CEO and President through February 10, 2013.

14. Defendant Kenneth A. Sexton ("Sexton") was, at all relevant times, has been the Company's Chief Financial Officer ("CFO"), Executive Vice President and Chief Accounting Officer.

15. The Defendants referenced above in ¶¶ 13 - 14 are sometimes referred to herein as the "Individual Defendants."

SUBSTANTIVE ALLEGATIONS

Background

16. Avid is a leading provider of digital media content-creation products and solutions for audio, film, video, and broadcast professionals, as well as artists and creative enthusiasts. The Company's audio and video solutions are designed to be extensions of the people using them, so that they amplify creativity, speed production processes and provide the science behind the art of making great creative experiences.

Materially False and Misleading Statements Issued During the Class Period

17. On April 21, 2011, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2011. For the quarter, the Company reported net loss of \$5 million, or (\$0.13) diluted earnings per share ("EPS") and net revenues of \$166.3 million, as compared to net loss of \$13.5 million, or (\$0.36) diluted EPS and net revenues of \$156 million for the same period a year ago.

18. On May 10, 2011, the Company filed a quarterly report for the period ended March 31, 2011 on Form 10-Q with the SEC, which was signed by Defendant Sexton and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Greenfield and Sexton, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

19. The Form 10-Q stated the following concerning its revenue recognition policy:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenues the Company reports. For example, the Company often receives multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists.

Generally, the products the Company sells do not require significant production, modification or customization of software. Installation of the products is generally routine, consists of implementation and configuration and does not have to be performed by Avid. However, certain transactions for the Company's video products, typically complex solution sales that include a significant number of products and may involve multiple customer sites, require the Company to perform an installation effort that it deems to be complex, non-routine and essential to the functionality of the products delivered. In these situations, the Company does not recognize revenues for either the products shipped or services performed until the essential services have been completed. In addition, if these orders include a customer acceptance provision, no revenues are recognized until the customer's formal acceptance of the products and services has been received.

In the first quarter of fiscal 2011, the Company adopted ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, Revenue Recognition, and ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software – Revenue Recognition*. ASU No. 2009-13 requires the allocation of revenue, based on the relative selling price of each deliverable, to each unit of

accounting for multiple-element arrangements. It also changes the level of evidence of standalone selling price required to separate deliverables by allowing a best estimate of the standalone selling price of deliverables when more objective evidence of fair value, such as vendor-specific objective evidence or third-party evidence, is not available. ASU No. 2009-14 amends ASC Subtopic 985-605 to exclude sales of tangible products containing both software and non-software components that function together to deliver the tangible products essential functionality from the scope of revenue recognition requirements for software arrangements. The Company adopted this accounting guidance prospectively and applied its provisions to arrangements entered into or materially modified after December 31, 2010.

The Company recognizes revenue from the sale of non-software products, including software bundled with hardware that is essential to the functionality of the hardware, under the general revenue recognition accounting guidance of ASC Topic 605, *Revenue Recognition* and ASC Subtopic 605-25 *Revenue Recognition – Multiple-Element Arrangements*. The Company recognizes revenue in accordance with ASC Subtopic 985-605, *Software – Revenue Recognition* for the following types of sales transactions: (i) standalone sales of software products and related upgrades and (ii) sales of software elements that are bundled with non-software elements, when the software elements are not essential to the functionality of the non-software elements.

For 2011 and future periods, pursuant to the guidance of ASU No. 2009-13, when a sales arrangement contains multiple elements, such as non-software products, software products, customer support services, and/or professional services, the Company allocates revenue to each element based on the aforementioned selling price hierarchy. Revenue is allocated to each separate unit of accounting for each of the non-software deliverables and to the software deliverables as a group using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is then recognized using the guidance for recognizing software revenue, as amended.

20. On July 21, 2011, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2011. For the quarter, the Company reported a net loss of \$11.9 million, or (\$0.31) diluted EPS and net revenues of \$161 million, as compared to a net loss of \$12.9 million, or (\$0.34) diluted EPS and net revenues of \$162 million for the same period a year ago.

21. On August 9, 2011, the Company filed a quarterly report for the period ended June 30, 2011 on Form 10-Q with the SEC, which was signed by Defendant Sexton and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to SOX by Defendants Greenfield and Sexton, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

22. The Form 10-Q stated the following concerning its revenue recognition policy:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenues the Company reports. For example, the Company often receives multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists.

Generally, the products the Company sells do not require significant production, modification or customization of software. Installation of the products is generally routine, consists of implementation and configuration and does not have to be performed by Avid. However, certain transactions for the Company's video products, typically complex solution sales that include a significant number of products and may involve multiple customer sites, require the Company to perform an installation effort that it deems to be complex, non-routine and essential to the functionality of the products delivered. In these situations, the Company does not recognize revenues for either the products shipped or services performed until the essential services have been completed. In addition, if these orders include a customer acceptance provision, no revenues are recognized until the customer's formal acceptance of the products and services has been received. In the first quarter of fiscal 2011, the Company adopted ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, Revenue Recognition, and ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software – Revenue Recognition*. ASU No. 2009-13 requires the allocation of revenue, based on the relative selling price of each deliverable, to each unit of accounting for multiple-element arrangements. It also changes the level of

evidence of standalone selling price required to separate deliverables by allowing a best estimate of the standalone selling price of deliverables when more objective evidence of fair value, such as vendor-specific objective evidence or third-party evidence, is not available. ASU No. 2009-14 amends ASC Subtopic 985-605 to exclude sales of tangible products containing both software and non-software components that function together to deliver the tangible products essential functionality from the scope of revenue recognition requirements for software arrangements. The Company adopted this accounting guidance prospectively and applied its provisions to arrangements entered into or materially modified after December 31, 2010.

The Company recognizes revenue from the sale of non-software products, including software bundled with hardware that is essential to the functionality of the hardware, under the general revenue recognition accounting guidance of ASC Topic 605, *Revenue Recognition* and ASC Subtopic 605-25 *Revenue Recognition – Multiple-Element Arrangements*. The Company recognizes revenue in accordance with ASC Subtopic 985-605, *Software – Revenue Recognition* for the following types of sales transactions: (i) standalone sales of software products and related upgrades and (ii) sales of software elements that are bundled with non-software elements, when the software elements are not essential to the functionality of the non-software elements.

23. On October 27, 2011, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2011. For the quarter, the Company reported a net loss of \$8 million, or (\$0.21) diluted EPS and net revenues of \$165 million, as compared to a net loss of \$10 million, or (\$0.26) diluted EPS and net revenues of \$165 million for the same period a year ago.

24. On November 10, 2011, the Company filed a quarterly report for the period ended September 30, 2011 on Form 10-Q with the SEC, which was signed by Defendant Sexton and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to SOX by Defendants Greenfield and Sexton, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

25. The Form 10-Q stated the following concerning its revenue recognition policy:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenues the Company reports. For example, the Company often receives multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists.

Generally, the products the Company sells do not require significant production, modification or customization of software. Installation of the products is generally routine, consists of implementation and configuration and does not have to be performed by Avid. However, certain transactions for the Company's video products, typically complex solution sales that include a significant number of products and may involve multiple customer sites, require the Company to perform an installation effort that it deems to be complex, non-routine and essential to the functionality of the products delivered. In these situations, the Company does not recognize revenues for either the products shipped or services performed until the essential services have been completed. In addition, if these orders include a customer acceptance provision, no revenues are recognized until the customer's formal acceptance of the products and services has been received. In the first quarter of fiscal 2011, the Company adopted ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, Revenue Recognition, and ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software – Revenue Recognition*. ASU No. 2009-13 requires the allocation of revenue, based on the relative selling price of each deliverable, to each unit of accounting for multiple-element arrangements. It also changes the level of evidence of standalone selling price required to separate deliverables by allowing a best estimate of the standalone selling price of deliverables when more objective evidence of fair value, such as vendor-specific objective evidence or third-party evidence, is not available. ASU No. 2009-14 amends ASC Subtopic 985-605 to exclude sales of tangible products containing both software and non-software components that function together to deliver the tangible products essential functionality from the scope of revenue recognition requirements for software arrangements. The Company adopted this accounting guidance prospectively and applied its provisions to arrangements entered into or materially modified after December 31, 2010.

The Company recognizes revenue from the sale of non-software products, including software bundled with hardware that is essential to the functionality of the hardware, under the general revenue recognition accounting guidance of ASC

Topic 605, *Revenue Recognition* and ASC Subtopic 605-25 *Revenue Recognition – Multiple-Element Arrangements*. The Company recognizes revenue in accordance with ASC Subtopic 985-605, *Software – Revenue Recognition* for the following types of sales transactions: (i) standalone sales of software products and related upgrades and (ii) sales of software elements that are bundled with non-software elements, when the software elements are not essential to the functionality of the non-software elements.

26. On February 7, 2012, the Company issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2011. For the fourth quarter, the Company reported net income of \$1.2 million, or \$0.03 diluted EPS and net revenues of \$185 million, as compared to a net loss of \$571,000, or (\$0.01) diluted EPS and net revenues of \$195 million for the same period a year ago. For the year, the Company reported a net loss of \$23.8 million, or (\$0.62) diluted EPS and net revenues of \$677.9 million, as compared to a net loss of \$37 million, or (\$0.98) diluted EPS and net revenues of \$678.5 million for the same period a year ago.

27. On February 29, 2012, the Company filed an annual report for the period ended December 31, 2011 on Form 10-K with the SEC, which was signed by, among others, Defendants Greenfield and Sexton and reiterated the Company's previously announced annual financial results and financial position. In addition, the Form 10-K contained signed certifications pursuant to SOX by Defendants Greenfield and Sexton stating that the financial information contained in the Form 10-K was accurate and disclosed any material changes to the Company's internal control over financial reporting.

28. The 10-K represented the following concerning the Company's revenue recognition policy:

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a

significant impact on the timing and amount of revenues we report. For example, we often receive multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists.

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

In the first quarter of fiscal 2011, the Company adopted ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to ASC Topic 605, Revenue Recognition, and ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to ASC Subtopic 985-605, *Software - Revenue Recognition*. ASU No. 2009-13 requires the allocation of revenue, based on the relative selling price of each deliverable, to each unit of accounting for multiple-element arrangements. It also changes the level of evidence of standalone selling price required to separate deliverables by allowing a best estimate of the standalone selling price of deliverables when more objective evidence of fair value, such as vendor-specific objective evidence or third-party evidence, is not available. ASU No. 2009-14 amends ASC Subtopic 985-605 to exclude sales of tangible products containing both software and non-software components that function together to deliver the tangible products essential functionality from the scope of revenue recognition requirements for software arrangements. The Company adopted this accounting guidance prospectively and applied its provisions to arrangements entered into or materially modified after December 31, 2010.

The Company recognizes revenue from the sale of non-software products, including software bundled with hardware that is essential to the functionality of the hardware, under the general revenue recognition accounting guidance of ASC Topic 605, *Revenue Recognition* and ASC Subtopic 605-25 *Revenue Recognition - Multiple-Element Arrangements*. The Company recognizes revenue in accordance with ASC Subtopic 985-605, *Software - Revenue Recognition* for the following types of sales transactions: (i) standalone sales of software products and related upgrades and (ii) sales of software elements that are bundled with non-

software elements, when the software elements are not essential to the functionality of the non-software elements.

For 2011 and future periods, pursuant to the guidance of ASU No. 2009-13, when a sales arrangement contains multiple elements, such as non-software products, software products, customer support services, and/or professional services, the Company allocates revenue to each element based on the aforementioned selling price hierarchy. Revenue is allocated to the non-software deliverables as a group and to the software deliverables as a group using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is then recognized using the guidance for recognizing software revenue, as amended.

29. On April 26, 2012, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2012. For the quarter, the Company reported a net loss of \$15.6 million, or (\$0.40) diluted EPS and net revenues of \$152.1 million, as compared to a net loss of \$5 million, or (\$0.13) diluted EPS and net revenues of \$166.3 million for the same period a year ago.

30. On May 10, 2012, the Company filed a quarterly report for the period ended March 31, 2012 on Form 10-Q with the SEC, which was signed by Defendant Sexton and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to SOX by Defendants Greenfield and Sexton, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

31. On July 30, 2012, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2012. For the quarter, the Company reported a net loss of \$39 million, or (\$1.01) diluted EPS and net revenues of \$157.4 million, as compared to a

net loss of \$11.1 million, or (\$0.29) diluted EPS and net revenues of \$161.8 million for the same period a year ago.

32. On August 9 2012, the Company filed a quarterly report for the period ended June 30, 2012 on Form 10-Q with the SEC, which was signed by Defendant Sexton and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to SOX by Defendants Greenfield and Sexton, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

33. On October 29, 2012, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2012. For the quarter, the Company reported a net loss of \$17.4 million, or (\$0.45) diluted EPS and net revenues of \$127.2 million, as compared to a net loss of \$7.6 million, or (\$0.20) diluted EPS and net revenues of \$165 million for the same period a year ago.

34. On November 9, 2012, the Company filed a quarterly report for the period ended September 30, 2012 on Form 10-Q with the SEC, which was signed by Defendant Sexton and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to SOX by Defendants Greenfield and Sexton, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

35. On February 11, 2013, the Company announced that its Board of Directors appointed Director Louis Hernandez as president and chief executive officer, effective immediately. Mr. Hernandez replaced Defendant Greenfield.

36. The statements referenced in ¶¶ 17-34 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts, which were known to Defendants or recklessly disregarded by them: (1) the Company incorrectly applied certain accounting treatment in connection to its Software Updates by failing to properly treat the Software Updates as post-contract customer support under U.S. Generally Accepted Accounting Principles; (2) the Company lacked adequate internal and financial controls; and (3) as a result of the foregoing, the Company's statements were materially false and misleading at all relevant times.

THE TRUTH BEGINS TO EMERGE

37. On February 25, 2013, the Company postponed the release of its fourth quarter earnings. Specifically, the Company disclosed the following in relevant part:

Avid® (NASDAQ: AVID) today announced that it is postponing its fourth quarter 2012 earnings release and investor conference call, previously scheduled for Tuesday, February 26, 2013 to provide additional time for the Company to evaluate its current and historical accounting treatment related to bug fixes, upgrades and enhancements to certain products which the Company has provided to certain customers. The need to evaluate the accounting treatment arose during the Company's normal review of its financial results for the fourth quarter and full year 2012. The Company is working diligently to complete its evaluation, but is currently unable to estimate when the evaluation will be completed.

38. As a result of this news, the stock declined \$0.68 per share or nearly 9%, to close at \$6.98 per share on February 25, 2013.

39. On March 19, 2013, the Company filed a Form 12b-25 with the SEC stating the following in relevant part:

As previously announced, during the course of the Company's normal review of its financial results for the fourth quarter and full year 2012, it was determined that the Company needed to evaluate its current and historical accounting treatment related to bug fixes, upgrades and enhancements (collectively, Software Updates). The primary focus of the Company's evaluation to date has been to determine whether no-charge bug fixes previously made available by the

Company to its customers included upgrades or enhancements and if so, whether such upgrades or enhancements met the definition of post-contract customer support (PCS) under U.S. Generally Accepted Accounting Principles.

Generally, the Company recognizes software and product revenue upon delivery to the customer, provided all other revenue recognition criteria are met. However, if the Company concludes no-charge PCS was provided under certain customer arrangements and not properly accounted as including such, then the timing of revenue recognition for those customer arrangements will likely change from the historical presentation in the Company's financial statements. The revenue recognition related to those customer arrangements may change whereby all or a portion of the revenue would be recognized ratably over the estimated PCS service period. The timing of recognition of certain costs related to these customer arrangements may also be impacted, along with the timing of related income taxes.

The Company is working diligently to complete the review, which, among others, requires the evaluation of numerous transactions and Software Updates. The Company is currently unable to estimate the time needed to complete its evaluation, predict the materiality of any adjustments that could be required, and the impact, if any, on prior periods. Given the amount of work remaining, the Company is unable to file its annual report on Form 10-K for the year ended December 31, 2012 by the prescribed due date and does not believe that it will be in a position to file its Form 10-K for the fiscal year ended December 31, 2012 by April 2, 2013, the fifteenth calendar day after the prescribed due date, but will continue to work expeditiously to file as soon as practicable thereafter.

40. On March 21, 2013, after the market closed, the Company announced that due to the delay in filing its annual report on Form 10-K for the year ended December 31, 2012, it received notification letter from NASDAQ stating “that the Company is no longer in compliance with” NASDAQ’s rules. Further, the Company disclosed the following in relevant part:

On March 19, 2013, the Company filed a Form 12b-25 with the SEC stating that it was unable to file the Form 10-K with the SEC on or before March 18, 2013, the prescribed due date, because it is continuing to evaluate the accounting treatment related to bug fixes, upgrades and enhancements in certain of the Company's customer arrangements (collectively, “Software Updates”). The primary focus of the Company's evaluation to date has been to determine whether certain Software Updates previously thought to be only bug fixes met the definition of post-contract customer support under U.S. Generally Accepted Accounting Principles. The Company is working diligently to complete the review and continues to focus its efforts on completing the Form 10-K filing as soon as possible.

During this evaluation, the Company plans to continue to invest in its product innovation and execute on its growth strategy. The company has no debt and ample cash to support it in these efforts and believes it is well positioned to support its customers' ongoing success.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

41. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Avid securities during the Class Period (the "Class"); and were damaged thereby. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Avid securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Avid or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

43. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

44. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

45. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Avid;
- whether the Individual Defendants caused Avid to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Avid securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

46. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

47. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Avid securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased and/or sold Avid securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

48. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

COUNT I

(Against All Defendants For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder)

49. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

50. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

51. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances

under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Avid securities; and (iii) cause Plaintiff and other members of the Class to purchase Avid securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

52. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Avid securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Avid's finances and business prospects.

53. By virtue of their positions at Avid, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

54. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Avid, the Individual Defendants had knowledge of the details of Avid internal affairs.

55. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Avid. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Avid's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Avid securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Avid's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased Avid securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

56. During the Class Period, Avid securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Avid securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased said securities, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by

Plaintiff and the Class, the true value of Avid securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Avid securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

57. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

58. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)

59. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

60. During the Class Period, the Individual Defendants participated in the operation and management of Avid, and conducted and participated, directly and indirectly, in the conduct of Avid's business affairs. Because of their senior positions, they knew the adverse non-public information about Avid's misstatement of income and expenses and false financial statements.

61. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to AVID's financial condition and results of operations, and to correct promptly any public statements issued by Avid which had become materially false or misleading.

62. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Avid disseminated in the marketplace during the Class Period concerning Avid's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Avid to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Avid within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Avid securities.

63. Each of the Individual Defendants, therefore, acted as a controlling person of Avid. By reason of their senior management positions and/or being directors of Avid, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Avid to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Avid and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

64. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Avid.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.
