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

AMENDMENT NO. 2 TO
FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 20, 2004

Avid Technology, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	0-21174	04-2977748
(State or Other Jurisdiction of Incorporation	(Commission File Number)	(IRS Employer Identification No.)

Avid Technology Park One Park West Tewksbury, MA	01876
(Address of Principal Executive Offices)	(Zip Code)

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

(Former name or former address, if changed since last report)

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

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This Form 8-K/A further amends an earlier report on Form 8-K filed by Avid Technology, Inc. on August 20, 2004, as subsequently amended by a report on Form 8-K/A filed on September 1, 2004 (the "First Amendment"). This amendment is being filed solely for the purpose of amending and restating Item 9.01 of the First Amendment.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

Midiman, Inc. and Subsidiaries Condensed Consolidated Financial Statements for the Six Month Periods Ended July 31, 2003 and 2004 (Unaudited) are filed as Exhibit 99.3 to this Current Report on Form 8-K.

(b) Pro Forma Financial Information.

Avid Technology, Inc. Pro Forma Condensed Combined Statements of Operations for the Six Month Period Ended June 30, 2004 and Year Ended December 31, 2003 are filed as Exhibit 99.4 to this Current Report on Form 8-K.

(c) Exhibits.

See Exhibit Index attached hereto.

SIGNATURE

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

Date: April 21, 2005

AVID TECHNOLOGY, INC.

By: /s/ Paul Milbury

Name: Paul Milbury

Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
2.1*	Agreement and Plan of Merger, dated August 12, 2004, by and among Avid Technology, Inc., Maui Paradise Corporation, Maui LLC and Midiman, Inc.
99.1*	Press Release dated August 13, 2004.
99.2*	Press Release dated August 20, 2004.
99.3	Midiman, Inc. Financial Statements for the Six Month Periods Ended July 31, 2003 and 2004 (Unaudited)
99.4	Pro Forma Financial Information (Unaudited)

* Filed Previously

Exhibit 99.3

MIDIMAN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Unaudited (In Thousands)

	January 31, 2004	July 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$4,318	$3,423
Accounts receivable, net of allowance for sales returns and doubtful accounts of $231 (July 31, 2004) and $166 (January 31, 2004)	7,890	9,693
Inventories--net	8,284	12,833
Prepaid expenses and other current assets	1,095	785
Deferred income taxes	630	630
Total current assets	22,217	27,364
PROPERTY AND EQUIPMENT - Net	1,289	1,523
INTANGIBLE ASSETS - Net	1,749	1,454
GOODWILL	2,339	2,339
OTHER ASSETS	61	157
TOTAL ASSETS	$27,655	$32,837
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$3,072	$5,420
Income taxes payable	1,218	1,610
Accrued expenses and other current liabilities	2,770	3,391
Total current liabilities	7,060	10,421
DEFERRED INCOME TAXES	843	843
CONVERSION RIGHT AND PUT OBLIGATION	21,470	41,400
COMMITMENTS AND CONTINGENCIES (Note 5)		
SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK	8,113	8,530
STOCKHOLDERS' DEFICIT:		
Common stock	1,459	1,795
Additional paid-in capital	1,325	4,699
Deferred stock-based compensation	(898)	(3,829)
Accumulated deficit	(12,571)	(31,787)
Accumulated other comprehensive income	854	765
Net stockholders' deficit	(9,831)	(28,357)
TOTAL	$27,655	$32,837

See accompanying notes to consolidated financial statements.

MIDIMAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED JULY 31, 2004 and 2003
Unaudited (In Thousands)

	2003	2004
NET SALES	$22,694	$34,811
COST OF SALES	12,136	19,095

GROSS PROFIT	10,558	15,716
OPERATING EXPENSES:		
Research and development	2,006	2,576
General and administrative	2,248	4,561
Selling and marketing	4,550	5,788
Stock-based compensation	15	443
Total operating expenses	8,819	13,368
OPERATING INCOME	1,739	2,348
OTHER INCOME (EXPENSE)		
Other income--net	94	(119)
Loss on derivative	(7,700)	(19,930)
Total other income (expense)	(7,606)	(20,049)
LOSS BEFORE PROVISION FOR INCOME TAXES	(5,867)	(17,701)
PROVISION FOR INCOME TAXES	751	1,098
NET LOSS	($6,618)	($18,799)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (In thousands)

	Six months ended July 31, 2003	Six months ended July 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	($6,618)	($18,799)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	133	526
Stock-based compensation	15	443
Loss on derivative	7,700	19,930
Changes in operating assets and liabilities:		
Accounts receivable	(1,248)	(1,831)
Inventories	(3,150)	(4,600)
Prepaid expenses and other current assets	(189)	294
Other assets	(104)	(93)
Accounts payable	1,237	2,358
Income taxes payable	19	374
Accrued expenses and other current liabilities	18	660
Net cash used in operating activities	(2,187)	(738)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of business, net of cash acquired	(3,127)	
Purchase of property and equipment	(175)	(468)
Net cash used in investing activities	(3,302)	(468)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on lines of credit	(3,400)	
Payments on long-term debt	(55)	(22)
Issuance of preferred stock and warrant--net	9,550	
Issuance of common stock		336
Net cash provided by financing activities	6,095	314
EFFECT OF EXCHANGE RATES ON CASH BALANCES	1,031	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,637	(895)
CASH AND CASH EQUIVALENTS--Beginning of period	2,359	4,318
CASH AND CASH EQUIVALENTS--End of period	$3,996	$3,423
SUPPLEMENTAL INFORMATION--Cash paid during the period for:		
Interest	$611	-
Income taxes	$ 40	$248

See accompanying notes to consolidated financial statements.

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1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly the financial position of Midiman, Inc. and subsidiaries ("the Company") as of January 31, 2004 and July 31, 2004 the results of its operations and its cash flows for the six-month periods ended July 31, 2003 and 2004.

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and do not include all the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements but reflect all adjustments (consisting only of normal recurring accruals) necessary for the fair presentation of the financial position, results of operations and cash flows for the periods and dates presented.

The Company's preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates reflected in these financial statements include accounts receivable and sales allowances, inventory valuation and income tax asset valuation allowances. Actual results could differ from those estimates.

The results of operations for any interim period are not necessarily indicative of results to be expected for the full year.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended January 31, 2002, 2003 and 2004 and notes thereto.

2. ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for employee stock options using the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and has adopted the disclosure-only alternative of SFAS No. 123, Accounting for Stock-Based Compensation. The Company accounts for equity issuance to non-employees in accordance with SFAS No. 123 and Emerging Issues Task Force 96-18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods and Services.

The following table illustrates the effect on net income as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation. Had compensation cost for the Company's stock-based awards to employees been determined based on the estimated fair value at the grant dates consistent with the fair value method of

SFAS No. 123 utilizing the Black-Scholes option-pricing model, the Company's net income would have approximated the pro forma amounts indicated below (in thousands):

	Six months ended July 31, 2003	Six months ended July 31, 2004
Net loss as reported	($6,618)	($18,799)
Plus stock-based employee compensation expense included in reported net loss-net of tax	8	266
Less stock-based employee compensation expense determined under fair value based method-net of tax	(20)	(285)
Pro forma net loss	($6,630)	($18,818)

3. INVENTORIES

Inventories consist principally of finished goods and are stated at the lower of cost (determined by the first-in, first-out method) or market. The Company maintains allowances for estimated obsolete and excess inventories based upon projected sales levels.

4. LINE OF CREDIT

Effective May 29, 2002, the Company entered into an agreement with a bank for a line of credit facility. As of July 31, 2004, maximum borrowings were $6,000,000, limited to the lesser of (a) $6,000,000, or (b) the sum of 80% of eligible accounts receivable, plus 40% of eligible inventory (to a maximum of $2,000,000), plus advances to foreign affiliates (to a maximum of $500,000). Any borrowings are collateralized by a general first priority lien against all Company assets, both tangible and intangible, and the personal guarantee of the Company's majority stockholder. The personal guarantee was released in May 2004. Interest is payable monthly at LIBOR, plus 1.75%. All outstanding amounts on the line of credit were repaid in February 2003 and there have been no borrowings since that date. This line of credit expired in November 2004.

The facility contains certain restrictions and covenants that require the Company to maintain certain levels of effective tangible net worth, meet certain minimum financial ratios (debt to net worth and quick ratio) and achieve minimum annual profitability. As a result of the loss on derivative related to the preferred stock (Note 7), the Company violated certain covenants. As a result, no amounts are currently available for borrowing under the credit facility.

5. COMMITMENTS AND CONTINGENCIES

Litigation--The Company is subject to litigation in the ordinary course of business. While the ultimate outcome of such matters is not determinable at the current time, the Company believes that none of its pending litigation matters, individually or in aggregate, will have a material adverse impact on its financial position or results of operations.

Other Contingent Obligations--During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (i) intellectual property indemnities to the Company's customers and licensees in connection with the use, sales and/or license of Company products; (ii) indemnities to vendors and service providers pertaining to claims based on the negligence or willful misconduct of the Company; (iii) indemnities involving the accuracy of representations and warranties in certain contracts; (iv) indemnities to directors and officers of the Company to the maximum extent permitted under the laws of the State of California; and (v) certain real estate leases, under which the Company may be required to indemnify property owners for environmental and other liabilities, and other claims arising from the Company's use of the applicable premises. The duration of these indemnities, commitments and guarantees varies and, in certain cases, may be indefinite. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. Historically, the Company has not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets.

6. COMPREHENSIVE INCOME

Total comprehensive income net of taxes consists of net income and net changes in foreign currency translation adjustment. The following is a summary of the Company's comprehensive income (loss), (in thousands):

	Six Months Ended July 31,	
	2003	2004
Net (loss)	($6,618)	($18,799)
Net changes in:		
Foreign currency translation adjustment	29	(89)
Total comprehensive (loss)	($6,589)	($18,888)

7. PREFERRED STOCK

Series A Redeemable Convertible Preferred Stock ("Series A Stock")--On February 6, 2003, the Company issued and sold 4,106,824 shares of convertible preferred stock to an investor group (the "Investors") for gross proceeds of $13,125,000, of which $3,500,000 was paid directly to the Company's existing stockholders and $9,550,000 represented proceeds to the Company, after direct offering costs of $75,000. In exchange for the $3,500,000 payment, the existing shareholders returned 1,095,000 shares of common stock to the Company which were converted into an equal number of Series A preferred shares and issued to the Investors as part of the total preferred share issuance. This transaction was accounted for similar to a repurchase and retirement of treasury stock. The Company also issued to the

Investors warrants to purchase an aggregate of 312,901 shares of common stock at an exercise price of approximately $3.20 per share, which warrants expire five years from the date of grant. The fair value of the warrants was estimated at $312,000 using the Black-Scholes model.

The Series A stockholders are entitled to non-cumulative dividends when, as and if declared by the Board of Directors, prior and in preference to the payment of any dividends on common stock. Each share of Series A Stock is convertible, at the option of the holder at any time after issuance, into one share of common stock. The conversion rate will be automatically adjusted for stock splits such that all of the Series A Stock will automatically convert into common stock at the closing of a public offering of the Company's common stock, with gross proceeds of at least $40,000,000 and a per share public offering price of at least $9.60 per share, or at the election of the holders of a majority of the Series A Stock. Holders of Series A Stock are entitled to a liquidation preference of $3.20 per share, plus any declared and unpaid dividends, prior to any distribution of assets to holders of common stock. Holders of Series A Stock have full voting rights on an as-converted basis and are entitled to elect one member of the Company's Board of Directors. In the event of a change in ownership, the holders of Series A Stock may require the Company to redeem all of the Series A shares then outstanding at the liquidation value.

In conjunction with the sale of Series A Stock, the Company entered into a Shareholders Agreement with the new Investors. The Shareholders Agreement provides for certain rights of first refusal for existing stockholders if other stockholders elect to sell or transfer their shares. The Shareholders Agreement also provides the Series A stockholders with a put arrangement that gives such holders the right to require the Company to repurchase any outstanding preferred shares at a price equal to the greater of liquidation value or the fair market value of the shares on an as-converted basis. The put may only be exercised beginning in February 2010. The put right expires if the preferred shares are converted to common shares. As a result of the put option, the conversion right and put obligation have been accounted for as a derivative. Accordingly, its fair value was recorded as a liability in the accompanying consolidated balance sheet with the initial value, estimated at $5,460,000 using a Trinomial model, recorded as an allocation of proceeds received from the sale of preferred stock. The carrying value of the derivative is adjusted to fair value at each reporting date, and changes in the fair value from the date of issuance have been included in other income (expense) in the accompanying consolidated statement operations.

8. ISSUANCE OF RESTRICTED STOCK

The Company issued 336,000 shares of common stock to a member of the senior management team on March 1, 2004. This issuance was made due to the exercise of previously granted stock options under their original terms and included 224,000 unvested shares issued as restricted stock. These shares of restricted stock vest in equal monthly installments through December 31, 2006.

9. BUSINESS ACQUISITION

Acquisitions--On July 31, 2003, the Company completed a stock purchase acquisition of Evolution Electronics Limited ("Evolution"), a U.K. based producer of electronic keyboards. This strategic acquisition provides the Company with a class compliant line of high quality, affordable keyboards and MIDI controllers with strong brand recognition in the U.K. and Europe. The purchase price for Evolution was $4,341,053, consisting of cash of $3,116,964, 261,200 common shares with an estimated fair value of $1,095,578, and direct acquisition costs of $128,511. In accordance with SFAS No. 141, Business Combinations, the acquisition was accounted for under the purchase method of accounting and the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the excess being ascribed to goodwill.

The operations of Evolution are included in the Company's consolidated financial statements from the date of acquisition. The pro forma results of operations data for the six months ended July 31, 2003 and 2004 are not presented, as they would not have differed significantly from the amounts presented in the accompanying consolidated statements of operations.

10. New Accounting Pronouncements

FIN 46R, Consolidation of Variable Interest Entities--an interpretation of ARB No. 51, was originally issued in January 2003 and subsequently revised in December 2003. FIN 46, as revised requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires certain disclosures about variable interest entities in which a company has a significant interest, regardless of whether consolidation is required. Application of FIN 46 is required for potential variable interest entities commonly referred to as special purpose entities for periods ending after December 15, 2003. Application of the provisions will be required for all other variable interest entities by the end of the first reporting period that ends after March 15, 2004. The Company currently has no variable interest entities, therefore, the adoption of this interpretation did not have a material effect on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003. Also, mandatory redeemable financial instruments are subject to the provisions of this statement for the first fiscal period beginning after December 31, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial statements.

In December 2003, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which supersedes SAB No. 101, "Revenue Recognition in Financial Statements." SAB No. 104's primary purpose is to rescind accounting guidance contained in SAB No. 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The issuance of SAB No. 104 reflects the concepts contained in EITF No. 00-21; the other revenue recognition concepts contained in SAB No. 101 remain largely unchanged. The application of SAB No. 104 did not have any impact on the Company's financial position or results of operations.

Exhibit 99.4

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The statements contained in this section may be deemed to be forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act. Forward-looking statements are typically identified by the words "believe," "expect," "anticipate," "intend," "estimate" and similar expressions. These forward-looking statements are based largely on management's expectations and are subject to a number of uncertainties. Actual results could differ materially from these forward-looking statements. Neither Avid nor Midiman undertake any obligation to update publicly or revise any forward-looking statements.

On August 20, 2004, Avid completed the acquisition of Midiman, Inc. ("Midiman") The unaudited pro forma condensed combined financial information gives effect to this acquisition using the purchase method of accounting. For purposes of the statements of operations, the pro forma financial information is presented assuming the acquisition occurred as of January 1, 2003. Avid's fiscal year end is December 31 and Midiman's is January 31. Therefore, the pro forma statements of operations herein combine Avid's statement of operations for the year ended December 31, 2003 with Midiman's statement of operations for the year ended January 31, 2004, and Avid's statement of operations for the six-month period ended June 30, 2004 with Midiman's statement of operations for the six-month period ended July 31, 2004. A pro forma balance sheet is not presented because the acquisition has been reflected in our most recent balance sheet filed with the Securities and Exchange Commission.

Under the purchase method of accounting, the purchase price is allocated to the net tangible and intangible assets of an acquired entity based on their fair values as of the consummation of the acquisition. The determination of these fair values includes Avid management's consideration of a valuation of Midiman's intangible assets prepared by an independent valuation specialist. The allocation included in this pro forma financial information was based on the balance sheet of Midiman as of the acquisition date, August 20, 2004.

As consideration for the acquisition, Avid paid $79.7 million in cash and issued 1,974,234 shares of common stock valued at approximately $84.3 million in exchange for all of the outstanding shares of Midiman. Additionally, Avid granted to Midiman employees stock options to purchase up to approximately 345,000 shares of Avid common stock at a weighted average exercise price of $9.21, in exchange for outstanding Midiman options. The market price used to value the Avid shares issued as partial consideration for Midiman and the Avid options issued in exchange for outstanding Midiman options was based on the 5 day average closing price of the stock during the period beginning two days before and ending two days after the date that the terms of the acquisition were agreed to and announced publicly. The following represents the purchase price for accounting purposes for the acquisition of Midiman (dollar amounts are in thousands, except for per share amounts):

Avid average market price per share	$42.724
Avid common shares issued in exchange for equivalent shares of oustanding common stock of Midiman	1,974,234
In thousands:	
Portion of offer price for equivalent common shares settled in Avid common shares	$84,347
Cash consideration paid	79,693
Fair value of Avid stock options exchanged for outstanding Midiman stock options	12,131
Estimated transaction costs of Avid	3,300
Total base purchase price	$179,471

The fair value of Avid stock options exchanged for outstanding Midiman options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions and results:

Expected dividend yield	0.0 %
Risk-free interest rate	3.0 %
Expected volatility	59.0 %
Expected life (in years)	2.2
Weighted average fair value of option	$35.14

The purchase price has been allocated to the acquired tangible and intangible assets and liabilities based on their estimated fair values as of August 20, 2004. Independent valuation specialists assisted management of Avid in determining the fair values of the intangible assets (in thousand):

Cash and cash equivalents	$110
Accounts receivable	7,288
Inventories	13,420
Other current assets	903
Property and equipment	1,520
Intangible assets:	
Customer relationships	28,000
Trade name	4,700
Non-compete covenant	1,200
Developed technology	4,500
Goodwill	122,022
Current liabilities	(9,692)
Deferred compensation	5,500
	$179,471

As part of the purchase agreement, Avid may be required to make additional payments to the former stockholders and option holders of Midiman of up to $45 million, contingent upon the operating results of the business acquired. These payments, if required, will be made through issuance of additional Avid shares and options, and will be recorded as additional purchase price allocated to goodwill, with a small portion (that related to options) recorded as compensation expense.

Intangible assets are being amortized on a straight-line basis which is management's best approximation of the pattern in which the economic benefits of the intangible assets will be consumed.

In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill resulting from the transaction is not amortized, but will be subject to an impairment test at least annually (more frequently if certain indicators are present). In the event that the goodwill becomes impaired, Avid will incur an impairment charge for the amount of impairment during the period in which the determination is made.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of Midiman included in this document, and of Avid included in Avid's Annual Report on Form 10-K for the year ended December 31, 2003 and Avid's Quarterly Report on Form 10-Q for the period ended June 30, 2004. The unaudited pro forma condensed combined financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of Avid that would have been reported had the acquisition of Midiman been completed as of the date presented, and should not be taken as representative of the future consolidated results of operations or financial condition of Avid. For example, going forward, Avid may incur integration related expenses not reflected in the pro forma financial information.

PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2004
(in thousands, except per share data)
UNAUDITED

	Historical			
	Avid	Midiman	Pro Forma Adjustments	Pro Forma Combined
Net revenues	$267,260	$34,811		$302,071
Cost of revenues	115,098	19,095	$534 (1) (294)(2) 562 (4)	134,995
Gross profit	152,162	15,716	(802)	167,076
Operating expenses:				
Research and development	45,216	2,576	154 (9)	47,946
Marketing and selling	63,510	5,788	236 (9) (534)(1) 125 (1)	69,125
General and administrative	12,070	4,561	529 (9) (39)(2)	17,121
Stock-based compensation		443	(443)(3)	
Amortization of intangible assets	988		1,858 (4)	2,846
Total operating expenses	121,784	13,368	1,886	137,038
Operating income	30,378	2,348	(2,688)	30,038
Interest and other income (expense), net	35	(119)	125 (1) (554)(5)	(513)
Loss on derivative		(19,930)	19,930 (6)	
Income (loss) before income taxes	30,413	(17,701)	16,813	29,525
Provision for income taxes	200	1,098	(1,028)(7)	270
Net income (loss)	$30,213	($18,799)	$17,841	$29,255
Net income per common share - basic	$0.96			$0.88
Net income per common share - diluted	$0.89			$0.81
Weighted average common shares outstanding - basic	31,413		1,974(8)	33,387
Weighted average common shares outstanding - diluted	33,912		2,253(8)	36,165

See accompanying notes to unaudited pro forma condensed combined financial information.

PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
Year Ended December 31, 2003
(in thousands, except per share data)
UNAUDITED

	Historical			
	Avid	Midiman	Pro Forma Adjustments	Pro Forma Combined
Net revenues	$471,912	$51,547		$523,459
Cost of revenues	209,373	27,992	$812 (1) (185)(2) 1,125 (4)	239,117
Gross profit	262,539	23,555	(1,752)	284,342
Operating expenses:				
Research and development	85,552	4,468	568 (9)	90,588
Marketing and selling	109,704	9,670	894 (9)	119,141
General and administrative	23,208	5,490	(812)(1) (315)(1) 2,119 (9) (87)(2)	30,730
Restructuring and other costs, net	3,194	-		3,194
Stock-based compensation	-	345	(345)(3)	-
Amortization of intangible assets	1,316		3,717 (4)	5,033
Total operating expenses	222,974	19,973	5,739	248,686
Operating income	39,565	3,582	(7,491)	35,656
Interest and other income, net	1,874	356	(315)(1) (1,108)(5)	807
Loss on derivative		(16,010)	16,010 (6)	0
Income (loss) before income taxes	41,439	(12,072)	7,096	36,463
Provision for income taxes	550	1,611	(1,617)(7)	544
Net income (loss)	$40,889	($13,683)	$8,713	$35,919
Net income per common share - basic	$1.40			$1.15
Net income per common share - diluted	$1.25			$1.03
Weighted average common shares outstanding - basic	29,192		1,974 (8)	31,166
Weighted average common shares outstanding - diluted	32,653		2,235 (8)	34,888

See accompanying notes to unaudited pro forma condensed combined financial information.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

On August 20, 2004, Avid completed the acquisition of Midiman. For purposes of the statements of operations, the pro forma financial information is presented assuming the acquisition occurred as of January 1, 2003. Avid's fiscal year end is December 31 and Midiman's is January 31. Therefore, the pro forma statements of operations herein combine Avid's statement of operations for the year ended December 31, 2003 with Midiman's statement of operations for the year ended January 31, 2004, and Avid's statement of operations for the six-month period ended June 30, 2004 with Midiman's statement of operations for the six-month period ended July 31, 2004. A pro forma balance sheet is not presented because the acquisition has been reflected in our most recent balance sheet filed with the Securities and Exchange Commission.

(1) Represents reclassifications to conform Midiman's accounting and reporting policies to Avid's accounting and reporting policies.

(2) Represents the reversal of intangible amortization expense resulting from acquisitions consummated previously by Midiman.

(3) Represents the reversal of stock compensation expense relating to stock options issued by Midiman.

(4) Represents the amortization of intangible assets established as part of the purchase price allocation in connection with the acquisition of Midiman. Intangible assets are amortized on a straight-line basis which is management's best approximation of the pattern in which the economic benefits of the intangible assets are consumed over the following number of years:

Customer relationships	12 years
Trade name	6 years
Non-competition agreements	2 years
Technology-based assets	4 years

(5) Represents the reduction in investment income resulting from the reduced cash balance after payments to effect the acquisition of Midiman.

(6) Represents the reversal of a loss associated with a put arrangement on preferred shares of Midiman, since the equity structure of Midiman has been replaced by the acquisition.

(7) Adjusts the effective tax rate to that expected for the combined company.

(8) The unaudited pro forma condensed combined financial information gives effect to the issuance of Avid stock, based upon an exchange ratio of 0.22202 of a share of Avid stock for each share of Midiman common stock, including Midiman's preferred stock on an as-if converted basis and a common stock warrant on an as-if exercised basis. The average market price per share of Avid common stock of $42.72 was based on the 5 day average closing price of the stock during the period beginning two days before and ending two days after the date that the terms of the acquisition were agreed to and announced.

(9) Represents the amortization of deferred stock compensation expense for unvested stock options exchanged in the acquisition of Midiman by Avid. The deferred compensation is being amortized over the remaining vesting period of the assumed options. The amortization expense has been recorded in the expense category associated with the departmental classification of the grantee.