AVID TECHNOLOGY, INC.
Avid Technology Park
One Park West
Tewksbury, MA 01876

November 14, 2000

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549

Re: Avid Technology, Inc.
File No. 0-21174
Quarterly Report on Form 10-Q

Ladies and Gentlemen:

Pursuant to regulations of the Securities and Exchange Commission, submitted herewith for filing on behalf of Avid Technology, Inc. is the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.

This filing is being effected by direct transmission to the Commission's EDGAR System.

Very truly yours,

/s/ Carol E. Kazmer

Carol E. Kazmer
General Counsel

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

Commission File Number 0-21174

AVID TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	04-2977748
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

AVID TECHNOLOGY PARK
ONE PARK WEST
TEWKSBURY, MA 01876
(Address of principal executive offices)

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

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).

Yes X No _____

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days.

Yes X No _____

The number of shares outstanding of the registrant's Common Stock as of November 10, 2000 was 25,391,195.

AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

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AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000 (unaudited)	1999 (unaudited)	2000 (unaudited)	1999 (unaudited)
Net revenues	$121,292	$113,279	$349,946	$340,915
Cost of revenues	60,303	55,310	171,495	150,006
Gross profit	60,989	57,969	178,451	190,909
Operating expenses:				
Research and development	20,890	20,623	61,160	67,516
Marketing and selling	29,989	33,564	89,909	99,651
General and administrative	6,070	6,598	21,083	20,609
Amortization of acquisition-related intangible assets	14,862	19,789	54,454	60,087
Total operating expenses	71,811	80,574	226,606	247,863
Operating loss	(10,822)	(22,605)	(48,155)	(56,954)
Interest and other income, net	849	739	3,126	2,602
Loss before income taxes	(9,973)	(21,866)	(45,029)	(54,352)
Provision for (benefit from)income taxes	1,250	(8,746)	3,750	(21,741)
Net loss	($11,223)	($13,120)	($48,779)	($32,611)
Net loss per common share - basic and diluted	($0.45)	($0.56)	($1.99)	($1.36)
Weighted average common shares outstanding - basic and diluted	24,794	23,614	24,480	23,981

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2000 (unaudited)	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$55,822	$46,072
Marketable securities	18,352	26,733
Accounts receivable, net of allowances of $9,981 and $8,954 at September 30, 2000 and December 31, 1999, respectively	84,460	76,172
Inventories	21,601	14,969
Deferred tax assets	1,915	2,114
Prepaid expenses	6,060	5,584
Other current assets	3,575	4,795
Total current assets	191,785	176,439
Property and equipment, net	28,106	32,748
Acquisition-related intangible assets	42,715	95,073
Other assets	4,565	7,764
Total assets	$267,171	$312,024
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$28,252	$23,998
Accrued compensation and benefits	19,816	16,955
Accrued expenses	23,870	36,022
Income taxes payable	8,988	5,073
Other current liabilities	155	3,789
Deferred revenues	24,642	20,258
Total current liabilities	105,723	106,095
Long-term debt, less current portion	14,066	14,220
Purchase consideration	6,457	23,786
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock		
Common stock	265	266
Additional paid-in capital	359,670	366,569
Accumulated deficit	(190,213)	(128,083)
Treasury stock	(21,561)	(66,489)
Deferred compensation	(4,230)	(1,853)
Accumulated other comprehensive loss	(3,006)	(2,487)
Total stockholders' equity	140,925	167,923
Total liabilities and stockholders' equity	$267,171	$312,024

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2000	1999
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	($48,779)	($32,611)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	67,670	75,096
Provision for doubtful accounts	5,312	2,293
Compensation from stock grants and options	1,539	1,063
Changes in deferred tax assets		(22,120)
Loss on disposal of equipment		56
Equity in income of non-consolidated companies	(1,124)	
Changes in operating assets and liabilities, net of acquitistions:		
Accounts receivable	(18,230)	9,332
Inventories	(6,113)	(1,709)
Prepaid expenses and other current assets	3,494	(937)
Accounts payable	4,426	3,533
Income taxes payable	4,179	(1,467)
Accrued expenses, compensation and benefits	(9,344)	(17,101)
Deferred revenues	1,004	(20)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,034	15,408
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(5,783)	(19,190)
Proceeds from disposal of assets		1,324
Investments in non-consolidated companies	(2,100)	(1,500)
Payments for acquisitions, net of cash acquired	(1,990)	
Payments on note issued in connection with acquisition		(8,000)
Purchases of marketable securities	(23,840)	(33,989)
Proceeds from sales of marketable securities	34,325	57,367
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	612	(3,988)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt		(656)
Purchase of common stock for treasury	(421)	(19,742)
Proceeds from issuance of common stock	6,694	4,463
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	6,273	(15,935)
Effects of exchange rate changes on cash and cash equivalents	(1,169)	(811)
Net increase (decrease) in cash and cash equivalents	9,750	(5,326)
Cash and cash equivalents at beginning of period	46,072	62,904
Cash and cash equivalents at end of period	$55,822	$57,578

The accompanying notes are an integral part of the condensed consolidated financial statements.

PART I. FINANCIAL INFORMATION
ITEM 1D. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Avid Technology, Inc. and its wholly owned subsidiaries (collectively, "Avid" or the "Company"). These financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of only normal, recurring adjustments, necessary for their fair presentation. Interim results are not necessarily indicative of results expected for a full year. The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and footnotes necessary for a complete presentation of operations, the financial position, and cash flows of the Company, in conformity with generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 1999 on Form 10-K, which included all information and footnotes necessary for such presentation.

The Company's preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure 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, the recoverability of intangible assets including goodwill, and income tax valuation allowances. Actual results could differ from those estimates.

2. NET LOSS PER COMMON SHARE

Diluted net loss per share excludes the effect of options and warrants to purchase 6,080,430 and 6,354,606 weighted shares of common stock outstanding for the three- and nine-month periods ended September 30, 2000, respectively. Diluted net loss per share excludes the effect of options and warrants to purchase 7,380,493 and 6,987,178 weighted shares of common stock outstanding for the three- and nine-month periods ended September 30, 1999, respectively. Inclusion of these options and warrants would be anti-dilutive for each of these periods.

3. INVENTORIES

Inventories consisted of the following (in thousands):

	September 30, 2000	December 31, 1999
Raw materials	$14,687	$9,896
Work in process	1,990	1,946
Finished goods	4,924	3,127
	$21,601	$14,969

4. INVESTMENT IN JOINT VENTURE

In January 1999, Avid and Tektronix, Inc. established a 50/50 owned and funded newsroom computer system joint venture, Avstar Systems LLC ("Avstar"). The joint venture is dedicated to providing the next generation of newsroom computer systems products by combining both companies' newsroom computer systems technology and certain personnel. In September 1999, Tektronix transferred its interest in Avstar to a third party, Grass Valley Group, Inc. The Company's initial contribution to the joint venture was approximately $2.0 million, consisting of $1.5 million of cash and $0.5 million of fixed assets and inventory. During the fourth quarter of 1999, Avstar distributed $1.5 million to each joint venture partner, which was recorded by Avid as a return on investment during 1999. The Company's investment in the joint venture is being accounted for under the equity method of accounting. The pro rata share of earnings of the joint venture recorded by the Company during the three-month periods ended September 30, 2000 and 1999 was approximately $0.2 million and $0.3 million, respectively. The pro rata share of earnings of the joint venture recorded by the Company during the nine-month periods ended September 30, 2000 and 1999 was approximately $1.0 million and $0, respectively. In September 2000, Avstar changed its name to iNEWS LLC.

5. ACQUISITIONS

During the second and third quarters of 2000, the Company acquired selected assets and liabilities of two companies, The Motion Factory, Inc. ("TMF") and Pluto Technologies International, Inc. ("Pluto"), respectively, for cash payments totaling approximately $2.0 million and guaranteed bonus payments of $0.3 million. TMF specializes in applications for the creation, delivery and playback of interactive-rich 3-D media for character-driven games and the web. Pluto is a provider of video storage and networking solutions for broadcast news, post-production and other bandwith-intensive markets. The acquisitions were accounted for using the purchase method of accounting. Accordingly, the fair market values of the acquired assets and assumed liabilities have been included in the Company's financial statements as of the acquisition dates, and the results of operations of TMF and Pluto have been included in the Company's financial statements thereafter. The purchase prices, aggregating $2.3 million, were allocated to net tangible assets of $0.1 million, completed technologies of $1.2 million and acquired workforce of $1.0 million. As part of the purchase agreements, the Company may be required to make certain contingent cash payments, limited in the aggregate up to an additional $13.5 million, dependent upon future revenues and/or gross margin levels of products acquired from TMF and Pluto through December 2004. Any contingent payments will be recorded as additional purchase price, allocated to identifiable intangible assets or goodwill, as appropriate, and amortized over the remaining amortization period of the intangible asset or goodwill. The Company's pro forma statements of operations prior to the acquisitions would not differ materially from reported results.

Based on the acquisition dates, amortization of the acquisition-related intangibles began in July 2000, and accordingly, the Company recognized $0.1 million of amortization during the three months ended September 30, 2000. The unamortized balance of acquisition-related intangible assets of approximately $2.0 million at September 30, 2000 will be amortized through 2004.

6. LONG-TERM DEBT AND OTHER LIABILITIES

In connection with the acquisition of Softimage Inc. ("Softimage") in August 1998, Avid issued a $5.0 million subordinated note (the "Note") to Microsoft Corporation. The principal amount of the Note, including any adjustments relative to Avid stock options forfeited by Softimage employees (as described below), plus all unpaid accrued interest, is due on June 15, 2003. The Note bears interest at 9.5% per annum, payable quarterly.

In connection with the acquisition, the Company issued stock options to retained employees. As agreed with Microsoft, the value of the Note will be increased by $39.71 for each share underlying forfeited employee stock options. At the date of acquisition, the Company recorded these options as Purchase Consideration on the balance sheet at a value of $68.2 million. As these options become vested, additional paid-in capital is increased or, alternatively, as the options are forfeited, the Note is increased, with Purchase Consideration being reduced by a corresponding amount in either case. Through September 30, 2000, the Note has been increased by approximately $15.5 million for forfeited Avid stock options. During the nine-month period ended September 30, 1999, the Company made a principal payment of $8.0 million resulting in a note balance of approximately $12.5 million at September 30, 2000. The Company made interest payments of $0.3 million and $0.1 million during the three-month periods ended September 30, 2000 and 1999, respectively. The Company made interest payments of $0.8 million and $0.5 million during the nine-month periods ended September 30, 2000 and 1999, respectively.

7. COMMITMENTS AND CONTINGENCIES

On June 7, 1995, the Company filed a patent infringement complaint in the United States District Court for the District of Massachusetts against Data Translation, Inc., a Marlboro, Massachusetts-based company. Avid is seeking judgment against Data Translation that, among other things, Data Translation has willfully infringed Avid's patent number 5,045,940, entitled "Video/Audio Transmission System and Method." Avid is also seeking an award of treble damages together with prejudgment interest and costs, Avid's costs and reasonable attorneys' fees and an injunction to prohibit further infringement by Data Translation. The litigation has been dismissed without prejudice (with leave to refile) pending a decision by the U.S. Patent and Trademark Office on a reissue patent application based on the issued patent.

On March 11, 1996, the Company was named as defendant in a patent infringement suit filed in the United States District Court for the Western District of Texas by Combined Logic Company, a California partnership located in Beverly Hills, California. On May 16, 1996, the suit was transferred to the United States District Court for the Southern District of New York on motion by the Company. The complaint alleges infringement by Avid of U.S. patent number 4,258,385, issued in 1981, and seeks injunctive relief, treble damages and costs, and attorneys' fees. The Company believes that it has meritorious defenses to the complaint and intends to contest it vigorously. However, an adverse resolution of this litigation could have a material adverse effect on the Company's consolidated financial position or results of operations in the period in which the litigation is resolved. No costs have been accrued for this possible loss contingency.

The Company also receives inquiries from time to time with regard to additional possible patent infringement claims. These inquiries are generally referred to counsel and are in various stages of discussion. If any infringement is determined to exist, the Company may seek licenses or settlements. In addition, from time to time as a normal incidence of the nature of the Company's business, various claims, charges, and litigation have been asserted or commenced against the Company arising from or related to contractual or employee relations, intellectual property rights or product performance. Management does not believe these claims will have a material adverse effect on the financial position or results of operations of the Company.

8. COMPREHENSIVE LOSS

Total comprehensive loss, net of taxes, was approximately $15.2 million and $11.4 million for the three-month periods ended September 30, 2000 and 1999, respectively, and $49.3 million and $32.4 million for the nine-month periods ended September 30, 2000 and 1999, respectively, which consisted of net losses, the net changes in foreign currency translation adjustment and the net unrealized gains and losses on available-for-sale securities.

9. SEGMENT INFORMATION

The Company's organizational structure is based on strategic business units that offer various products to the principle markets in which the Company's products are sold. These business units equate to two reportable segments: Video and Film Editing and Effects, and Professional Audio. The following is a summary of the Company's operations by operating segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Video and Film Editing and Effects:				
Net revenues	$92,613	$92,250	$256,450	$272,131
Operating income (loss)	$1,516	($7,158)	($13,676)	($12,529)
Professional Audio:				
Net revenues	$28,679	$21,029	$93,497	$68,784
Operating income	$2,524	$4,342	$19,975	$15,662
Segment Totals:				
Net revenues	$121,292	$113,279	$349,946	$340,915
Operating income (loss)	$4,040	($2,816)	$6,299	$3,133

The following table reconciles total segment operating income to total consolidated operating loss (in thousands):

	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Month Ended September 30, 2000	Nine Month Ended September 30, 1999
Total operating income (loss) for reportable segments	$4,040	($2,816)	$6,299	$3,133
Unallocated amounts:				
Amortization of acquisition-related intangible assets	(14,862)	(19,789)	(54,454)	(60,087)
Consolidated operating loss	($10,822)	($22,605)	($48,155)	($56,954)

The unallocated amounts represent the amortization of acquired intangible assets, including goodwill, associated primarily with the Company's acquisition of Softimage.

10. RESTRUCTURING COSTS

In November 1999, the Company announced and implemented a restructuring plan to strategically refocus the Company and bring operating expenses in line with net revenues. The major elements of the restructuring plan included the termination of certain employees, the vacating of certain facilities and a decision not to provide any future releases of a limited number of then existing products, including stand-alone Marquee, Avid Cinema, Media Illusion and Matador. In connection with this plan, the Company recorded a restructuring charge of $9.6 million, of which $0.6 million represented non-cash charges relating to the disposition of certain fixed assets. The following table sets forth the activity in the restructuring accrual accounts for the nine-month period ended September 30, 2000 (in thousands):

	Employee Related	Facilities Related	Fixed Assets	Total
Accrual balance at December 31, 1999	$4,421	$2,154	$541	$7,116
Cash payments	(2,243)	(217)		(2,460)
Non-cash disposals			(316)	(316)
Accrual balance at March 31, 2000	2,178	1,937	225	4,340
Cash payments	(818)	(445)		(1,263)
Non-cash disposals			(42)	(42)
Accrual balance at June 30, 2000	1,360	1,492	183	3,035
Cash payments	(638)	(116)		(754)
Non-cash disposals			(168)	(168)
Accrual balance at September 30, 2000	$722	$1,376	$15	$2,113

The Company expects that the majority of the remaining $2.1 million accrual balance will be expended over the next nine months and will be funded from working capital.

11. QUARTERLY RESULTS (UNAUDITED)

The following information has been derived from unaudited consolidated financial statements that, in the opinion of management, include all normal recurring adjustments necessary for a fair presentation of such information.

In thousands, except per share data:	Quarters Ended		
	Sept. 30,	June 30,	Mar. 31,
	2000		
Net revenues	$121,292	$119,959	$108,696
Cost of revenues	60,303	57,934	53,258
Gross profit	60,989	62,025	55,438
Operating expenses:			
Research & development	20,890	20,825	19,445
Marketing & selling	29,989	31,382	28,539
General & administrative	6,070	8,101	6,912
Amortization of acquisition-related intangible assets	14,862	19,792	19,800
Total operating expenses	71,811	80,100	74,696
Operating loss	(10,822)	(18,075)	(19,258)
Other income, net	849	1,233	1,044
Loss before income taxes	(9,973)	(16,842)	(18,214)
Provision for (benefit from) income taxes	1,250	1,250	1,250
Net loss	(11,223)	(18,092)	(19,464)
Net loss per share - basic and diluted	($0.45)	($0.74)	($0.81)
Weighted average common shares outstanding - basic and diluted	24,794	24,578	24,065

The following table presents a calculation of tax-effected income and diluted per share amounts excluding amortization of acquisition-related intangible assets.

(in thousands, except per share data)	Quarters Ended		
	Sept. 30,	June 30,	Mar. 31,
	2000		
Net loss	($11,223)	($18,092)	($19,464)
Adjustments:			
Amortization of acquisition-related intangible assets	14,862	19,792	19,800
Tax-effected income loss excluding amortization of acquisition-related intangible assets	$3,639	$1,700	$336
Tax-effected income per diluted share excluding amortization of acquisition-related intangible assets	$0.14	$0.07	$0.01
Weighted average common shares outstanding - diluted, used for calculation	26,177	25,652	25,850

12. STOCK OPTION EXCHANGE PROGRAM

In July 2000, the Company completed a program offered in June 2000 whereby employees could elect to exchange certain "out-of-the-money" stock options for shares of restricted stock at specified conversion ratios. Approximately 118,000 shares of restricted stock were issued in exchange for the cancellation of options to purchase approximately 432,000 shares of common stock at exercise prices ranging from $9.4375 to $45.25. Restrictions imposed on holders of the issued restricted stock as to transfers or sales lapse annually and ratably over a three-year period. Deferred compensation of $1.4 million was recorded as a component of stockholders' equity for the fair value of the restricted stock upon issuance and is being recognized as compensation expense ratably over the three-year restriction period, assuming that restrictions on all shares lapse. During the three months ended September 30, 2000, the Company recognized $0.1 million of compensation expense related to the lapsing of the restrictions.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2000 and 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 138 and 137 ("SFAS 138" and "SFAS 137"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133." SFAS 138 clarifies certain provisions of SFAS 133, and SFAS 137 defers the implementation of SFAS 133 by one year. SFAS 133, as amended by SFAS 137 and SFAS 138, is effective for fiscal quarters beginning after January 1, 2001 for the Company, and its adoption is not expected to have a material impact on the Company's financial position or results of operations.

In September 2000, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 140 ("SFAS 140"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125." SFAS 140 revises the standards of accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and reiterates many of SFAS 125's provisions. SFAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. SFAS 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company does not expect the application of SFAS 140 to have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain views of the staff on applying generally accepted accounting principles to revenue recognition in financial statements. The staff believes that revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured. In June 2000, Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements," was released. This staff accounting bulletin delays the implementation of SAB 101 until the fourth quarter of 2000. The Company does not expect the application of SAB 101, as amended, to have a material impact on the Company's financial position or results of operations.

In October 2000, the Emerging Issues Task Force ("EITF") issued EITF 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 requires shipping and handling costs associated with amounts billed to customers to be included in revenues and cost of revenues and not offset against each other. EITF 00-10 is effective for the fourth quarter of 2000. The Company does not expect the application of EITF 00-10 to have a material impact on the Company's financial position or results of operations.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The text of this document may include forward-looking statements. Actual results may differ materially from those described herein, depending on such factors as are described herein, including under "Certain Factors That May Affect Future Results."

Avid Technology, Inc. ("Avid" or the "Company") develops, markets, sells and supports a wide range of software and systems for creating and manipulating digital media content. Digital media are media elements, whether video or audio or graphics, in which an image, sound or picture is recorded and stored as digital values, as opposed to analog signals. Avid's digital, nonlinear video and film editing systems are designed to improve the productivity of video and film editors by enabling them to edit moving pictures and sound in a faster, easier, more creative, and more cost-effective manner than by use of traditional analog tape-based systems. To complement these systems, Avid develops and sells a range of image manipulation products that allow users in the video and film post-production and broadcast markets to create graphics and special effects for use in feature films, television programs and advertising, and news programs. Avid also develops and sells digital audio systems through its Digidesign division. These systems have applications in music, film, television, video, broadcast, streaming media and web development, as well as in home and hobbyist markets. These systems are based upon proprietary Digidesign/Avid audio hardware, software, and control surfaces, and enable users to record, edit, mix, process, and master audio in a uniquely integrated manner. Additionally, Avid believes that the Internet is one of the most important new content distribution channels and is continuing to invest in this area. Avid has developed and continues to develop products specifically designed for working in an Internet environment. The Company also plans to enable Internet publishing across its entire current product line. Upcoming releases of the Company's products are expected to include Internet video and audio streaming capabilities.

Avid's products are used worldwide in production and post-production facilities; film studios; network, affiliate, independent, and cable television stations; recording studios; advertising agencies; government and educational institutions; corporate communication departments; and by Internet professionals and audio hobbyists. Projects produced using Avid products--from major motion picture and primetime television to music video and marquee recording artists--have been honored with Oscar, Emmy, and Grammy awards and a host of other international awards.

RESULTS OF OPERATIONS

Net Revenues

The Company's net revenues have been derived mainly from the sales of computer-based digital, nonlinear media editing systems and related peripherals, licensing of related software, and sales of maintenance contracts. Net revenues increased $8.0 million (7.0%) to $121.3 million in the quarter ended September 30, 2000 from $113.3 million for the same quarter in 1999. Net revenues increased by $9.0 million (2.6%) to $349.9 million for the nine months ended September 30, 2000, from $340.9 million for the nine months ended September 30, 1999. The revenue increase in both periods reflected sales of newer products such as Avid Unity MediaNet, which began shipping in June 1999, Digi 001, which began shipping in November 1999, the Trilligent Cluster, which began shipping in April 2000, and Avid Xpress DV, which began shipping in March 2000. Also contributing to the increase in revenue for the quarter ended September 30, 2000 were greater sales of Macintosh-and Windows NT-based Media Composer upgrades, Macintosh-based Xpress systems, Newscutter systems and Digidesign audio products other than Digi 001, partially offset by lower sales of Macintosh-and Windows NT-based Media Composer systems, Windows NT-based Xpress, DS, local storage products and service revenue. For the nine months ended September 30, 2000 greater sales of Macintosh-and Windows NT-based Media Composer upgrades, Windows NT-based Xpress, DS, Newscutter and Digidesign audio products other than Digi 001 were partially offset by lower sales of Media Composer systems, Symphony systems, local storage products and service revenue. The Company currently expects revenue for the full year 2000 to exhibit modest growth as compared to the full year 1999.

During the third quarter of 2000, the Company began shipments of Avid Unity for News, Avid Symphony 3.0 and Media Composer 10.0.

Net revenues derived through indirect channels were approximately 85% of net revenue for the three months ended September 30, 2000, compared to approximately 91% of net revenue for the same period in 1999. Indirect channel revenues were approximately 86% of net revenue for the nine months ended September 30, 2000 compared to approximately 90% for the same period in 1999. The Company made minor changes to the channel sales strategy for certain product lines, which, as expected, slightly reduced the percentage of indirect channel revenue compared to total revenue.

International sales (sales to customers outside the U.S. and Canada) accounted for approximately 50% and 47% of the Company's third quarter 2000 and 1999 net revenues, respectively. International sales increased by approximately $7.0 million or 13.1% in the third quarter of 2000 compared to the same period in 1999. International sales accounted for approximately 52% and 51% of the Company's net revenues for the first nine months of 2000 and 1999, respectively. International sales increased by $9.4 million or 5.5% in the nine months ended September 30, 2000 from the same period in 1999. The increase in international sales reflected increases in both the Asia and Europe regions.

Gross Profit

Cost of revenues consists primarily of costs associated with the acquisition of components; the assembly, test, and distribution of finished products; warehousing; post-sales customer support costs; and provisions for inventory obsolescence. The resulting gross profit fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware included in the systems sold by the Company, the timing of new product introductions, the offering of product upgrades, price discounts and other sales promotion programs, the distribution channels through which products are sold, and sales of aftermarket hardware products. Gross margin decreased to 50.3% in the third quarter of 2000 compared to 51.2% in the third quarter of 1999 and decreased to 51.0% for the nine months ended September 30, 2000 from 56.0% for the same period in 1999. These decreases were primarily related to a product mix shift to lower-end offerings, and the impact of a strong US dollar, both of which were partially offset by material cost savings.

Research and Development

Research and development expenses increased by $0.3 million (1.3%) in the third quarter of 2000 compared to the same period in 1999. These increased expenditures were primarily due to profit sharing expense, decreased funding by third party partners for certain development projects and costs of employee retention programs, largely offset by decreased salary and related expenses due to a reduction in personnel. For the nine months ended September 30, 2000, research and development expenses decreased by $6.4 million (9.4%) compared to the same period in 1999. These decreased expenditures were primarily due to planned reductions in personnel-related expenditures and reduced consulting expense, partially offset by increased profit sharing expense and planned investments in the Company's strategic initiatives, including products designed to address the Company's Internet strategy. Research and development expenses decreased to 17.2% of net revenues in the third quarter of 2000 compared to 18.2% in the same quarter of 1999 and decreased to 17.5% for the nine months ended September 30, 2000 from 19.8% for the nine months ended September 30, 1999. For the third quarter of 2000, this decrease was due to growth in research and development expenses occuring at a lower rate than revenue growth. For the nine-month period ended September 30, 2000, these decreases were primarily due to the decreases in research and development expenses noted above.

Marketing and Selling

Marketing and selling expenses decreased approximately $3.6 million (10.7%) in the third quarter of 2000 compared to the same period in 1999 and decreased $9.7 million (9.8%) for the nine months ended September 30, 2000 compared to the same period in 1999. These decreased expenditures in selling and marketing were primarily due to reduced program-related expenses in the Company's video and film editing and effects business, partially offset by increases in the provision for bad debts and profit sharing expense. Marketing and selling expenses decreased to 24.7% of net revenues in the third quarter of 2000 compared to 29.6% in the same quarter of 1999 and decreased to 25.7% from 29.2% for the nine months ended September 30, 2000 and 1999, respectively. These decreases were primarily due to the decreases in marketing and selling expenses noted above.

General and Administrative

General and administrative expenses decreased $0.5 million (8.0%) in the third quarter of 2000 compared to the same period in 1999 and increased $0.5 million (2.3%) for the nine months ended September 30, 2000 compared to the same period in 1999. The decreased expenditures in general and administrative expenses for the third quarter were primarily due to planned reductions in personnel-related expenditures. The increase for the nine-month period was primarily due to executive severance benefits, profit sharing expense and retention programs, partially offset by planned reductions in personnel-related expenditures and consulting expenses. General and administrative expenses decreased to 5.0% of net revenues in the third quarter of 2000 compared to 5.8% in the same quarter of 1999 and remained unchanged at 6.0% for both of the nine-month periods ended September 30, 2000 and 1999, respectively. These changes were primarily due to the changes in expenses noted above.

Amortization of Acquisition-Related Intangible Assets

In connection with the August 1998 acquisition of the business of Softimage, the Company allocated $88.2 million of the total purchase price of $247.9 million to intangible assets consisting of completed technologies, work force and trade name, and $127.8 million to goodwill. During the second and third quarters of

2000, the Company acquired the assets of two companies, The Motion Factory, Inc. and Pluto Technologies International, Inc., for cash payments aggregating approximately $2.0 million, plus a commitment to make guaranteed bonus payments of $0.3 million in 2001. The Company allocated approximately $2.2 million of the total purchase price to intangible assets consisting of completed technologies and workforce. Results for the quarter ended September 30, 2000 and September 30, 1999 reflect amortization of $14.9 million and $19.8 million, respectively, associated with these acquisition-related intangible assets. Results for the nine months ended September 30, 2000 and September 30, 1999 reflect amortization of $54.5 million and $60.1 million, respectively, associated with these acquisition-related intangible assets. The unamortized balance of the intangible assets relating to these acquisitions, including goodwill, was $42.7 million at September 30, 2000. Approximately $12.4 million additional amortization is expected during the fourth quarter of 2000. An additional $28.9 million is expected to be amortized through July 2001, with the remaining $1.4 million to be amortized through December 2004.

Interest and Other Income, Net

Interest and other income, net consists primarily of interest income, equity in income of non-consolidated companies and interest expense. Interest and other income, net for the three months ended September 30, 2000 increased $0.1 million as compared to the same period in 1999. For the nine months ended September 30, 2000, interest and other income, net increased $0.5 million as compared to the same period in 1999. For the third quarter, the increase was primarily due to a higher rate of return on the Company's cash and investment balances. The increase for the nine months ended September 30, 2000 as compared to the same period in 1999 was primarily related to the recognition of the Company's share of equity income in Avstar (now iNEWS LLC), partially offset by less interest income due to lower average cash and investment balances.

Provision for Income Taxes

The Company recorded a tax provision of $1.3 million for each of the three quarters of 2000. This provision was comprised of taxes payable by the Company's foreign subsidiaries and state taxes. No tax benefit was provided for the loss before income taxes in the U.S. This provision compares to a tax benefit of $8.7 million and $21.7 million for the three- and nine-month periods ended September 30, 1999, respectively, both of which represented an effective tax rate of 40%. This rate was different from the U.S. Federal statutory rate of 35% due primarily to the Company's foreign subsidiaries, which are taxed in the aggregate at a lower rate, and the U.S. Federal Research Tax Credit.

LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations to date through both private and public sales of equity securities as well as through cash flows from operations. As of September 30, 2000, the Company's principal sources of liquidity included cash, cash equivalents and marketable securities totaling approximately $74.2 million.

With respect to cash flows, net cash provided by operating activities was $4.0 million for the nine months ended September 30, 2000 compared to $15.4 million provided by operating activities in the same period in 1999. During the nine months ended September 30, 2000, net cash provided by operating activities primarily reflects the net loss adjusted for depreciation and amortization and provisions for doubtful accounts, offset by increases in accounts receivable and inventories and decreases in accrued expenses, compensation and benefits. During the nine months ended September 30, 1999, net cash provided by operating activities consisted primarily of the net loss adjusted for depreciation and amortization, increases in long-term deferred tax assets, collections of accounts receivable and a decrease in accrued expenses, compensation and benefits.

The Company purchased $5.5 million of property and equipment and other assets during the nine months ended September 30, 2000, compared to $19.2 million in the same period in 1999. These purchases primarily included hardware and software for the Company's information systems and equipment to support research and development activities. During the nine months ended September 30, 2000, the Company also made a cash investment of $2.1 million in Rocket Network, Inc., and purchased the assets of two companies, The Motion Factory, Inc. and Pluto Technologies International, Inc., for a total of approximately $2.0 million in cash and $0.3 million in guaranteed bonus payments to be made in 2001. In the nine-month period ended September 30, 1999, the Company utilized $8.0 million to repay a portion of the note issued to Microsoft Corporation in connection with the acquisition of Softimage. The remaining principal balance on the note issued to Microsoft of approximately $12.5 million is due and payable in June 2003. Additionally, in 1999, the Company made a cash investment of $1.5 million in a joint venture with Tektronix, Inc.

In connection with the acquisitions of The Motion Factory, Inc. and Pluto Technologies International, Inc., the Company may be required to make certain contingent cash payments, limited in the aggregate to an additional $13.5 million, dependent upon future revenues and/or gross margin levels of products acquired from these companies through December 2004.

In November 1999, the Company announced and implemented a restructuring plan to strategically refocus the Company and bring operating expenses in line with net revenues, with the goal of restoring long-term profitability to the Company and supporting the Company's new strategic initiatives. The major elements of the resulting restructuring plan included the termination of certain employees and the vacating of certain facilities. The plan also provided for no further releases of a limited number of then-existing product offerings, including stand-alone Marquee, Avid Cinema, Media Illusion and Matador. In connection with this plan, the Company recorded a restructuring charge of $9.6 million. The charge included approximately $6.6 million for severance and related costs for 209 employees on a worldwide basis, $2.4 million for facility vacancy costs and approximately $0.6 million of non-cash charges relating to the disposition of certain fixed assets. At the time of the charge, the Company expected that the 1999 restructuring actions would result in an expense reduction of approximately $18.0 million on an annualized basis. As expected, these savings were partially offset by incremental costs associated with new strategic initiatives intended for the growth of the Company. During 1999 and the first three quarters of 2000, the Company made cash payments of $2.5 million and $4.5 million, respectively, related to these restructuring activities. The majority of the remaining accrual balance of $2.1 million at September 30, 2000 is expected to be paid out during the remainder of 2000 and the first half of 2001 and will be funded from working capital.

On October 21, 1998, the Company announced that the Board of Directors had authorized the repurchase of up to 2.0 million shares of the Company's common stock. Purchases have been and will be made in the open market or in privately negotiated transactions. The Company has used and plans to continue to use any repurchased shares for its employee stock plans. During 1999, the Company repurchased a total of 1.2 million shares of common stock at a cost of $19.7 million. As of September 30, 2000, there were approximately 263,000 shares remaining authorized for repurchase.

The Company believes existing cash, cash equivalents and marketable securities, as well as internally generated funds, will be sufficient to meet the Company's cash requirements, including capital expenditures, for at least the next twelve months. In the event the Company requires additional financing, the Company believes that it would be able to obtain such financing; however, there can be no assurance that it would be successful in doing so, or that it could do so on terms favorable to the Company.

EUROPEAN MONETARY UNION

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their sovereign currencies and the euro. As of that date, the participating countries agreed to adopt the euro as their common legal currency. However, the legacy currencies will also remain legal tender in the participating countries for a transition period between January 1, 1999 and January 1, 2002. During this transition period, public and private parties may elect to pay or charge for goods and services using either the euro or the participating country's legacy currency.

The Company began conducting certain business transactions in the euro on January 1, 1999, and will change its functional currencies for the effected countries to the euro by the end of the three-year transition period. The conversion to the euro has not had and is not expected to have a significant operational impact or a material financial impact on the results of operations, financial position, or liquidity of the Company's European businesses.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2000 and 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 138 and 137 ("SFAS 138" and "SFAS 137"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133." SFAS 138 clarifies certain provisions of SFAS 133, and SFAS 137 defers the implementation of SFAS 133 by one year. SFAS 133, as amended by SFAS 137 and SFAS 138, remains is effective for fiscal quarters beginning after January 1, 2001 for the Company, and its adoption is not expected to have a material impact on the Company's financial position or results of operations.

In September 2000, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 140 ("SFAS 140"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125." SFAS 140 revises the standards of accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and reiterates many of SFAS 125's provisions. SFAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. SFAS 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company does not expect the application of SFAS 140 to have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain views of the staff on applying generally accepted accounting principles to revenue recognition in financial statements. The staff believes that revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured. In June 2000, Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements," was released. This staff accounting bulletin delays the implementation of SAB 101 until the fourth quarter of 2000. The Company does not expect the application of SAB 101, as amended, to have a material impact on the Company's financial position or results of operations.

In October 2000, the Emerging Issues Task Force ("EITF") issued EITF 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 requires shipping and handling costs associated with amounts billed to customers to be included in revenues and cost of revenues and offset against each other. EITF 00-10 is effective for the fourth quarter of 2000. The Company does not expected the application of EITF 00-10 to have a material impact on the Company's financial position or results of operations.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

A number of uncertainties exist that could affect the Company's future operating results, including, without limitation, the following:

The Company's core video editing market predominantly uses Avid products. Therefore, future growth in this market may be limited. Accordingly, the Company has expanded its product line to address the digital media production needs of the television broadcast news market, online film and video finishing market and the emerging market for multimedia production tools, including the Internet broadcast market and the corporate market. A significant portion of the Company's future growth will depend on customer acceptance in these and other new markets. The Company has limited experience in serving these markets, and there can be no assurance that the Company will be able to develop such products successfully, that such products will achieve widespread customer acceptance, or that the Company will be able to develop distribution and support channels to serve these markets. Any failure of such products to achieve market acceptance, any additional costs and expenses incurred by the Company to improve market acceptance of such products and to develop new distribution and support channels, or the withdrawal from the market of such products or of the Company from such new markets could have a material adverse effect on the Company's business and results of operations.

The Company's plans for future growth in the Internet broadcast market depend on increased use of the Internet for the creation, use, manipulation and distribution of media content from corporate markets to the highest-end post-production. Such uses of the Internet are currently at an early stage of development and the future evolution of the Internet in the media broadcast market is not clear. Because a significant portion of the Company's business strategy depends on its Internet initiative, its business may suffer if commercial use of the Internet fails to grow in the future.

As another component of its Internet initiative, the Company recently launched the Avid Production Network site (AvidProNet.com) to provide interactive information and services to new media and post-production professionals. The Company's plans for the Avid Production Network include content-hosting, remote reviewing and stock footage availability. Because materials may be posted on, and/or downloaded and subsequently distributed to others from the Avid Production Network site, the Company may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury, or other theories based on the nature, content, publication and distribution of such materials.

As a result of the Internet's popularity and increasing use, new laws and regulations may be adopted. These laws and regulations may cover issues such as privacy, distribution and content. The enactment of any additional laws or regulations may impede the growth of the Internet, and the Company's Internet-related business, and could place additional financial burdens on the Company's business.

The Company's gross margin fluctuates based on various factors. Such factors include the mix of products sold, the cost and the proportion of third-party hardware included in the systems sold by the Company, the distribution channels through which products are sold, the timing of new product introductions, the offering of product and platform upgrades, price discounts and other sales promotion programs, the volume of sales of aftermarket hardware products, the costs of swapping or fixing products released to the market with errors or flaws, provisions for inventory obsolescence, allocations of manufacturing overhead costs and customer support costs to cost of goods, sales of third-party computer hardware to distributors, and competitive pressure on selling prices of products. The Company's systems and software products typically have higher gross margins than storage devices and product upgrades. Gross profit varies from product to product depending primarily on the proportion and cost of third-party hardware included in each product. The Company, from time to time, adds functionality and features to its systems. If such additions are accomplished through the use of more, or more costly, third-party hardware, and if the Company does not increase the price of such systems to offset these increased costs, the Company's gross margins on such systems would be adversely affected.

The Company sells most of its products and services through indirect channels such as distributors and resellers. Resellers and distributors typically purchase software and "kits" from the Company and other turnkey components from other vendor sources in order to produce complete systems for resale. As the majority of the Company's sales are through the indirect channel model, it has a significant dependence on its resellers and their third party component suppliers. Any disruption to its resellers or their suppliers may adversely affect the Company's revenue and gross margin.

The Company's operating expense levels are based, in part, on its expectations of future revenues. Further, in many cases, quarterly operating expense levels cannot be reduced rapidly in the event that quarterly revenue levels fail to meet internal expectations. Therefore, if quarterly revenue levels fail to meet internal expectations upon which expense levels are based, the Company's operating results may be adversely affected and there can be no assurance that the Company would be able to operate profitably.

The Company's success depends in large part upon the services of a number of key employees. The loss of the services of one or more of these key employees could have a material adverse effect on the Company. The Company's success will also depend in significant part upon its ability to continue to attract highly skilled personnel to fill a number of vacancies. On April 26, 2000, the Company announced that Ethan E. Jacks, who was a Vice President and the Company's General Counsel, had been appointed Senior Vice President, Chief Legal Officer and Acting Chief Financial Officer as the Company conducts a search for a Chief Financial Officer. There can be no assurance that the Company will be successful in its search for a new Chief Financial Officer or in attracting and/or retaining key employees generally.

Certain of the Company's products operate only on specific computer platforms. The Company currently relies on Apple Computer, Inc., IBM and Silicon Graphics as the sole manufacturers of such computer platforms. There can be no assurance that the respective manufacturers will continue to develop, manufacture, and support such computer platforms suitable for the Company's existing and future markets or that the Company will be able to secure an adequate supply of computers on the appropriate platforms, the occurrence of any of which could have a material adverse effect on the Company's business and results of operations.

The Company is dependent on a number of suppliers as sole source vendors of certain key components of its products and systems. Components purchased by the Company from sole source vendors include video compression chips manufactured by C-Cube Microsystems; a small computer systems interface ("SCSI") accelerator board from ATTO Technology; a 3D digital video effects board from Pinnacle Systems; application specific integrated circuits ("ASICS") from Chip Express and LSI Logic; digital signal processing integrated circuits from Motorola; a fibre channel adapter card from JNI; a fibre channel storage array from the Clariion division of EMC; and a PCI expansion chassis from Magma Inc. The Company purchases these sole source components pursuant to purchase orders placed from time to time. The Company also manufactures certain circuit boards under license from a subsidiary of Pinnacle Systems. The Company generally does not carry significant inventories of these sole source components and has no guaranteed supply arrangements. No assurance can be given that sole source suppliers will devote the resources necessary to support the enhancement or continued availability of such components or that any such supplier will not encounter technical, operating or financial difficulties that might imperil the Company's supply of such sole source components. While the Company believes that alternative sources of supply for sole source components could be developed, or systems redesigned to permit the use of alternative components, its business and results of operations could be materially affected if it were to encounter an untimely or extended interruption in its sources of supply.

The markets for digital media editing and production systems are intensely competitive and subject to rapid change. The Company encounters competition in the video and film editing and effects and professional audio markets. Many current and potential competitors of the Company have substantially greater financial, technical, distribution, support, and marketing resources than the Company. Such competitors may use these resources to lower their product costs and thus be able to lower prices to levels at which the Company could not operate profitably. Further, such competitors may be able to develop products comparable or superior to those of the Company or adapt more quickly than the Company to new technologies or evolving customer requirements. Accordingly, there can be no assurance that the Company will be able to compete effectively in its target markets or that future competition will not adversely affect its business and results of operations.

A significant portion of the Company's business is conducted in currencies other than the U.S. dollar. Changes in the value of major foreign currencies relative to the value of the U.S. dollar, therefore, could adversely affect future revenues and operating results. The Company attempts to reduce the impact of currency fluctuations on results through the use of forward exchange contracts that hedge foreign currency-denominated third-party and intercompany net receivables or payable balances and cash balances. The Company has generally not hedged specific transactions with external parties, although it periodically reevaluates its hedging practices.

The Company is involved in various legal proceedings, including patent litigation. An adverse resolution of any such proceedings could have a material adverse effect on the Company's business and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market Risk

The Company's primary exposures to market risk are the effect of volatility in currencies on asset and liability positions of its international subsidiaries that are denominated in foreign currencies and the effect of fluctuations in interest rates earned on its cash equivalents and marketable securities.

Foreign Exchange Risk

The Company derives greater than 50% of its revenues from customers outside the United States. This business is, for the most part, transacted through international subsidiaries and generally in the currency of the end user customers. This circumstance exposes the Company to risks associated with changes in foreign currency that can impact revenues, net income (loss) and cash flow. The Company enters into foreign exchange forward contracts to hedge the foreign exchange exposure of certain forecasted receivables and payables of its foreign subsidiaries. Gains and losses associated with currency rate changes on the contracts are recorded in results of operations, offsetting losses and gains on the related assets and liabilities. The success of the hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are over- or understated during the periods of currency volatility, the Company could experience unanticipated currency gains or losses.

At September 30, 2000, the Company had $33.5 million of foreign exchange forward contracts outstanding, denominated in various European, Asian and Canadian currencies, as a hedge against forecasted foreign denominated receivables and payables. Net gains of $0.8 million resulting from forward exchange contracts were included in the results of operations in the third quarter of 2000, which partially offset net losses on the related assets and liabilities of $1.1 million. Net gains of $0.7 million resulting from forward exchange contracts were included in the results of operations for the nine-month period ended September 30, 2000, which partially offset net losses on the related assets and liabilities of $1.8 million. A hypothetical 10% change in foreign currency rates would not have a material impact on the Company's results of operations, assuming the above-mentioned forecast of foreign currency exposure is accurate, because the impact on the forward contracts as a result of a 10% change would offset the impact on the asset and liability positions of the Company's foreign subsidiaries.

Interest Rate Risk

At September 30, 2000, the Company held $46.5 million in cash equivalents and marketable securities, consisting of short-term government obligations, state and municipal bonds, and commercial paper. Cash equivalents and marketable securities are classified as "available for sale" and are recorded on the balance sheet at market value, with any unrealized gain or loss recorded in comprehensive income (loss). A hypothetical 10% increase in interest rates would not have a material impact on the fair market value of these instruments due to their short maturity.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS.

27 Financial Data Schedule

(b) REPORTS ON FORM 8-K. For the fiscal quarter ended September 30, 2000, the Company filed no current reports on Form 8-K.

SIGNATURES

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 thereunto duly authorized.

Avid Technology, Inc.

Date: November 14, 2000 By: /s/ Ethan E. Jack

Ethan E. Jacks
Senior Vice President, Chief Legal Officer
and Acting Chief Financial Officer

Date: November 14, 2000 By: /s/ Carol L. Reid

Carol L. Reid
Vice President and Corporate Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS ON THE FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2000 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AS FILED ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
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JAN-01-2000
SEP-30-2000
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