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

August 12, 1999

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 June 30, 1999.

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

Very truly yours,

/s/ Ethan E. Jacks

Ethan E. Jacks
General Counsel

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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 JUNE 30, 1999

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 August 10, 1999 was 23,720,574.

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AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999 (unaudited)	1998 (unaudited)	1999 (unaudited)	1998 (unaudited)
Net revenues	$116,353	$112,852	$227,636	$221,594
Cost of revenues	50,275	44,537	94,696	90,064
Gross profit	66,078	68,315	132,940	131,530
Operating expenses:				
Research and development	22,644	20,616	46,893	40,928
Marketing and selling	33,525	30,584	66,087	58,278
General and administrative	7,270	6,450	14,011	13,029
Amortization of acquisition-related intangible assets	19,787		40,298	
Total operating expenses	83,226	57,650	167,289	112,235
Operating income (loss)	(17,148)	10,665	(34,349)	19,295
Interest and other income, net	1,263	2,713	1,863	5,249
Income (loss) before income taxes	(15,885)	13,378	(32,486)	24,544
Provision for (benefit from) income taxes	(7,849)	4,147	(12,995)	7,608
Net income (loss)	($8,036)	$9,231	($19,491)	$16,936
Net income (loss) per common share - basic	($0.34)	$0.40	($0.81)	$0.74
Net income (loss) per common share - diluted	($0.34)	$0.37	($0.81)	$0.69
Weighted average common shares outstanding - basic	23,946	23,076	24,167	22,993
Weighted average common shares outstanding - diluted	23,946	24,833	24,167	24,687

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

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

	June 30, 1999	December 31, 1998
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$51,352	$62,904
Marketable securities	31,104	48,922
Accounts receivable, net of allowances of $7,827 and $7,171 at June 30, 1999 and December 31, 1998, respectively	75,579	89,754
Inventories	11,235	11,093
Deferred tax assets	19,308	17,771
Prepaid expenses	7,021	6,095
Other current assets	4,315	5,108
Total current assets	199,914	241,647
Property and equipment, net	38,491	35,398
Long-term deferred tax assets	34,292	23,891
Acquisition-related intangible assets	134,640	181,631
Other assets	6,215	4,148
Total assets	$413,552	$486,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$28,229	$24,311
Current portion of long-term debt	165	398
Accrued compensation and benefits	15,517	29,031
Accrued expenses	29,546	32,708
Income taxes payable	1,783	13,715
Deferred revenues	19,257	22,519
Total current liabilities	94,497	122,682
Long-term debt, less current portion	8,647	13,261
Purchase consideration	39,157	60,461
Commitments and contingencies		
Stockholders' equity:		
Preferred stock		
Common stock	265	265
Additional paid-in capital	359,305	349,289
Retained earnings (accumulated deficit)	(5,578)	14,338
Treasury stock	(76,605)	(68,024)
Deferred compensation	(2,747)	(3,773)
Accumulated other comprehensive loss	(3,389)	(1,784)
Total stockholders' equity	271,251	290,311
Total liabilities and stockholders' equity	$413,552	$486,715

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

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

	Six Months Ended June 30,	
	1999 (unaudited)	1998 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	($19,491)	$16,936
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	49,916	10,851
Compensation from stock grants and options	763	3,099
Provision for doubtful accounts	1,222	567
Changes in deferred tax assets	(133)	223
(Gain) loss on disposal of equipment	122	(539)
Changes in operating assets and liabilities:		
Accounts receivable	8,126	13,296
Inventories	3,340	783
Prepaid expenses and other current assets	(457)	(2,056)
Accounts payable	4,099	(1,380)
Income taxes payable	(13,505)	6,230
Accrued expenses, compensation and benefits	(18,821)	(7,543)
Deferred revenues	(1,269)	(5,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	13,912	35,352
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(16,164)	(9,117)
Proceeds from disposal of equipment	1,152	1,218
Purchases of marketable securities	(26,764)	(100,300)
Proceeds from sales of marketable securities	44,512	83,817
Investment in joint venture	(1,500)	
Payments on note issued in connection with acquisition	(8,000)	
NET CASH USED IN INVESTING ACTIVITIES:	(6,764)	(24,382)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(303)	(468)
Purchase of common stock for treasury	(19,518)	(12,837)
Proceeds from issuance of common stock	2,664	8,775
NET CASH USED IN FINANCING ACTIVITIES:	(17,157)	(4,530)
Effects of exchange rate changes on cash and cash equivalents	(1,543)	(23)
Net increase (decrease) in cash and cash equivalents	(11,552)	6,417
Cash and cash equivalents at beginning of period	62,904	108,308
Cash and cash equivalents at end of period	$51,352	$114,725

Non-cash Financing and Investing Activities:		
Property and equipment and inventory transferred to joint venture	$500	-

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, 1998 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 INCOME (LOSS) PER COMMON SHARE

The following table reconciles the numerator and denominator of the basic and diluted net income (loss) per share computations shown on the Condensed Consolidated Statements of Operations:

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Basic net income (loss) per share				
Numerator:				
Net income (loss)	($8,036)	$9,231	($19,491)	$16,936
Denominator:				
Weighted common shares outstanding	23,946	23,076	24,167	22,993
Basic net income (loss) per share	($0.34)	$0.40	($0.81)	$0.74
Diluted net income (loss) per share				
Numerator:				
Net income (loss)	($8,036)	$9,231	($19,491)	$16,936
Denominator:				
Weighted common shares outstanding	23,946	23,076	24,167	22,993
Weighted common stock equivalents	-	1,757	-	1,694
	23,946	24,833	24,167	24,687
Diluted net income (loss) per share	($0.34)	$0.37	($0.81)	$0.69

Options and warrants to purchase 6,985,670 and 6,720,175 weighted shares of common stock outstanding were excluded from the calculation of diluted net (loss) per share for the three- and six-month periods ended June 30, 1999, respectively, because their inclusion would be anti-dilutive. Options to purchase 77,786 and 73,391 weighted shares of common stock outstanding were excluded from the calculation of diluted net income per share for the three- and six-month periods ended June 30, 1998, respectively, because the exercise prices of those options exceeded the average market price of common stock for the three- and six-month periods ended June 30, 1998.

3. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 1999	December 31, 1998
Raw materials	$7,077	$6,193
Work in process	1,362	2,081
Finished goods	2,796	2,819
	$11,235	$11,093

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following (in thousands):

	June 30, 1999	December 31, 1998
Computer and video equipment	$94,385	$85,365
Office equipment	5,097	4,874
Furniture and fixtures	8,559	7,138
Leasehold improvements	15,678	15,287
	123,719	112,664
Less accumulated depreciation and amortization	85,228	77,266
	$38,491	$35,398

5. LINE OF CREDIT

The Company has an unsecured line of credit with a group of banks, which provides for up to $35.0 million in revolving credit. The line of credit agreement was renewed on June 29, 1999 to expire on June 28, 2000. Under the terms of the agreement, the Company must pay an annual commitment fee of 3/8% of the average daily unused portion of the facility, payable quarterly in arrears. The Company has two loan options available under the agreement: the Base Rate Loan and the LIBOR Rate Loan. The interest rates to be paid on the outstanding borrowings for each loan annually are equal to the Base Rate or LIBOR plus 1.25%, respectively. Additionally, the Company is required to maintain certain financial ratios and is bound by covenants over the life of the agreement, including a restriction on the payment of dividends. The Company had no borrowings against this facility as of June 30, 1999.

6. INVESTMENT IN JOINT VENTURE

On January 27, 1999, the Company, with Tektronix, Inc., incorporated a 50% owned and funded newsroom venture, AvStar Systems LLC ("AvStar"), which began operations in February 1999 with its corporate office located in Madison, Wisconsin. The joint venture is dedicated to providing the next generation of digital news production products. The Company's investment in the joint venture is being accounted for under the equity method of accounting. The Company's initial contribution to the joint venture was approximately $2.0 million, consisting of $1.5 million in cash and $0.5 million of licensed technology, fixed assets and inventory.

7. LONG-TERM DEBT AND PURCHASE CONSIDERATION

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

In conjunction with the acquisition of Softimage, the Company issued stock options to retained employees. As agreed with the seller, 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 June 30, 1999, the Note has been increased by approximately $8.9 million for forfeited Avid stock options. The Company made cash payments of approximately $8.0 million for principal and $412,000 for interest during the six months ended June 30, 1999.

In the second quarter of 1999, the Company recorded reductions of $6.9 million to the goodwill and the deferred tax liability recorded upon the acquisition, due to the expectation of realizing tax return deductions for a greater portion of the acquired intangible assets.

8. 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, 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, 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.

9. CAPITAL STOCK

On October 23, 1997, February 5, 1998 and October 21, 1998, the Company announced that the Board of Directors authorized the repurchase of up to 1.0 million, 1.5 million and 2.0 million shares, respectively, 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 will continue to use any repurchased shares for its employee stock plans. As of December 31, 1998, the Company had repurchased approximately 2.9 million shares of Avid common stock at a cost of $90.6 million, which completed the programs announced during October 1997 and February 1998 and initiated the program announced in October 1998. During the six months ended June 30, 1999, the Company purchased an additional 1.2 million shares at a cost of $19.5 million. As of June 30, 1999, the balance of shares authorized for repurchase was approximately 370,000 shares.

10. COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss), net of taxes, was approximately ($8.5) million and $9.2 million for the three-month periods ended June 30, 1999 and 1998, respectively, and ($21.1) million and $17.3 million for the six-month periods ended June 30, 1999 and 1998, respectively, which consists of net income (loss), the net changes in foreign currency translation adjustment and the net unrealized gains and losses on available-for-sale securities. This calculation is in accordance with the requirements of Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income", and has no impact on the Company's net income or stockholders' equity.

11. SEGMENT INFORMATION

The Company's organizational structure is based on strategic business units that offer various products to the principal markets in which the Company's products are sold. These business units equate to two reportable segments: 1) Video and Film Editing and Effects and 2) Professional Audio.

The following is a summary of the Company's operations by operating segment for the three- and six-month periods ended June 30, 1999 and 1998 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Video and Film Editing and Effects:				
Net revenues	$93,856	$96,856	$179,880	$189,360
Depreciation	$4,767	$4,849	$9,614	$10,024
Operating income (loss)	($1,616)	$7,876	($5,370)	$13,503
Professional Audio:				
Net revenues	$22,497	$15,996	$47,756	$32,234
Depreciation	$249	$354	$524	$721
Operating income	$4,255	$2,789	$11,319	$5,792
Segment Totals:				
Net revenues	$116,353	$112,852	$227,636	$221,594
Depreciation	$5,016	$5,203	$10,138	$10,745
Operating income	$2,639	$10,665	$5,949	$19,295

The following table reconciles segment operating income to total consolidated operating income (loss) for the three- and six-month periods ended June 30, 1999 and 1998 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Total operating income for reportable segments	$2,639	$10,665	$5,949	$19,295
Unallocated amortization of acquisition-related intangible assets	(19,787)	-	(40,298)	-
Consolidated operating income (loss)	($17,148)	$10,665	($34,349)	$19,295

The 1999 unallocated amount represents the amortization of acquired intangible assets, including goodwill, associated with the acquisition of Softimage.

12. SUPPLEMENTAL RECONCILIATION OF NET INCOME (LOSS) TO TAX-EFFECTED INCOME EXCLUDING AMORTIZATION OF ACQUISITION-RELATED INTANGIBLE ASSETS

The following table presents a calculation of tax-effected income and diluted per share amounts excluding amortization of acquisition-related intangible assets. The information is presented in order to enhance the comparability of the statements of operations for the periods presented.

(in thousands, except per share data)

	For the Three Months Ended June 30, 1999	For the Three Months Ended June 30, 1998
Net income (loss)	($8,036)	$9,231
Adjustments:		
Amortization of acquisition-related intangible assets	19,787	
Tax impact of adjustment	(9,059)	
Tax-effected income excluding amortization of acquisition-related intangible assets	$2,692	$9,231
Tax-effected income per diluted share excluding amortization of acquisition-related intangible assets	$0.10	$0.37
Weighted average common shares outstanding - diluted - used for calculation	25,781	24,833

(in thousands, except per share data)

	For the Six Months Ended June 30, 1999	For the Six Months Ended June 30, 1998
Net income (loss)	($19,491)	$16,936
Adjustments:		
Amortization of acquisition-related intangible assets	40,298	
Tax impact of adjustment	(15,417)	
Tax-effected income excluding amortization of acquisition-related intangible assets	$5,390	$16,936
Tax-effected income per diluted share excluding amortization of acquisition-related intangible assets	$0.20	$0.69
Weighted average common shares outstanding - diluted - used for calculation	26,407	24,687

The 1999 adjustments represent the amortization of acquired intangible assets, including goodwill, associated with the acquisition of Softimage. The tax provisions used in each period in 1999 were based on a tax rate of 31% of the profit before taxes, excluding the amortization of acquired intangible assets.

13. NEW ACCOUNTING PRONOUNCEMENTS

On July 7, 1999, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133." SFAS 137 defers the implementation of SFAS 133 by one year. SFAS 133, as amended by SFAS 137, 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.

PART I. FINANCIAL INFORMATION

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

OVERVIEW

The text of this document includes 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 develops and provides digital film, video and audio editing and special effects software and hardware technologies to create media content for information and entertainment applications. Integrated with the Company's digital storage and networking solutions, Avid's products are used worldwide in video and audio production and post-production facilities; film studios; network, affiliate, independent and cable television stations and recording studios; and by advertising agencies; government and educational institutions; corporate communications departments; and individual home users.

In August 1998, the Company acquired the business of Softimage. The acquisition was recorded as a purchase and, accordingly, the results of Softimage are included in the Company's financial statements as of the acquisition date.

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 by $3.5 million (3.1%) to $116.4 million in the quarter ended June 30, 1999 from $112.9 million for the same quarter of last year. Net revenues increased by $6.0 million (2.7%) to $227.6 million for the six months ended June 30, 1999 from $221.6 million for the six months ended June 30, 1998. The revenue increase in both periods reflected sales of newer products such as Avid Symphony, Pro Tools|24 Mix and various products on Windows NT platforms, as well as incremental Softimage DS and Softimage 3D revenue. These increases in revenues were offset in part by a decline in revenue from Macintosh-based Media Composer products, customer service, and broadcast products. Based on a review of the revenue of its broadcast business, the Company has changed the status of Tektronix, Inc. from an exclusive to a non-exclusive reseller of these products in North America.

During the second quarter of 1999, the Company began shipments of Avid Unity MediaNet 1.0, Media Composer XL 8.0 for the Macintosh and Windows NT, Avid Xpress 2.1 for Windows NT, and Avid Cinema for Macintosh with USB. During 1999, Avid also began shipping Pro Tools|24 Mix and Mix Plus for Windows NT, MediaDrive rS Plus and Media Illusion 5.1. To date, returns of all products have been immaterial. The Company currently expects revenue for the full year 1999 to be at or near the 1998 full year amount.

Net revenues derived through indirect channels were greater than 90% of net revenue for the three months ended June 30, 1999, compared to greater than 75% of net revenue for the same period in 1998. Indirect channel revenues were approximately 90% of net revenue for the six months ended June 30, 1999 compared to greater than 70% for the same period in 1998. The Company is reviewing minor changes to the channel sales strategy for certain product lines, which may slightly reduce the percentage of indirect channel revenue for the remainder of the year.

International sales (sales to customers outside the U.S. and Canada) accounted for approximately 50% and 49% of the Company's second quarter 1999 and 1998 net revenues, respectively. International sales increased by 5.6% in the second quarter of 1999 compared to the same period in 1998. International sales accounted for approximately 52% and 48% of the Company's net revenues for the first six months of 1999 and 1998, respectively. International sales increased by 10.8% in the six months ended June 30, 1999 from the same period in 1998. The increase in international sales reflected increases in Asia and, to a lesser extent, in Europe.

Gross Profit

Cost of revenues consists primarily of costs associated with the procurement 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 56.8% in the second quarter of 1999 compared to 60.5% in the same period of 1998 and decreased to 58.4% for the six months ended June 30, 1999 from 59.4% for the same period in 1998. These decreases were primarily related to product price reductions and discounting, product mix and unfavorable service margins, all of which were partially offset by material cost savings. The Company currently expects that gross margin for the remainder of 1999 could be slightly lower than that of the second quarter of 1999 due to changing product mix, product promotions, and other pricing actions.

Research and Development

Research and development expenses increased by $2.0 million (9.8%) in the second quarter of 1999 compared to the same period in 1998 and increased by $6.0 million (14.6%) for the six months ended June 30, 1999 compared to the same period in 1998. These increased expenditures were primarily due to incremental Softimage costs and facilities costs, partially offset by reductions in non-Softimage personnel costs. Research and development expenses increased to 19.5% of net revenues in the second quarter of 1999 compared to 18.3% in the same quarter of 1998 and increased to 20.6% for the six months ended June 30, 1999 from 18.5% for the six months ended June 30, 1998. These increases were primarily due to the increases in research and development expenses noted above.

Marketing and Selling

Marketing and selling expenses increased by approximately $2.9 million (9.6%) in the second quarter of 1999 compared to the same period in 1998 and increased by $7.8 million (13.4%) for the six months ended June 30, 1999 compared to the same period in 1998. These increased expenditures in selling and marketing were primarily due to incremental Softimage costs and increased spending on various marketing programs. Marketing and selling expenses increased to 28.8% of net revenues in the second quarter of 1999 compared to 27.1% in the same quarter of 1998 and increased to 29.0% from 26.3% for the six months ended June 30, 1999 and 1998, respectively. These increases were primarily due to the higher marketing and selling expenses noted above.

General and Administrative

General and administrative expenses increased by $820,000 (12.7%) in the second quarter of 1999 compared to the same period in 1998 and increased by $1.0 million (7.5%) for the six months ended June 30, 1999 compared to the same period in 1998. These increased expenditures in general and administrative expenses were primarily due to incremental Softimage costs, legal and consulting fees, partially offset by reductions in non-Softimage personnel costs. General and administrative expenses increased to 6.2% of net revenues in the second quarter of 1999 compared to 5.7% in the same quarter of 1998 and increased to 6.2% from 5.9% for the six months ended June 30, 1999 and 1998, respectively. These increases were primarily due to higher 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. Results for the three- and six-month periods ended June 30, 1999 reflect amortization of $19.8 million and $40.3 million, respectively, associated with these acquisition-related intangible assets.

In the second quarter of 1999, the Company recorded reductions of $6.9 million to the goodwill and the deferred tax liability recorded upon the acquisition, due to the expectation of realizing tax return deductions for a greater portion of the acquired intangible assets.

Interest and Other Income, Net

Interest and other income, net consists primarily of interest income, other income and interest expense. Interest and other income, net for the three months ended June 30, 1999 decreased $1.5 million as compared to the same period in 1998. For the six months ended June 30, 1999, interest and other income, net decreased $3.4 million as compared to the same period in 1998. For both periods the decrease was primarily due to lower cash and investment balances.

Provision for Income Taxes

The Company's effective tax rate was 49.4% for the second quarter of 1999 compared to 31% for the same period in 1998 and the first quarter of 1999. The change in rate for the current quarter reflects an adjustment to the deductibility of the intangible assets recorded upon the acquisition of Softimage, resulting in an expected annual tax rate for 1999 of 40%. The tax rate for the six-month period ended June 30, 1998 was 31%.

The effective tax rates of 40% for 1999 and 31% for 1998 are 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, state taxes 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 June 30, 1999, the Company's principal sources of liquidity included cash, cash equivalents and marketable securities totaling approximately $82.5 million.

With respect to cash flow, net cash provided by operating activities was $13.9 million for the six months ended June 30, 1999 compared to $35.4 million in 1998. During the six months ended June 30, 1999, net cash provided by operating activities consisted primarily of the net loss adjusted for depreciation and amortization and collections in accounts receivable, partially offset by decreases in accrued expenses and income taxes payable. During the six months ended June 30, 1998, cash was generated primarily from net income adjusted for depreciation and amortization as well as from collections of accounts receivable and increases in income taxes payable, offset by decreases in accrued expenses and deferred revenue.

The Company purchased $16.2 million of property and equipment and other long-term assets during the six months ended June 30, 1999, compared to $9.1 million in the same period in 1998. These purchases included hardware and software for the Company's information systems and equipment to support research and development activities. The Company also utilized $8.0 million to repay a portion of the note issued to Microsoft Corporation in connection with the acquisition of Softimage. Additionally, the Company made a cash investment of $1.5 million into a joint venture with Tektronix, Inc.

The Company maintains a line of credit agreement with a group of banks that provides for up to $35.0 million in unsecured revolving credit. The line of credit agreement, as renewed and amended, expires on June 28, 2000. Under the terms of the agreement, the Company must pay an annual commitment fee of 3/8% of the average daily unused portion of the facility, payable quarterly in arrears. The Company has two loan options available under the agreement: the Base Rate Loan and the LIBOR Rate Loan. The interest rates to be paid on the outstanding borrowings for each loan annually are equal to the Base Rate or LIBOR plus 1.25%, respectively. Additionally, the Company is required to maintain certain financial ratios and is bound by covenants over the life of the agreement, including a restriction on the payment of dividends. The Company had no borrowings against the line as of June 30, 1999. The Company believes existing cash, cash equivalents and marketable securities, internally generated funds and available borrowings under its bank credit line will be sufficient to meet the Company's cash requirements, including capital expenditures, at least through 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.

On October 23, 1997, February 5, 1998 and October 21, 1998, the Company announced that the Board of Directors authorized the repurchase of up to 1.0 million, 1.5 million and 2.0 million shares, respectively, 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 will continue to use any repurchased shares for its employee stock plans. As of December 31, 1998, the Company had repurchased approximately 2.9 million shares of Avid common stock at a cost of $90.6 million, which completed the programs announced during October 1997 and February 1998 and initiated the program announced in October 1998. During the six months ended June 30, 1999, the Company purchased an additional 1.2 million shares at a cost of $19.5 million. As of June 30, 1999, the balance of shares authorized for repurchase was approximately 370,000 shares.

Other planned uses of cash include the efforts to develop the purchased in-process research and development related to the Softimage acquisition into commercially viable products. Additionally, the note issued to Microsoft Corporation in connection with the Softimage acquisition is due and payable in June 2003.

YEAR 2000 READINESS DISCLOSURE

The Company has a worldwide program in place to address its exposure to the Year 2000 issue. This program is designed to minimize the possibility of significant Year 2000 interruptions. Possible worst case scenarios include the interruption of significant parts of the Company's business as a result of critical business systems failures or failures experienced by suppliers, resellers, or customers. Any such interruption may have a material adverse impact on future results. Since the possibility of such interruptions cannot be eliminated, the Company has involved a significant number of cross-functional resources with technical, business, legal, and financial expertise in order to achieve Year 2000 readiness.

In 1998, the Company established a worldwide program to address its software and hardware product and customer concerns, its internal business systems, including technology infrastructure and embedded technology systems, and the compliance of its suppliers. This program includes the following phases: identification, assessment, testing, remediation, and contingency planning.

The Company has completed over 95% of the currently planned Year 2000 efforts relating to its products. A description of the readiness status of the Company's hardware and software products is available on the Company's web site, which is updated from time to time. This web site has been and will continue to be the Company's primary method for communicating information about its products to the public. Of the products considered for testing, almost all of the current versions of the Company's currently shipping products, along with certain older versions of current products, have been classified as "Year 2000 Ready". The "Year 2000 Ready" category indicates that the Company has determined that the product, when used in its designated manner, will not terminate abnormally or give incorrect results with respect to date data before, during or after December 31, 1999, provided that all products used in conjunction with the Company's product exchange accurately formatted information with the Company's product. A few products require software updates to address potential Year 2000 issues, or are still scheduled for assessment or testing. The Company has also determined that a number of discontinued or older versions of products will not be tested for Year 2000 issues, and thus makes no representations with regard to the Year 2000 readiness status of those products. As the Company releases new products, the Company expects that such products will also be tested for Year 2000 readiness. Because all customer situations or potential Year 2000 product issues cannot be anticipated, the Company may see a change in demand or an increase in warranty or service claims as a result of the Year 2000 transition. Such events, should they occur, could have a material adverse impact on future results.

With respect to the Company's efforts to address the Year 2000 readiness of its internal business systems, the identification, assessment, testing and remediation phases have, for the most part, been completed. The scope of these efforts were designed to encompass substantially all of the Company's internal information systems and other infrastructure areas including communication systems, building security systems and embedded technologies in areas such as manufacturing and customer support processes. All of the Company's efforts have been completed with respect to its currently existing enterprise-wide systems and networks. The remaining efforts involve the remediation of certain desktops and departmental systems. Due to the size of this project and the number of ongoing projects unrelated to Year 2000 issues, these remaining activities have been extended from the second quarter for substantial completion in the third quarter of 1999. Certain of the Company's business systems were already scheduled to be replaced in the normal course of business for reasons unrelated to potential Year 2000 issues. Those systems have been or will be tested for Year 2000 issues as part of the normal installation and testing process.

The Company has initiated communications with mission critical third party suppliers and service providers, such as inventory suppliers, equipment suppliers, financial institutions, landlords, and resellers, to determine the extent to which the Company's operations are vulnerable to those third parties' failure to remediate their own Year 2000 issues. Suppliers of software, hardware or other products that might contain embedded processors were requested to provide certification regarding the Year 2000 readiness status of their products and business processes. Suppliers of services were also requested to provide certification or other appropriate information regarding their Year 2000 readiness status. For service suppliers who interface with the Company via electronic means, the Company has tested or intends to test mission critical interfaces where possible or appropriate. In addition, in order to protect against the acquisition of additional products or services that may not be Year 2000 ready, the Company has implemented a policy that requires sufficient assurances that such products and services are Year 2000 ready. With respect to the Company's resellers, the Company has requested from them appropriate assurances regarding Year 2000 readiness status of their business processes.

The Company's efforts with respect to third party suppliers and service providers is well underway and is scheduled to be substantially complete during the third quarter of 1999. The Company has experienced some delays in its efforts as it waits for certain third party suppliers and service providers to complete their own programs. The Company intends to continue to monitor those suppliers as part of the Company's overall program monitoring efforts planned for the third and fourth quarters of 1999. The Company does not anticipate any related delays that will significantly impact its Year 2000 readiness as a whole. However, the Company does face a risk with respect to third party suppliers who may prove unable to address and remediate their Year 2000 issues. The Company is developing contingency plans to address the products or services obtained from those third parties who fail to provide the requested information or whose responses are inadequate.

The process of developing the Company's contingency plans for Year 2000 risks is approximately 30% complete. The contingency plans are expected to address all mission critical areas of the Company, including its infrastructure, internal business systems and the third party suppliers and service providers referred to above. In particular, the Company has identified three critical areas as the focus of the contingency plans: customer support, cash flow and revenue generation. The Company expects to complete the creation of contingency plans by the end of the third quarter and to finish testing those plans in the fourth quarter.

The costs of the Year 2000 readiness program are primarily costs of existing internal resources and expertise combined with small incremental external spending for resources such as consultants or updates. The entire cost of the program is estimated at $3.3 million, of which approximately 85% has been incurred through July 31, 1999. Although the Company does not, as a general practice, track internal personnel costs, the Company has included estimates of such costs in the above program cost estimate. Costs for business system replacements or upgrades unrelated to Year 2000 issues are not included in this estimate. No future material product readiness costs are anticipated. However, milestones and implementation dates and the costs of the Company's Year 2000 readiness program are subject to change based on new circumstances that may arise or new information becoming available.

Based on the Company's ongoing evaluation of internal information and other systems, the Company does not anticipate significant business interruptions. However, satisfactorily addressing a particular Year 2000 issue on a timely basis is dependent on many factors, some of which are not completely within the Company's control, such as those involving third parties. Additionally, there remains the risk that errors or defects related to the Year 2000 issue may remain undetected. Should business interruptions occur, or should a significant Year 2000 issue go undetected, there could be a material adverse impact on future results.

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 its European businesses.

NEW ACCOUNTING PRONOUNCEMENTS

On July 7, 1999, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133." SFAS 137 defers the implementation of SFAS 133 by one year. SFAS 133, as amended by SFAS 137, 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.

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 began shipping its Avid Symphony product, which is based on Intel Architecture ("IA") computers and the Microsoft Windows NT operating system, and its Softimage DS and Pro Tools|24 products during 1998. The Company began shipping Media Composer XL 8.0 for the Macintosh and Windows NT and Avid Unity MediaNet 1.0 in 1999. The Company expects that a significant portion of its future revenues will be attributable to sales of these newly introduced products. However, if these products fail to achieve anticipated levels of market acceptance, the Company's revenues and results of operations could be adversely affected. In addition, the Company from time to time develops new products or upgraded existing products to incorporate advances in enabling technologies. For example, the Company is continuing to develop additional products that operate using IA - based computers and the Windows NT operating system. There can be no assurance that customers will not defer purchases of existing Apple-based and other products in anticipation of the release of such new products, that the Company will be successful in developing additional new products or that they will gain market acceptance, if developed. Any deferral by customers of purchases of existing Apple-based or other products or any failure by the Company to develop such new products in a timely way or to gain market acceptance for them could have a material adverse effect on the Company's business and results of operations.

Certain of the Company's products operate only on specific computer platforms. The Company currently relies on Apple Computer, Inc., IBM and Intergraph as the sole manufacturers of such computer platforms. There can be no assurance that customers will not purchase competitors' products based on other computer platforms, 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 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 corporate and home user market. 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. A significant portion of the Company's future growth will depend on customer acceptance in these and other new markets. Any failure of such products to achieve market acceptance, 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 gross margin fluctuates based on factors such as 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 overhead costs to manufacturing and of customer support costs to cost of goods, sales of third-party computer hardware to its 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 has shifted an increasing proportion of its sales through indirect channels such as distributors and resellers. The Company believes the overall shift to indirect channels has resulted in an increase in the number of software and circuit board "kits" sold through indirect channels in comparison with turnkey systems consisting of CPUs, monitors, and peripheral devices, including accompanying software and circuit boards, sold by the Company through its direct sales force to customers. 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. Therefore, to the extent the Company increases its sales through indirect channels, its revenue per unit sale will be less than it would have been had the same sale been made directly by the Company. In the event the Company is unable to increase the volume of sales in order to offset this decrease in revenue per unit sale or is unable to continue to reduce its costs associated with such sales, profits could be adversely affected.

The Company's operating expense levels are based, in part, on its expectations of future revenues. In recent quarters approximately half of the Company's revenues for the quarter have been recorded in the third month of the quarter. 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. Reductions of certain operating expenses, if incurred, in the face of lower than expected revenues could involve material one-time charges associated with reductions in headcount, trimming product lines, eliminating facilities and offices, and writing off certain assets.

The Company has significant deferred tax assets. The deferred tax assets reflect the net tax effects of tax credit and operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

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 Data General's Clariion division; 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 Truevision (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 intercompany net receivables or payable balances. The Company has generally not hedged 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. See Note 8 to the Condensed Consolidated Financial Statements.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on June 2, 1999. At the meeting, Daniel Langlois, William J. Miller, and Lucille S. Salhany were elected as Class III Directors. The vote with respect to each nominee is set forth below:

	Total Vote For Each Director	Total Vote Withheld From Each Director
Mr. Langlois	23,417,766	243,216
Mr. Miller	23,415,900	245,082
Ms. Salhany	23,418,910	242,072

Additional Directors of the Company whose term of office continues after the meeting are Charles T. Brumback, Peter C. Gotcher, Robert M. Halperin, Nancy Hawthorne, Roger J. Heinen, Jr., and William J. Warner.

The stockholders also authorized the amendment of the Company's 1997 Stock Incentive Plan to increase by 500,000 shares to 2,000,000 shares of common stock, the number of shares authorized for issuance under this Plan, by a vote of 17,557,184 shares for, 5,925,145 shares against, 53,738 shares abstaining, with 124,915 broker non-votes.

The stockholders also authorized amendments to the Company's 1993 Director Stock Option Plan by (i) increasing to 10,000 the number of shares granted to each new non-employee director, (ii) increasing to 10,000 the number of options granted annually to non-employee directors, (iii) reducing the term of options granted to non-employee directors to six years, (iv) giving discretion to the Board of Directors to determine at the time of grant the vesting schedule of non-employee director options granted in (i) and (ii) above, and (v) in lieu of annual retainers and/or meeting fees, non-employee directors are entitled to receive immediately exercisable nonstatutory options to purchase shares of Common Stock at half of the fair market value of the Company's Common Stock on the date of grant, by a vote of 18,493,761 shares for, 5,064,680 shares against, 102,541 shares abstaining, with no broker non-votes.

In addition, the stockholders ratified the selection of PricewaterhouseCoopers LLP as the Company's independent auditors by a vote of 23,521,718 shares for, 61,316 shares against, and 77,948 shares abstaining.

ITEM 5. OTHER EVENTS

Any proposal that a stockholder wishes the Company to consider for inclusion in the Company's proxy statement and form of proxy card for the Company's 2000 Annual Meeting of Stockholders (the "2000 Meeting") must be submitted to the Secretary of the Company at its offices, Avid Technology Park, One Park West, Tewksbury, Massachusetts 01876, no later than December 6, 1999.

In addition, the Company's Bylaws require all stockholder proposals to be timely submitted in advance to the Company at the above address (other than proposals submitted for inclusion in the Company's proxy statement and form of proxy card as described above). To be timely, the notice must be received by the Company no later than March 24, 2000 or 60 days before the date of the 2000 Meeting, whichever is later. The Company has not yet set a date for the 2000 Meeting. However, if the 2000 Meeting is held on June 2, 2000 (the anniversary of the 1999 Annual Meeting of Stockholders), the deadline for delivery of the notice would be April 3, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.1 Tenth Amendment dated as of June 29, 1999 to the Amended and Restated Revolving Credit Agreement and Assignment, by and among Avid Technology, Inc., BankBoston, N.A (formerly known as The First National Bank of Boston)and the other lending institutions listed on Schedule 1 to the Credit Agreement, amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of June 30, 1995.

27 Financial Data Schedule

(b) REPORTS ON FORM 8-K. For the fiscal quarter ended June 30, 1999, 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: August 12, 1999

By: /s/ William L. Flaherty

William L. Flaherty
Senior Vice President of
Finance, Chief Financial
Officer and Treasurer
(Principal Financial Officer)

Date: August 12, 1999

By: /s/ Carol L. Reid

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

EXHIBIT INDEX

Exhibit No.	Description
10.1	Tenth Amendment dated as of June 29, 1999 to the Amended and Restated Revolving Credit Agreement and Assignment, by and among Avid Technology, Inc., BankBoston, N.A (formerly known as The First National Bank of Boston) and the other lending institutions listed on Schedule 1 to the Credit Agreement, amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of June 30, 1995.
27	Financial Data Schedule

Exhibit 10.1

- --

TENTH AMENDMENT
TO AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

- --

Tenth Amendment dated as of June 29, 1999 to Amended and Restated Revolving Credit Agreement (the "Tenth Amendment"), by and among AVID TECHNOLOGY, INC., a Delaware corporation (the "Borrower"), BANKBOSTON, N.A. (formerly known as The First National Bank of Boston) and the other lending institutions listed on Schedule 1 to the Credit Agreement (as hereinafter defined) (the "Banks") and BANKBOSTON, N.A., as agent for the Banks (in such capacity, the "Agent"), amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of June 30, 1995 (as amended and in effect from time to time, the "Credit Agreement") by and among the Borrower, the Banks and the Agent. Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower, the Banks and the Agent have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Tenth Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ss.1. Amendment toss.1 of the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) The definition of "Consolidated Tangible Net Worth" is hereby amended by deleting all the text of such definition following the words "Financial Accounting Standards Board Statement No. 52" which appears in such definition and substituting in place thereof the words "provided, however, for purposes of calculating compliance with ss.8.2 hereof, the amount of the goodwill on the Borrower's balance sheet relating to the Softimage Acquisition which would otherwise be required to be deducted from Consolidated Tangible Net Worth shall not be deducted from Consolidated Tangible Net Worth for purposes of ss.8.2 of the Credit Agreement"; and

(b) The definition of "Maturity Date" contained on Section 1.1 of the Credit Agreement is hereby amended by deleting the date "June 29, 1999" which appears in such definition and substituting in place thereof the date "June 28, 2000".

ss.2. Amendment to ss.2 of the Credit Agreement. Section 2.2 of the Credit Agreement is hereby amended by deleting the words "one quarter of one percent (1/4%) per annum" which appear in the first sentence of ss.2.2 and substituting in place thereof the words "three eighths of one percent (.375%) per annum".

ss.3. Amendment to ss.4 of the Credit Agreement. Section 4.1 of the Creditagreement is hereby amended by deleting the text of ss.4.1 in its entirety and substituting in place thereof the words "Intentionally Omitted".

ss.4. Amendment to ss.8 of the Credit Agreement. Section 8 of the Credit Agreement is hereby amended by deleting ss.8.4 of the Credit Agreement in its entirety.

ss.5. Conditions to Effectiveness. This Tenth Amendment shall not become effective until the Agent receives the following:

(a) a counterpart of this Tenth Amendment executed by the Borrower, the Banks and the Agent; and

(b) payment in cash to the Agent for the respective accounts of the Banks an amendment fee of $10,000 for each Bank.

ss.6. Representations and Warranties. The Borrower hereby repeats, on and as of the date hereof, each of the representations and warranties made by it in ss.5 of the Credit Agreement, provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. In addition, the Borrower hereby represents and warrants that the execution and delivery by the Borrower of this Tenth Amendment and the performance by the Borrower of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of the Borrower and have been duly authorized by all necessary corporate action on the part of the Borrower.

ss.7. Ratification, Etc. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Tenth Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

ss.8. No Waiver. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrower or any rights of the Agent or the Banks consequent thereon.

ss.9. Counterparts. This Tenth Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

ss.10. Governing Law. THIS TENTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this Tenth Amendment as a document under seal as of the date first above written.

AVID TECHNOLOGY, INC.

By:/s/ William L. Flaherty

Title:Chief Financial Officer and Treasurer

BANKBOSTON, N.A.,
individually and as Agent

By:/s/ John B. Desmond

Title: Vice President

ABN AMRO BANK N.V.

By:/s/ Kevin F. Malone

Title: Group Vice President

By:/s/ Bruce W. Swords

Title: Vice President

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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS ON THE FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1999 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AS FILED ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
51,352
31,104
75,579
7,827
11,235
199,914
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