

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

AMENDMENT NO. 1 TO

FORM 8-K

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

Date of Report (Date of earliest event reported): **August 9, 2005**

Avid Technology, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-21174
(Commission
File Number)

04-2977748
(IRS Employer
Identification No.)

**Avid Technology Park
One Park West
Tewksbury, MA**
(Address of Principal Executive Offices)

01876
(Zip Code)

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

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Avid Technology, Inc. ("Avid") hereby amends Item 9.01 of its Current Report on Form 8-K, dated August 9, 2005, as follows:

Item 9.01. Financial Statements and Exhibits

(a) *Financial Statements of Business Acquired.*

The following historical financial statements of Pinnacle Systems, Inc. ("Pinnacle"), which have been previously filed with the Securities and Exchange Commission, are hereby incorporated by reference into this Current Report on Form 8-K:

Pinnacle Filings (File No. 000-24784)	Period
Annual Report on Form 10-K (1)	Fiscal year ended June 30, 2004 (filing dated September 10, 2004)
Quarterly Reports on Form 10-Q (2)	Quarters ended September 30, 2004 (filing dated November 9, 2004); December 31, 2004 (filing dated February 9, 2005); and March 31, 2005 (filing dated May 10, 2005)
Quarterly Report on Form 10-Q/A	Quarter ended March 31, 2005 (filing dated June 7, 2005)
Current Report on Form 8-K	Filings dated June 7, 2005;

- (1) On June 7, 2005, Pinnacle filed a Current Report on Form 8-K, which is incorporated by reference, to amend its Consolidated Financial Statements for the years ended June 30, 2004, 2003 and 2002 and to modify the related disclosures in accordance with the provisions of Statements of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" to reflect the reclassifications to discontinued operations of Pinnacle's Steinberg Media Technologies GmbH business and Team Sports division, which were sold on January 21, 2005 and February 4, 2005, respectively.

(2) On June 7, 2005, Pinnacle filed a Quarterly Report on Form 10-Q/A, which is incorporated by reference, to amend its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 to reflect certain reclassifications to discontinued operations of Pinnacle's Team Sports division.

(b) *Pro Forma Financial Information.*

Pro Forma Condensed Combined Financial Statements for the Six-Month Period Ended June 30, 2005 and Year Ended December 31, 2004 are filed as Exhibit 99.2 to this Current Report on Form 8-K.

(c) *Exhibits.*

See Exhibit Index attached hereto.

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SIGNATURE

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

Date: October 25, 2005

AVID TECHNOLOGY, INC.

By: /s/ Paul Milbury
Name: Paul Milbury
Title: Chief Financial Officer

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EXHIBIT INDEX

Exhibit No.	Description
2.1*	Agreement and Plan of Merger, dated as of March 20, 2005, by and among Avid Technology, Inc., Highest Mountain Corporation and Pinnacle Systems, Inc.
23.1	Consent of KPMG LLP
99.1*	Press Release issued by the registrant dated August 9, 2005
99.2	Pro Forma Financial Information (Unaudited)

* Filed previously by the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on August 9, 2005.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Avid Technology, Inc.:

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-118734) and Form S-8 (File Nos. 33-88318, 33-64126, 33-64128, 33-82478, 33-98692, 333-08821, 333-08823, 333-08825, 333-30367, 333-42569, 333-56631, 333-60181, 333-60183, 333-60191, 333-73321, 333-87539, 333-94167, 333-33674, 333-37952, 333-41760, 333-48338, 333-48340, 333-64016, 333-75470, 333-102772, 333-118704, 333-128320) of Avid Technology, Inc. of our report dated July 26, 2004, except as to note 15, which is as of August 25, 2004, and except for the reclassification of Steinberg Media Technologies GmbH and Team Sports Division as discontinued operations, as described in notes 1 and 12 as to which the date is June 7, 2005, with respect to the consolidated balance sheets of Pinnacle Systems, Inc. and subsidiaries as of June 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended June 30, 2004, and our report on the related financial statement schedule, which are incorporated by reference into this current report on Form 8-K of Avid Technology, Inc.

Our report refers to a change in accounting for goodwill and other intangible assets effective July 1, 2002.

/s/ KPMG LLP

Mountain View, California
October 25, 2005

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

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

On August 9, 2005, Avid completed the acquisition of Pinnacle Systems, Inc. The unaudited pro forma condensed combined financial information gives effect to this acquisition. For purposes of the statements of operations, the pro forma financial information is presented assuming the acquisition occurred as of January 1, 2004. Avid’s fiscal year end is December 31 and Pinnacle’s is June 30. Therefore, the pro forma statements of operations herein combine Avid’s statement of operations for the year ended December 31, 2004 with Pinnacle’s statement of operations for the twelve-month period ended December 31, 2004, and Avid’s statement of operations for the six-month period ended June 30, 2005 with Pinnacle’s statement of operations for the six-month period ended March 31, 2005. The unaudited pro forma condensed combined statement of operations for the twelve-month period ended December 31, 2004 also gives effect to the acquisition by Avid of M-Audio completed in August 2004 as though Avid had acquired M-Audio on January 1, 2004. For purposes of the balance sheet, the pro forma financial information is presented assuming the acquisition of Pinnacle occurred as of June 30, 2005. The pro forma balance sheet included herein combines Avid’s balance sheet as of June 30, 2005 with Pinnacle’s balance sheet as of March 31, 2005.

As consideration for the acquisition, Avid paid \$72.1 million in cash and issued 6.2 million shares of common stock valued at approximately \$362.9 million in exchange for all of the outstanding shares of Pinnacle. Under the terms of the agreement, Pinnacle common shareholders received 0.0869 of a share of Avid common stock plus \$1.00 in cash for each share of Pinnacle common stock outstanding at the closing of the transaction. The market price used to value the Avid shares issued as partial consideration for Pinnacle was based upon a price of \$58.09 per share of Avid common stock, which represents the 5 day average closing price of the stock during the period beginning two days before and ending two days after the merger announcement date of March 21, 2005.

Under the purchase method of accounting, the purchase price is allocated to the net tangible and intangible assets of an acquired entity based on their fair values as of the consummation of the acquisition. The determination of these fair values includes Avid management’s consideration of a valuation of Pinnacle’s intangible assets prepared by an independent valuation specialist. The allocation included in this pro forma financial information was based on the balance sheet of Pinnacle as of March 31, 2005. The actual purchase accounting allocation will be revised to reflect the net tangible and intangible assets of the acquired entity that exist as of the date of the acquisition. A summary of the purchase price allocation is as follows (in thousands):

Purchase consideration:	
Value of Avid shares issued	\$ 362,862
Cash consideration	72,054
Transaction costs	6,046
Total purchase consideration	\$ 440,962
Allocation of the purchase consideration as of March 31, 2005:	
Fair value of net tangible assets acquired	\$ 116,507
Identifiable intangible assets	90,800
In-process research and development	32,300
Goodwill	201,355
	\$ 440,962

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

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of Pinnacle incorporated by reference into this document, and of Avid included in Avid’s Annual Report on Form 10-K for the year ended December 31, 2004 and Avid’s Quarterly Report on Form 10-Q for the period ended June 30, 2005. The unaudited pro forma condensed combined financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of Avid that would have been reported had the acquisition of Pinnacle been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of Avid. No effect has been given in these pro forma financial statements for synergistic benefits that may be realized through the combination of the two companies or costs that may be incurred in integrating their operations.

**Unaudited Pro Forma Condensed Combined Statement of Operations
for the Six Months Ended June 30, 2005
(in thousands, except per share data)**

	Avid Historical (for the six month period ended June 30, 2005)	Pinnacle Historical (for the six month period ended March 31, 2005)	Pro Forma Adjustments	Avid Pro Forma
Net revenues	\$ 326,052	\$ 151,366	\$ (774)(2)	\$ 476,644
Cost of revenues	142,801	82,096	(583)(2)	233,714
			1,721(3)	

			7,679(4)	
Gross profit	183,251	69,270	(9,591)	242,930
Operating expenses:				
Research and development	49,588	15,962	1,038(3)	66,588
Marketing and selling	79,810	38,983	1,542(3)	120,335
General and administrative	17,258	13,288	(4,301)(3)	26,245
Restructuring and other costs, net	—	3,162	—	3,162
Amortization of intangible assets	3,185	1,695	(1,695)(5)	6,917
			3,732(4)	
Transaction costs	—	2,752	—	2,752
Impairment of goodwill	—	9,447	(9,447)(5)	—
Total operating expenses	149,841	85,289	(9,131)	225,999
Operating income (loss)	33,410	(16,019)	(460)	16,931
Interest and other income (expense), net	2,016	786	(725)(6)	2,077
Income (loss) from continuing operations before income taxes	35,426	(15,233)	(1,185)	19,008
Provision for (benefit from) income taxes	2,114	1,951	—	4,065
Income (loss) from continuing operations	<u>\$ 33,312</u>	<u>\$ (17,184)</u>	<u>\$ (1,185)</u>	<u>\$ 14,943</u>
Income (loss) from continuing operations per common share - basic	\$ 0.95			\$ 0.36
Income (loss) from continuing operations per common share - diluted	\$ 0.90			\$ 0.34
Wtd avg common shares outstanding - basic	35,083		6,250(14)	41,333
Wtd avg common shares outstanding - diluted	37,154		6,250(14)	43,404
See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements				

**Unaudited Pro Forma Condensed Combined Statement of Operations
for the Twelve Months Ended December 31, 2004
(in thousands, except per share data)**

	Avid Historical	M-Audio historical through August 2004 (1)	Pinnacle Historical	Pro Forma Adjustments	Avid Pro Forma
Net revenues	\$ 589,605	\$ 41,814	\$ 304,323	\$ (2,659)(2)	\$ 933,083
Cost of revenues	255,496	23,541	160,564	(2,033)(2)	457,124
				3,040(3)	
				15,359(4)	
				709(7)	
				729(8)	
				(281)(9)	
Gross profit	334,109	18,273	143,759	(20,182)	475,959
Operating expenses:					
Research and development	94,940	3,369	35,625	1,833(3)	135,871
				104(11)	
Marketing and selling	135,811	7,804	84,201	2,723(3)	230,053
				(921)(8)	
				435(11)	
General and administrative	29,780	10,777	24,400	(7,595)(3)	57,334
				(337)(9)	
				1,121(11)	
				(812)(12)	
Restructuring and other costs, net	—	—	6,093	—	6,093
Amortization of intangible assets	3,641	—	3,539	7,463(4)	13,450
				(3,539)(5)	
				2,346(7)	
Impairment of goodwill	—	—	7,671	(7,671)(5)	—
Impairment of intangible assets	1,187	—	—	—	1,187
Total operating expenses	265,359	21,950	161,529	(4,850)	443,988

Operating income (loss)	68,750	(3,677)	(17,770)	(15,332)	31,971
Other income, net	1,339	224	1,964	(191)(8)	2,196
Loss on derivative	—	(31,290)	—	(1,140)(6) 31,290(13)	—
Income (loss) from continuing operations before income taxes	70,089	(34,743)	(15,806)	14,627	34,167
Provision for (benefit from) income taxes	(1,612)	795	4,810	(669)(10)	3,324
Income (loss) from continuing operations	<u>\$ 71,701</u>	<u>\$ (35,538)</u>	<u>\$ (20,616)</u>	<u>\$ 15,296</u>	<u>\$ 30,843</u>
Income (loss) from continuing operations per common share - basic	\$ 2.21				\$ 0.80
Income (loss) from continuing operations per common share - diluted	\$ 2.05				\$ 0.75
Weighted avg common shares outstanding - basic	32,485			6,250(14)	38,735
Weighted avg common shares outstanding - diluted	35,003			6,250(14)	41,253

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Unaudited Pro Forma Condensed Combined Balance Sheet
June 30, 2005
(in thousands)

	Avid Historical (as of June 30, 2005)	Pinnacle Historical (as of March 31, 2005)	Pro Forma Adjustments	Avid Pro Forma
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 123,639	\$ 99,089	\$ (72,054)(1)	\$ 138,879
Marketable securities	68,914	34,340	(11,795)(2)	103,254
Accounts receivable, net of allowances	99,132	30,876	(52)(3)	129,956
Inventories	63,492	27,876	(191)(3)	88,777
Deferred tax assets, net	610	—	(2,400)(11)	610
Prepaid expenses	10,444	—	—	10,444
Other current assets	11,598	5,673	(300)(11)	16,971
Total current assets	<u>377,829</u>	<u>197,854</u>	<u>(86,792)</u>	<u>488,891</u>
Property and equipment, net	29,976	12,945	(500)(11)	42,421
Intangible assets, net	43,139	6,324	(6,324)(4)	133,939
Goodwill	167,211	43,440	90,800(5)	368,566
Long term deferred tax asset	4,348	—	(43,440)(4)	4,348
Other assets	4,286	7,433	201,355(5)	4,348
Total assets	<u>\$ 626,789</u>	<u>\$ 267,996</u>	<u>\$ 153,399</u>	<u>\$ 1,048,184</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:				
Current liabilities:				
Accounts payable	\$ 28,960	\$ 13,877	\$ (52)(3)	\$ 42,785
Accrued compensation and benefits	20,035	—	4,000(6)	24,035
Accrued expenses and other current liabilities	41,338	37,250	11,300(6)	89,888
Income taxes payable	10,408	—	300(12)	10,708
Deferred revenues	59,244	13,736	(500)(7)	72,480
Total current liabilities	<u>159,985</u>	<u>64,863</u>	<u>15,048</u>	<u>239,896</u>
Long term liabilities, less current portion	1,465	822	10,100(12)	12,387
Total liabilities	<u>161,450</u>	<u>65,685</u>	<u>25,148</u>	<u>252,283</u>
Stockholders' equity:				
Common stock	353	380,835	(380,835)(8)	415
Additional paid-in capital	555,766	—	62(9)	918,566
Accumulated Deficit	(89,463)	(186,892)	362,800(9)	(121,763)
			(191)(3)	
			187,083(8)	

Deferred Compensation	(2,858)	—	(32,300)(10)	(2,858)
Accumulated other comprehensive income	1,541	8,368	(8,368)(8)	1,541
Total stockholders' equity	465,339	202,311	128,251	795,901
Total liabilities and stockholders' equity	\$ 626,789	\$ 267,996	\$ 153,399	\$ 1,048,184

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

On August 9, 2005, Avid completed the acquisition of Pinnacle Systems, Inc. The unaudited pro forma condensed combined financial information gives effect to this acquisition. For purposes of the statements of operations, the pro forma financial information is presented assuming the acquisition occurred as of January 1, 2004. Avid's fiscal year end is December 31 and Pinnacle's is June 30. Therefore, the pro forma statements of operations herein combine Avid's statement of operations for the year ended December 31, 2004 with Pinnacle's statement of operations for the twelve-month period ended December 31, 2004, and Avid's statement of operations for the six-month period ended June 30, 2005 with Pinnacle's statement of operations for the six-month period ended March 31, 2005. The unaudited pro forma condensed combined statement of operations for the twelve-month period ended December 31, 2004 also gives effect to the acquisition by Avid of M-Audio completed in August 2004 as though Avid had acquired M-Audio on January 1, 2004. For purposes of the balance sheet, the pro forma financial information is presented assuming the acquisition occurred as of June 30, 2005. The pro forma balance sheet included herein combines Avid's balance sheet as of June 30, 2005 with Pinnacle's balance sheet as of March 31, 2005.

Footnotes to Pro Forma Condensed Combined Statement of Operations

(1) To include the results of operations of M-Audio from January 1, 2004 through August 20, 2004, the date M-Audio was acquired by Avid. Avid has included the results of operations of M-Audio in Avid's historical consolidated financial statements from August 20, 2004.

(2) To eliminate the effects of transactions between Avid and Pinnacle.

(3) To allocate pinnacle information technology costs to conform to Avid's financial statement presentation.

(4) To record the amortization expense for the estimated identifiable intangible assets from the acquisition of Pinnacle by Avid. The estimated identifiable intangible assets and their related estimated useful lives are as follows:

<u>Intangible Asset</u>	<u>Estimated Fair Value</u> (in thousands)	<u>Estimated Useful Life</u>
Customer Relationships	\$ 34,400	6-7 years
Tradename	15,200	7 years
Developed Technology	41,200	2-3 years
Total intangible assets	<u>\$ 90,800</u>	

(5) To reverse amortization of intangible assets and impairment of goodwill resulting from acquisitions previously consummated by Pinnacle.

(6) To record the reduction in interest income resulting from the reduced cash balance after payments to effect the acquisition of Pinnacle.

(7) To record the amortization expense for the estimated identifiable intangible assets from the acquisition of M-Audio by Avid. The estimated identifiable intangible assets and their related estimated useful lives are as follows:

<u>Intangible Asset</u>	<u>Estimated Fair Value</u> (in thousands)	<u>Estimated Useful Life</u>
Customer Relationships	\$ 28,000	12 years
Tradename	4,700	6 years
Non-competition agreements	1,200	2 years
Technology-based assets	4,500	4 years
Total intangible assets	<u>\$ 38,400</u>	

(8) Certain M-Audio amounts have been reclassified to conform to Avid's financial statement presentation.

(9) To reverse amortization of intangible assets resulting from acquisitions previously consummated by M-Audio.

(10) To adjust the total tax provision to reflect the estimated effective tax rate of the combined company.

(11) To record the additional amortization of deferred stock compensation expense for unvested stock options exchanged in the acquisition of M-Audio by Avid, assuming the acquisition of M-Audio by Avid occurred on January 1, 2004. The deferred compensation is being amortized over the remaining vesting period of the assumed options. The amortization expense has been recorded in the expense category associated with the departmental classification of the grantee.

(12) To reverse stock compensation expense relating to stock options issued by M-Audio.

(13) To reverse the loss associated with a put-arrangement on the preferred shares of M-Audio, since the equity structure of M-Audio has been replaced by the acquisition of M-Audio by Avid.

(14) The pro forma weighted average common shares outstanding are calculated as follows:

	Twelve Months Ended December 31, 2004 (in thousands)	Six Months Ended June 30, 2005 (in thousands)
Weighted average common shares outstanding—basic		
Historical Avid weighted common shares outstanding—basic	32,485	35,083
Shares issued for Pinnacle acquisition	6,250	6,250
Pro forma weighted common shares outstanding—basic	<u>38,735</u>	<u>41,333</u>
Weighted average common shares outstanding—diluted		
Historical Avid weighted common shares outstanding—diluted	35,003	37,154
Shares issued for Pinnacle acquisition	6,250	6,250
Pro forma weighted common shares outstanding—diluted	<u>41,253</u>	<u>43,404</u>

Note that Pinnacle's historical weighted average common shares outstanding as of March 31, 2005 and December 31, 2004 of 69,730,000 and 68,840,000, respectively, were cancelled upon consummation of the merger.

Footnotes to Pro Forma Condensed Combined Balance Sheet

(1) To record Avid's cash consideration for the acquisition of Pinnacle.

(2) To reduce cash for Avid and Pinnacle's estimated transaction costs.

(3) To eliminate the effects of transactions between Avid and Pinnacle.

(4) To reverse goodwill and other intangible assets from acquisitions previously consummated by Pinnacle.

(5) To record the estimated identifiable intangible assets and goodwill from the acquisition of Pinnacle.

(6) To record the estimated liability associated with severance agreements and lease or other contract terminations, and to adjust the accruals to fair market value.

(7) To adjust deferred revenue to the fair value associated with Pinnacle's performance obligations assumed by Avid.

(8) To reverse Pinnacle historical equity balances.

(9) To record Avid's equity consideration for the acquisition of Pinnacle.

(10) To reflect the estimated fair value of in-process research and development. Because this expense is directly attributable to the acquisition of Pinnacle and will not have a continuing impact, it is not reflected in the pro forma condensed combined statement of operations. However, this item will be recorded as an expense in the third fiscal quarter.

(11) To adjust inventory, property and equipment and other assets to fair market value.

(12) To adjust income taxes payable to fair market value, record deferred tax assets and liabilities for the tax effect of book and tax basis differences attributable to the fair value adjustments and record a deferred tax liability of \$7.2 million associated with non-deductible identifiable intangible assets.