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

October 19, 1998

OFIS Filer Support
SEC Operations Center
6432 General Green Way
Alexandria, VA 22312-2413

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 Form 8-K/A dated the 19th day of October, 1998.

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

Very truly yours,

/s/Frederic G. Hammond

Frederic G. Hammond
General Counsel

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1 TO CURRENT REPORT
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): AUGUST 3, 1998

AVID TECHNOLOGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	0-21174	04-2977748
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

METROPOLITAN TECHNOLOGY PARK, ONE PARK WEST TEWKSBURY, MASSACHUSETTS	01876
(Address of Principal Executive Offices)	(Zip Code)

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

The undersigned Registrant hereby amends Item 7, the Exhibits and the Exhibit Index to its Current Report on Form 8-K dated August 18, 1998 (Commission File No. 000-21174) (the "8-K") as set forth below.

I. Item 7 of the 8-K is hereby amended in its entirety to read as follows.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF SOFTIMAGE INC.

The following financial statements required by Item 7 with respect to the Registrant's acquisition of Softimage are filed as part of this report:

(b) PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information required by Item 7 with respect to the Registrant's acquisition of Softimage is filed as part of this report:

(c) EXHIBITS

2.1 Stock and Asset Purchase Agreement dated June 15, 1998 among Avid, Microsoft and Softimage, which is incorporated herein by reference to Exhibit 2.1 to the registrant's Quarterly Report on Form 10-Q under the Securities Exchange Act of 1934, for the fiscal quarter ended June 30, 1998, as filed with the Commission on August 12, 1998 (Commission File No. 0-21174). Exhibits not filed herewith will be provided to the Securities and Exchange Commission upon request by the Commission.

23.1 Consent of PricewaterhouseCoopers LLP

II. The Exhibit Index and the Exhibits to the 8-K are amended in their entirety to read as set forth in the Exhibit Index and Exhibits following the financial statements and pro forma information filed herewith.

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 hereunto duly authorized.

AVID TECHNOLOGY, INC.

Date: OCTOBER 19, 1998

By: /S/ WILLIAM L. FLAHERTY

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder of Softimage Inc.:

In our opinion, the accompanying combined balance sheets and the related combined statements of operations, of divisional equity and of cash flows present fairly, in all material respects, the financial position of Softimage Inc. and its related operations at June 30, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note A to the combined financial statements, on August 3, 1998, Avid Technology, Inc. acquired from Microsoft Corporation the one outstanding share of Softimage Inc. common stock and certain assets relating to the business of Softimage Inc.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
October 9, 1998

SOFTIMAGE INC.
Combined Balance Sheets
(U.S. dollars, in thousands)

	June 30, 1998	June 30, 1997
ASSETS		
Current assets:		
Cash	$7,116	$4,356
Accounts receivable, net of allowances of $933 and $1,172 in 1998 and 1997, respectively	7,499	9,968
Inventories	307	565
Prepaid expenses	1,024	1,266
Other current assets	528	903
Total current assets	16,474	17,058
Property and equipment, net	4,213	8,055
Other assets	-	470
Total assets	$20,687	$25,583
LIABILITIES AND DIVISIONAL EQUITY		
Current liabilities:		
Accounts payable	$ 843	$ 2,811
Accrued expenses	2,159	2,112
Accrued compensation and benefits	1,448	1,322
Accrued taxes	2,523	1,268
Deferred revenue	6,599	4,506
Total current liabilities	13,572	12,019
Commitments and contingencies (Note E)		
Divisional equity	7,115	13,564
Total liabilities and divisional equity	$20,687	$25,583

The accompanying notes are in integral part of the combined financial statements.

SOFTIMAGE INC.
Combined Statements of Operations
(U.S. dollars, in thousands)

	For the Years Ended June 30,		
	1998	1997	1996
Net revenue	$36,860	$37,755	$29,969
Cost of revenue	4,909	5,437	8,290
Gross profit	31,951	32,318	21,679
Operating expenses:			
Research and development	17,947	27,261	24,170
Marketing and selling	20,698	20,410	23,606
General and administrative	5,080	4,605	4,359
Total operating expenses	43,725	52,276	52,135
Loss from operations	(11,774)	(19,958)	(30,456)
Other income (expense), net	405	(1,029)	(877)
Loss before income taxes	(11,369)	(20,987)	(31,333)
Provision for income taxes	1,839	1,312	853
Net loss	$(13,208)	$(22,299)	$(32,186)

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

SOFTIMAGE INC.
Combined Statements of Divisional Equity
(U.S. dollars, in thousands)

	For the Years Ended June 30,		
	1998	1997	1996
Balance, beginning of year	$ 13,564	$ 20,063	$ 20,850
Net loss	(13,208)	(22,299)	(32,186)
Net transfers from Microsoft Corporation (Note H)	6,118	14,992	30,182
Foreign currency cumulative translation adjustment	641	808	1,217
Balance, end of year	$ 7,115	$13,564	$20,063

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

SOFTIMAGE INC.
Combined Statements of Cash Flows
(U.S. dollars, in thousands)

	For the Years Ended June 30,		
	1998	1997	1996
Cash flows from operating activities:			
Net loss	$(13,208)	$(22,299)	$(32,186)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	5,044	6,208	5,284
Provision for bad debts	542	729	579
Loss on disposal of property and equipment	421	597	495
Changes in operating assets and liabilities:			
Accounts receivable	1,590	(2,615)	3,809
Inventories	247	(2)	788
Prepaid expenses and other assets	1,028	647	(741)
Accounts payable	(1,945)	(64)	(2,852)
Accrued expenses	350	745	2,015
Accrued taxes	1,419	1,569	403
Deferred revenue	2,474	1,003	1,016
Net cash used in operating activities	(2,038)	(13,482)	(21,390)
Cash flows from investing activities:			
Purchase of property and equipment	(1,380)	(2,766)	(7,808)
Proceeds from disposals of property and equipment	15	78	-
Net cash used in investing activities	(1,365)	(2,688)	(7,808)
Cash flows from financing activities:			
Net transfers from Microsoft Corporation	6,118	14,992	30,182
Net cash provided from financing activities	6,118	14,992	30,182
Effects of exchange rate changes on cash	45	548	408
Net increase (decrease) in cash	2,760	(630)	1,392
Cash at beginning of year	4,356	4,986	3,594
Cash at end of year	$ 7,116	$ 4,356	$ 4,986

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

SOFTIMAGE INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION AND NATURE OF BUSINESS

Softimage Inc. and its related operations ("Softimage" or the "Company") develops software for media-rich applications including video, film, interactive games and CD-ROM applications. Softimage is also a developer of three-dimensional animation, video production, two-dimensional cell animation and compositing software solutions. The Company markets its products on a worldwide basis, including countries in North America, Europe, Latin America and the Asia Pacific region. The Company maintains operations in Canada, Japan, the United States, the United Kingdom, Singapore, France, Germany, Brazil, Argentina and Italy.

For all periods presented in these combined financial statements, Softimage was a Canadian, wholly owned subsidiary of Microsoft Corporation ("Microsoft"). On August 3, 1998, Avid Technology, Inc. ("Avid") acquired from Microsoft the one outstanding share of Softimage Inc. common stock and certain Microsoft assets relating to the business of Softimage, as contemplated in the Stock and Asset Purchase Agreement dated June 15, 1998 among Avid, Microsoft and Softimage Inc. (the "Acquisition").

These combined financial statements have been prepared using Microsoft's historical basis in the assets and liabilities and historical results of operations related to the Softimage product lines. These financial statements generally reflect the financial position, results of operations and cash flows of Softimage as if it were a separate entity for all periods presented. The financial statements include allocations of certain Microsoft expenses, including legal, tax, employee benefits, insurance services, shared facility costs and other Microsoft corporate overhead. Management believes that these allocations are reasonable. However, the financial information included herein may not necessarily reflect the financial position, results of operations and cash flows of Softimage in the future, or what they would have been had Softimage been a separate entity during the periods presented.

For all periods presented, the Company's capital structure consisted of one share of common stock and certain numbers of non-voting Exchangeable Shares, which provided rights equivalent to owning common stock of Microsoft and could be exchanged for Microsoft common shares at the option of the holder at any time before May 2005. The Exchangeable Shares did not have rights to the liquidation of assets of Softimage, or rights to dividends, other distributions or tax allocations of Softimage. Immediately prior to the Acquisition, the Company's capital structure was reorganized, resulting in the removal of all outstanding Exchangeable Shares from the Company and their placement into a new company owned entirely by Microsoft. These combined financial statements have been presented to give retroactive application to the removal of the Exchangeable Shares from the Company's capital as of the earliest period presented.

These combined financial statements include the accounts and operations of all Softimage operating units. Intercompany balances and transactions with other Softimage operating units have been eliminated. Transactions with Microsoft are included in the divisional equity account (see Note H). These combined financial statements and the financial statement footnote data are stated in U.S. dollars. The Company's fiscal year ends on the Friday closest to June 30 in each year. Fiscal years 1998, 1997 and 1996 ended on July 3, 1998, June 27, 1997 and June 28, 1996, respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES BY MANAGEMENT

The Company's preparation of combined 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 included in these financial statements include accounts receivable and sales allowances, inventory valuation, income tax valuation allowances and the allocation of corporate expenses from Microsoft. Actual results may differ from those estimates.

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Company places its cash investments with financial institutions with high credit standing. Softimage provides credit, in the normal course of business, to various types and sizes of customers located throughout the world. Three customers in the Asia Pacific region accounted for 24% and 38% of the accounts receivable balance as of June 30, 1998 and 1997, respectively. The Company maintains reserves for potential credit losses and such losses have been within management's expectations.

INVENTORIES

Inventories, principally finished goods, are stated at the lower of cost (determined on a first-in, first-out basis) or market value.

The Company outsources manufacturing of its products to one vendor. Although this creates a concentration in sources of production and supply, management believes that other manufacturers could provide similar manufacturing capabilities on comparable terms. A change in manufacturer, however, could cause a delay in manufacturing and a possible loss of sales, which would adversely affect operating results.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation is calculated using the straight-line method, based upon the following estimated useful lives:

Computer equipment	2 years
Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of lease term or 7 years

Expenditures for maintenance and repairs are expensed as incurred. Upon retirement or other disposition of assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in the determination of net income or loss.

DIVISIONAL EQUITY

Divisional equity includes net cash transfers from Microsoft, third party liabilities paid on behalf of the Company by Microsoft, net amounts due to Microsoft for services and other charges, and historical loans and advances from Microsoft as well as current period loss and foreign currency translation adjustments.

FOREIGN CURRENCY TRANSLATION

The majority of revenues of Softimage are denominated in U.S. dollars. The functional currency of each Softimage operation is the currency of its country. Assets and liabilities of operations outside the U.S., including Canada, are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Income and expenses are translated into U.S. dollars using the average exchange rates during the periods. The resultant translation gains or losses are reflected as a separate component of divisional equity. Foreign currency transaction gains and losses are included in the determination of net income or loss.

REVENUE RECOGNITION

Revenue is recognized upon product shipment, provided that no significant vendor obligations remain outstanding and the resulting receivable is deemed collectible by management. Maintenance revenue is recognized ratably over the term of the maintenance agreement. Included in accounts receivable allowances are sales allowances provided for expected returns and credits and an allowance for bad debts.

RESEARCH AND DEVELOPMENT COSTS

Costs incurred in the research and development of the Company's products through the establishment of technological feasibility are expensed as incurred. Development costs incurred thereafter and until the products are first available for release have not been material.

For all periods presented, the Company had an agreement with Microsoft whereby Microsoft provided funding for all research and development efforts in return for the rights to all intellectual property developed by the Company. Funding from Microsoft is included in the net transfers from Microsoft in divisional equity.

INCOME TAXES

Historically, the foreign operations represented by Softimage have generally been included in the consolidated non-Canadian federal income tax returns filed by Microsoft. For purposes of these combined financial statements, income tax expense has been calculated on a separate-return basis. Income taxes paid on behalf of Softimage are included in divisional equity.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation reserve against deferred tax assets is recorded if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

ALLOCATED COSTS

Microsoft has historically provided certain centralized services to Softimage. Expenses related to these services have been allocated based on a variety of methods depending on the nature of the expense. Such allocation methods include headcount, relative occupancy percentage and management estimates. These amounts approximate management's estimates of Microsoft's corporate costs to support the Softimage-related operations. An allocation of corporate selling and marketing expenses and corporate administrative functions (including data services, employee benefits, legal, insurance and other corporate overhead) has been included in the cost of revenue, research and development, selling and marketing, and general and administrative operating expenses in the combined statements of operations. Amounts due to Microsoft for these expenses are included in divisional equity (see Note H).

RECENT ACCOUNTING PRONOUNCEMENTS

In October 1997, Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"), was issued which provides guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. SOP 97-2 is effective for transactions entered into in fiscal years beginning after December 15, 1997. The Company will adopt the guidelines of SOP 97-2 as of July 1, 1998, and its adoption is not expected to have a material impact on the Company's financial results or condition.

In March 1998, Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), was issued which provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized. SOP 98-1 is effective for transactions entered into in fiscal years beginning after December 15, 1997, however earlier adoption is encouraged. The Company will adopt the guidelines of SOP 98-1 as of July 1, 1998, and its adoption is not expected to have a material impact on the Company's financial results or condition.

C. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	JUNE 30, 1998	JUNE 30, 1997
Computer equipment and software	$14,752	$14,242
Office equipment, furniture and fixtures	1,306	2,065
Leasehold improvements	5,905	6,185
	21,963	22,492
Accumulated depreciation and amortization	(17,750)	(14,437)
	$ 4,213	$ 8,055

D. INCOME TAXES

Provisions for income taxes for the years ended June 30, 1998, 1997 and 1996 were $1,839,000, $1,312,000 and $853,000, respectively. The expense in each period was due entirely to foreign withholding taxes and foreign income taxes for which future tax credit utilization or other benefit in Canada is uncertain. There was no tax benefit recorded for losses generated in Canada during these periods due to the uncertainty of realizing associated benefits.

The components of income (loss) from domestic (Canada) and foreign operations before provision for income taxes in fiscal years 1998, 1997 and 1996 were as follows (in thousands):

	1998	1997	1996
Domestic	$(12,144)	$(20,334)	$(30,962)
Foreign	370	376	506
	$(11,774)	$(19,958)	$(30,456)

At June 30, 1998, the Company has accumulated capital losses of approximately $439,000 for Canadian federal purposes and $544,000 for provincial (Quebec) purposes, which may be carried forward indefinitely to reduce future taxable capital gains. Additionally as of that date, the Company has non-refundable tax credits of approximately $5,946,000, which may be carried forward to various dates between 2006 and 2008 to reduce future federal income taxes payable. The Company also has unclaimed research and development expenses of approximately $25,600,000 for Canadian federal purposes and $10,166,000 for provincial (Quebec) purposes, which may be carried forward indefinitely to reduce future taxable income. The carryforwards and tax credits are subject to review and possible adjustment by taxation authorities. Management has recorded a full valuation allowance against these deferred tax assets due to the uncertainty of their ultimate realization.

Accrued taxes of $2,523,000 and $1,268,000 at June 30, 1998 and 1997, respectively, were primarily related to cash receipts for research and development claims not yet recognized in the statements of operations.

In connection with the Acquisition, Microsoft has indemnified Avid for any taxes assessed against the Company as a result of the Company's activities or transactions involving the Company through the date of the Acquisition. As a result of the Acquisition, Avid will be entitled to utilize the tax credits and carryforwards of the Company, to the extent not adjusted by taxation authorities and subject to applicable regulations.

E. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

Softimage leases certain equipment and office space under noncancelable leases which expire at various dates through January 2003. Future minimum lease payments under noncancelable operating leases at June 30, 1998 were as follows (in thousands):

1999	$1,462
2000	1,327
2001	1,242
2002	1,089
2003	610
Total minimum lease payments	$5,730

The Company has subleased a facility to a third party through January 2002. As of June 30, 1998, total future payments to be received by the Company under this noncancelable sublease were approximately $250,000.

Total rent expense charged to operations was approximately $1,896,000, $1,959,000 and $2,261,000 for fiscal years 1998, 1997 and 1996, respectively.

LITIGATION

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

In connection with the Acquisition, Microsoft has indemnified Avid for any claim or legal proceeding asserted or related to any fact existing prior to the date of the Acquisition.

F. EMPLOYEE STOCK OPTION AND SAVINGS PLANS

EMPLOYEE STOCK PURCHASE PLAN

Certain Softimage employees participated in Microsoft's employee stock purchase plan. Under Microsoft's plan, shares of Microsoft's common stock could be purchased at six-month intervals at 85% of the lower of the fair market value of Microsoft's common stock on the first or the last day of each six-month period. Employees were eligible to purchase shares having a value not exceeding 10% of their gross compensation during an offering period. No compensation expense related to this plan has been recognized in the statements of operations.

SAVINGS PLAN

The Company's U.S. employees were eligible to participate in Microsoft's savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. Participating employees could defer up to 15% of pretax salary, but no more than statutory limits. Microsoft contributed fifty cents for each dollar that a participant contributed, up to a maximum of 3% of a participant's earnings.

The Company's Canadian employees were eligible to participate in the Company's Canadian stock savings plan. Participating employees could defer up to 12% of pretax salary; the Company contributed fifty cents for each dollar that a participant contributed, up to a maximum of 6% of a participant's earnings.

STOCK OPTION PLANS

Microsoft has stock option plans for directors, officers and all employees that provide for nonqualified and incentive stock option grants. The option exercise price is the fair market value at the date of grant. Options granted prior to 1995 generally vest over four and one-half years and expire ten years from the date of grant. Options granted during and after 1995 generally vest over four and one-half years and expire seven years from the date of grant, while certain options vest over seven and one-half years and expire after ten years.

Information with respect to options issued to the Softimage employees, directors and officers under Microsoft's stock option plans is as follows:

	SHARES	WEIGHTED-AVERAGE PRICE PER SHARE
Options outstanding at June 30, 1995	2,308,846	$11.10
Granted	1,254,848	$22.57
Exercised	(94,760)	$ 9.64
Canceled	(276,698)	$15.57
Options outstanding at June 30, 1996	3,192,236	$15.27
Granted	1,251,249	$29.43
Exercised	(171,766)	$12.19
Canceled	(238,196)	$19.79
Options outstanding at June 30, 1997	4,033,523	$19.53
Granted	617,736	$63.69
Exercised	(741,670)	$13.11
Canceled	(345,935)	$27.36
Options outstanding at June 30, 1998	3,563,654	$27.76

Information with respect to options exercisable which are held by the Company's employees is as follows:

	SHARES	WEIGHTED-AVERAGE PRICE PER SHARE
Options exercisable at June 30, 1996	533,873	$8.29
Options exercisable at June 30, 1997	823,336	$11.39
Options exercisable at June 30, 1998	1,231,567	$16.36

The following table summarizes information about stock options outstanding as of June 30, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
$ 5.15 - $20.00	1,088,065	5.75	$11.27	746,353	$10.36
$20.01 - $30.00	1,756,418	4.59	$25.02	466,612	$24.22
$30.01 - $60.00	144,005	5.49	$41.28	18,302	$39.38
$60.01 - $86.38	575,166	6.09	$63.80	300	$62.41
$5.15 - $86.38	3,563,654	5.22	$27.76	1,231,567	$16.36

The Company accounts for stock-based compensation granted to employees and directors using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock issued to Employees," and related interpretations. Accordingly, compensation cost for stock options granted to employees and directors is measured as the excess, if any, of the fair value of Microsoft's common stock at the date of the grant over the amount that must be paid to acquire the stock. No compensation expense related to this plan has been recognized in the statements of operations. Had compensation cost for Softimage's portion of Microsoft's stock-based compensation plans been determined based on the fair value at the grant dates for the awards under the Microsoft stock option plan consistent with the methodology prescribed under

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company's net losses would have been approximately $20,671,000, $26,532,000 and $33,822,000 for fiscal years 1998, 1997 and 1996, respectively.

The weighted-average Black-Scholes fair value of options granted to Softimage employees under Microsoft's stock option plans during 1998, 1997 and 1996 was $25.03, $11.45 and $8.56, respectively. Value was estimated using the expected option life of five years, no dividends, volatility of 32% for fiscal year 1998 and 30% for fiscal years 1997 and 1996, and risk-free interest rates of 5.7%, 6.5% and 6.0% in fiscal years 1998, 1997 and 1996, respectively.

The effects of applying SFAS 123 for the purposes of pro forma disclosures may not be indicative of the effects on reported net income or loss for future years, as the pro forma disclosures include the effects of only those awards granted after July 1, 1995.

G. MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION

In fiscal years 1998, 1997 and 1996, one customer, two customers and one customer, respectively, accounted for 27%, 36% and 23% of total revenues.

Softimage markets its products worldwide. Revenues are grouped into three main geographic segments: North America, Asia Pacific and Latin America, and Europe. Financial data by geographic area for the fiscal years 1998, 1997 and 1996 is as follows (in thousands):

	1998	1997	1996
Net revenue:			
North America	$9,754	$10,288	$8,471
Asia Pacific and Latin America	17,931	18,111	11,280
Europe	9,175	9,356	10,218
Total net revenues	$36,860	$37,755	$29,969
Operating income (loss):			
North America	$(12,144)	$(20,334)	$(30,962)
Asia Pacific and Latin America	122	119	173
Europe	248	257	333
Total operating loss	$(11,774)	$(19,958)	$(30,456)
Identifiable assets:			
North America	$ 19,724	$ 22,433	$ 23,241
Asia Pacific and Latin America	53	75	62
Europe	910	3,075	5,868
Total identifiable assets	$ 20,687	$ 25,583	$ 29,171

H. RELATIONSHIP WITH MICROSOFT CORPORATION

An allocation of corporate administrative functions, including legal, employee benefits and other corporate overhead, has been included in the research and development, selling and marketing, and general and administrative operating expenses and in the cost of revenue in the accompanying combined statements of operations and is presented in the following table. These allocations were based on headcount, relative occupancy percentage or management's estimates.

The amounts allocated to Softimage in fiscal years 1998, 1997 and 1996 are as follows (in thousands):

	1998	1997	1996
Cost of revenue	$ 258	$ -	$ -
Research and development	97	278	400
Selling and marketing	1,143	932	600
General and administrative	489	454	450

Net transfers from Microsoft, presented in divisional equity, include advances and loans from Microsoft, net cash transfers from Microsoft, third party liabilities paid on behalf of Softimage by Microsoft, amounts due to Microsoft for services and other charges, and income taxes paid on behalf of Softimage by Microsoft. No interest has been charged on these transactions. The weighted-average balance due to Microsoft was approximately $9,947,000, $9,859,000 and $3,652,000 for fiscal years 1998, 1997 and 1996, respectively. The activity in the net transfers from Microsoft account for fiscal years 1998, 1997 and 1996, included in divisional equity, is summarized below (in thousands):

	1998	1997	1996
Microsoft services and other charges	$1,987	$1,664	$1,450
Foreign income taxes	169	174	215
Loans and advances payable, net	1,089	7,031	15,018
Cash transfers from Microsoft, net	2,873	6,123	13,499
Net transfers from Microsoft	$6,118	$14,992	$30,182

Under various agreements with Microsoft since June 1994, the Company (i) was reimbursed for its research and development expenses at a rate of cost plus 10%; (ii) paid a royalty to Microsoft on certain of the Company's sales, based upon the content of Microsoft's intellectual property incorporated in the related Softimage products, up to a maximum of 25% of gross revenues, and (iii) reimbursed Microsoft for its actual personnel and marketing costs that supported worldwide sales of the Company's products, plus five percent. Only actual costs of Softimage's selling and marketing and research and development activities, incurred either by Softimage or Microsoft, have been included in the accompanying combined statements of operations. All profits and royalties from transactions with Microsoft, as described above, have been eliminated.

AVID TECHNOLOGY, INC.
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On August 3, 1998, Avid Technology, Inc. ("Avid") acquired from Microsoft Corporation ("Microsoft") the one outstanding share of common stock of Softimage Inc. ("Softimage") and certain assets relating to the business of Softimage, upon the closing of the transactions contemplated in the Stock and Asset Purchase Agreement dated June 15, 1998 among Avid, Microsoft and Softimage (the "Acquisition"). In connection with the Acquisition, Avid paid $79 million in cash to Microsoft and issued to Microsoft (i) a subordinated note (the "Note") in the amount of $5 million, (ii) 2,394,813 shares of Avid's common stock, and (iii) a ten-year warrant to purchase 1,155,235 shares of Avid's common stock at an exercise price of $47.65 per share. In addition, Avid agreed to issue to Softimage employees 40,706 shares of Avid common stock as well as stock options, with a nominal exercise price, to purchase up to 1,820,817 shares of Avid's common stock ("Avid Options") to replace unvested Microsoft options that were forfeited in the transaction. The principal amount of the Note will be increased by $39.71 for each share underlying forfeited Avid Options. Total consideration for the acquisition was valued at $247.9 million. The Acquisition was recorded using the purchase method of accounting.

The accompanying unaudited pro forma combined financial statements are presented as if Avid and Softimage had been operating as a combined entity. The unaudited pro forma combined balance sheet as of June 30, 1998 presents the financial position of Avid assuming the Acquisition had occurred on June 30, 1998. All material adjustments to reflect the Acquisition are set forth in the column "Pro Forma Adjustments." The unaudited pro forma combined statements of operations for the six months ended June 30, 1998 and the year ended December 31, 1997 present the results of operations of Avid assuming the Acquisition had occurred on January 1, 1997 and include all material pro forma adjustments necessary for this purpose.

The pro forma data is for informational purposes only and may not necessarily reflect future results of operations and financial position or what the results of operations or financial position would have been had Avid and Softimage been operating as a combined entity for the specified periods. The unaudited pro forma combined financial statements should be read in conjunction with the historical consolidated financial statements of Avid, including the notes thereto.

AVID TECHNOLOGY, INC.
PRO FORMA COMBINED BALANCE SHEET
June 30, 1998
(In thousands)
(UNAUDITED)

	AVID TECHNOLOGY INC.	SOFTIMAGE INC.(a)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS				
Current assets:				
Cash and cash equivalents	$114,725	$7,116	$(85,531)(b)(d)	$36,310
Marketable securities	95,144	-	-	95,144
Accounts receivable, net	65,657	7,499	(865)(d)	72,291
Inventories	9,980	307	(22)(d)	10,265
Deferred tax assets	16,951	-	-	16,951
Prepaid expenses	5,576	1,024	(123)(d)	6,477
Other current assets	3,759	528	(54)(d)	4,233
Total current assets	311,792	16,474	(86,595)	241,671
Property and equipment,net	35,225	4,213	(708)(d)	38,730
Long-term deferred tax assets	14,820	-	35,945(c)	50,765
Other assets	2,942	-	56,588(c)	59,530
Total assets	$ 364,779	$20,687	$5,230	$390,696
LIABILITIES & STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 20,785	$ 843	$ 384(d)	$ 22,012
Current portion of long-term debt	631	-	-	631
Accrued compensation and benefits	18,312	1,448	(466)(d)	19,294
Accrued expenses	28,186	2,159	4,561(b)(d)	34,906
Income taxes payable	17,472	2,523	(2,523)(d)	17,472
Deferred revenues	21,293	6,599	(5,099)(d)	22,793
Total current liabilities	106,679	13,572	(3,143)	117,108
Long-term debt, less current portion	87	-	5,000(b)	5,087
Purchase consideration	-	-	68,177(b)	68,177
Stockholders' equity:				
Common stock	240	-	24(b)	264
Additional paid-in capital	252,386	-	91,659(b)	344,045
Retained earnings (accumulated deficit)	36,758	7,115	(156,487)(c)(e)	(112,614)
Treasury stock	(24,245)	-	-	(24,245)
Deferred compensation	(4,939)	-	-	(4,939)
Cumulative translation adjustment	(2,207)	-	-	(2,207)
Net unrealized gains on marketable securities	20	-	-	20
Total stockholders' equity	258,013	7,115	(64,804)	200,324
Total liabilities and stockholders' equity	$364,779	$20,687	$5,230	$390,696

AVID TECHNOLOGY, INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	AVID TECHNOLOGY INC.	SOFTIMAGE INC.(a)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net revenues	$221,594	$21,094	$ -	$242,688
Cost of revenues	90,064	1,256	981(f)	92,301
Gross profit	131,530	19,838	(981)	150,387
Operating expenses:				
Research and development	40,928	9,361	528(f)	50,817
Marketing and selling	58,278	11,569	(197)(f)	69,650
General and administrative	13,029	2,859	(1,312)(f)	14,576
Amortization of acquired intangible assets	-	-	13,010(g)	13,010
Total operating expenses	112,235	23,789	12,029	148,053
Operating income	19,295	(3,951)	(13,010)	2,334
Interest and other income, net	5,249	200	-	5,449
Income (loss) before income taxes	24,544	(3,751)	(13,010)	7,783
Provision for (benefit from) taxes	7,608	868	(6,063)(h)	2,413
Net income (loss)	$16,936	$(4,619)	$(6,947)	$5,370
Net income (loss) per common shares - basic	$ 0.74			$ 0.21
Net income (loss) per common share - diluted	$ 0.69			$ 0.19
Weighted average common shares outstanding - basic	22,993		2,435(i)	25,428
Weighted average common shares outstanding - diluted	24,687		4,256(i)	28,943

The accompanying notes are an integral part of the pro forma combined financial statements.

AVID TECHNOLOGY, INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	AVID TECHNOLOGY INC.	SOFTIMAGE INC.(a)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net revenues	$471,338	$36,815	$ -	$508,153
Cost of revenues	221,553	2,504	1,656(f)	225,713
Gross profit	249,785	34,311	(1,656)	282,440
Operating expenses:				
Research and development	73,470	25,236	(189)(f)	98,517
Marketing and selling	120,394	23,056	(548)(f)	142,902
General and administrative	25,808	4,205	(919)(f)	29,094
Amortization of acquired intangible assets	-	-	26,020 (g)	26,020
Total operating expenses	219,672	52,497	24,364	296,533
Operating income (loss)	30,113	(18,186)	(26,020)	(14,093)
Interest and other income (expense), net	8,125	(312)	-	7,813
Income (loss) before income taxes	38,238	(18,498)	(26,020)	(6,280)
Provision for (benefit from) taxes	11,854	1,507	(15,308)(h)	(1,947)
Net income (loss)	$ 26,384	$(20,005)	$(10,712)	$(4,333)
Net income (loss) per common shares - basic	$ 1.14			$ (0.17)
Net income (loss) per common share - diluted	$ 1.08			$ (0.17)
Weighted average common shares outstanding - basic	23,065		2,435 (i)	25,500
Weighted average common shares outstanding - diluted	24,325		1,175 (i)	25,500

The accompanying notes are an integral part of the pro forma combined financial statements.

AVID TECHNOLOGY, INC.
NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

a) To give effect to the acquisition of Softimage Inc. as if it had occurred on June 30, 1998 for the pro forma balance sheet presentation and on January 1, 1997 for the pro forma statements of operations presentations.

b) To give effect to the total consideration of $247.9 million paid in the acquisition of Softimage.

In connection with the Acquisition, Avid paid $79.0 million in cash to Microsoft and issued to Microsoft (i) a subordinated note (the "Note") in the amount of $5 million, due June 2003, (ii) 2,394,813 shares of common stock, valued at $64.0 million, and (iii) a ten-year warrant to purchase 1,155,235 shares of common stock at an exercise price of $47.65 per share, valued at $26.2 million. In addition, Avid agreed to issue to Softimage employees 40,706 shares of common stock, valued at $1.5 million, as well as stock options with a nominal exercise price to purchase up to 1,820,817 shares of common stock, valued at $68.2 million ("Avid Options"). Avid also incurred fees of $4.0 million in connection with the transaction. Per terms of the agreements, shares of Avid common stock issued to Microsoft and underlying the warrant may not be traded until August 3, 2001, and the principal amount of the Note will be increased by $39.71 for each share underlying forfeited Avid Options. The value of Avid Options will be recorded as Purchase Consideration until the underlying options either become vested or are forfeited by employees, at which time either additional paid-in capital or the Note, respectively, will be increased and Purchase Consideration will be reduced.

The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of the operations of Softimage and the fair market value of the acquired assets and assumed liabilities have been included in the financial statements of Avid as of the acquisition date. The purchase price was allocated to the acquired assets and assumed liabilities as follows (in thousands):

Current assets, net	$ 2,448
Property and equipment	3,505
Completed technologies	44,772
In-process research and development	193,741
Work force	7,644
Tradename	4,172
Deferred tax liability	(8,422)
	$247,860

The amounts allocated to tangible and intangible assets, including acquired in-process research and development, were based on results of an independent appraisal. Acquired in-process research and development represented development projects in areas that had not reached technological feasibility and had no alternative future use. Accordingly, the amount of $193.7 million was charged to operations at the date of the acquisition, net of the related tax benefit of $44.4 million. The amounts allocated to completed technologies, work force, and tradename are being amortized on a straight-line basis over expected useful lives two and three years, three years, and two years, respectively.

The value of completed technologies and in-process research and development were determined using a risk-adjusted, discounted cash flow approach. The value of in-process research and development, specifically, was determined by estimating the costs to develop the in-process projects into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present values. This evaluation considered the inherent difficulties and uncertainties in completing the development projects and the risks related to the viability of and potential changes in future target markets.

In-process research and development projects identified at the acquisition date include next-generation 3-dimensional modeling, animation and rendering software; new graphic, film and media management capabilities for effects-intensive, on-line finishing applications for editing; and new editing technology architectures to support collaborative work groups. The nature of the efforts to develop the purchased in-process technology into commercially viable products principally relate to (i) completion of the animation and real-time playback architecture, completion and integration of architectural software components, validation of the resulting architecture, and finalization of the feature set; (ii) the rewriting of software code of the compositing engine to accommodate significant new features, the rewriting of software code of the titling component, and the rebuilding of the framework architecture; and (iii) the design of a new architecture to support simultaneous and synchronized access to projects and media data. The estimated costs to be incurred to complete the development of the in-process research and development projects total approximately $23 million through the first half of 2000.

If these projects are not successfully developed, the sales and profitability of Avid may be adversely affected in future periods. Avid expects to begin to benefit from the purchased in-process research and development from the first half of 1999 through the first half of 2000.

No assets related to tax credits and carryforwards of Softimage Inc. were recorded at the acquisition date due to the uncertainty of their realization. If any benefit of these tax credits and carryforwards is realized in the future, the non-current assets recorded upon the Acquisition will be reduced at that time by a corresponding amount, before any benefit is recognized in the statement of operations.

c) To give effect to the allocation of the purchase price, including the non-recurring charge for in-process research and development and the related tax benefit that are reflected as a reduction of stockholders' equity. Other assets recorded in the Acquisition include completed technologies, work force and tradename.

d) To reduce cash, accounts receivable, inventories, prepaid expenses, other current assets, fixed assets, and accrued compensation and benefits not acquired by Avid; and to record additional accounts payable and accrued expenses acquired by Avid.

e) To eliminate divisional equity of Softimage.

f) To reclassify certain expenses within cost of revenues, research and development, selling and marketing, and general and administrative expenses to conform to Avid's historical presentation.

g) To reflect the amortization (on a straight-line basis) of completed technologies, work force and tradename recorded in connection with the Acquisition, over expected useful lives of two and three years.

h) To reverse the foreign tax provisions of Softimage, which were calculated on a separate-return basis; to record the pro forma benefit at 31% of Softimage losses as combined with Avid; and to record the tax effect at 31% of other pro forma adjustments.

i) The calculation of pro forma weighted-average number of shares outstanding includes the weighted-average number of common shares outstanding of Avid for the respective periods, adjusted to give effect to the issuance of 2,435,519 shares of Avid's common stock in connection with the Acquisition. For the six months ended June 30, 1998, the calculation includes the effect of common stock equivalent shares from the assumed exercise of the stock options issued to Softimage employees. For the year ended December 31, 1997, the calculation eliminates common stock equivalent shares previously included in Avid's weighted-average shares outstanding amount, as their inclusion would be antidilutive. The calculations do not include the effect of common stock equivalent shares from the assumed exercise of the warrant issued to Microsoft, as their inclusion would be antidilutive for the year ended December 31, 1997 and for the six months ended June 30, 1998.

j) The non-recurring charge of $193.7 million incurred in connection with the purchase of in-process research and development and the related tax benefit of $44.4 million are not included in the presentation of the pro forma combined statements of operations due to their non-recurring nature.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
2.1	Stock and Asset Purchase Agreement dated June 15, 1998 among Avid, Microsoft and Softimage, which is incorporated herein by reference to Exhibit 2.1 to the registrant's Quarterly Report on Form 10-Q under the Securities Exchange Act of 1934, for the fiscal quarter ended June 30, 1998, as filed with the Commission on August 12, 1998 (Commission File No. 0-21174). Exhibits not filed herewith will be provided to the Securities and Exchange Commission upon request by the Commission.
23.1	Consent of PricewaterhouseCoopers LLP

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Avid Technology, Inc. on Form S-3 (File Nos. 33-93472, 33-96456 and 333-03128) and Form S-8 (File Nos. 33-64124, 33-64126, 33-64128, 33-64130, 33-82478, 33-88318, 33-98692, 333-08821, 333-08823, 333-08825, 333-30367, 333-42569, 333-42571, 333-56631, 333-60181, 333-60183 and 333-60191) of our report dated October 9, 1998, on our audits of the combined financial statements of Softimage Inc. as of June 30, 1998 and 1997, and for each of the three years in the period ended June 30,1998, which report is included in this current report on Form 8-K/A.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
October 19, 1998