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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from __________ to __________

Commission File Number: 1-36254

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.)

75 Network Drive
Burlington, Massachusetts 01803
(Address of Principal Executive Offices, Including Zip Code)

(978) 640-6789
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) 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) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer x
Non-accelerated Filer ☐ (Do not check if smaller reporting company)	Smaller Reporting Company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of shares outstanding of the registrant's Common Stock, par value $0.01, as of August 1, 2017 was 41,129,814.

AVID TECHNOLOGY, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in this Form 10-Q that relate to future results or events are forward-looking statements. Forward-looking statements may be identified by use of forward-looking words, such as "anticipate," "believe," "confidence," "could," "estimate," "expect," "feel," "intend," "may," "plan," "should," "seek," "will" and "would," or similar expressions.

Forward-looking statements may involve subjects relating to, among others, the following:

- our ability to successfully implement our Avid Everywhere strategic plan and other strategic initiatives, including our cost saving strategies;
- the anticipated trends and developments in our markets and the success of our products in these markets;
- our ability to develop, market and sell new products and services;
- our business strategies and market positioning;
- our ability to achieve our goal of expanding our market positions;
- anticipated trends relating to our sales, financial condition or results of operations, including our shift to a recurring revenue model and complex enterprise sales with elongated sales cycles;
- the expected timing of recognition of revenue backlog as revenue, and the timing of recognition of revenues from subscription offerings;
- our ability to successfully consummate acquisitions, or investment transactions and successfully integrate acquired businesses, including Orad Hi-Tech Ltd ("Orad"), into our operations;
- our anticipated benefits and synergies from, and the anticipated financial impact of, any acquired business (including Orad);
- the anticipated performance of our products;
- changes in inventory levels;
- plans regarding repatriation of foreign earnings;
- the outcome, impact, costs and expenses of any litigation or government inquiries to which we are or become subject;
- the effect of the continuing worldwide macroeconomic uncertainty on our business and results of operations, including Brexit;
- our ability to accelerate growth of our Cloud-enabled Avid Everywhere platform;
- our compliance with covenants contained in the agreements governing our indebtedness;
- our ability to service our debt and meet the obligations thereunder, including our ability to satisfy our conversion and repurchase obligations under our convertible notes due 2020;
- the effects of seasonality on our revenues and results of operations;
- fluctuations in foreign exchange and interest rates;
- our ability to effectively mitigate and remediate the material weakness in our internal control over financial reporting, and the expected timing thereof;
- the risk of restatement of our financial statements;
- estimated asset and liability values and amortization of our intangible assets;
- our capital resources and the adequacy thereof; and
- worldwide political uncertainty, in particular the risk that the United States may withdraw from or materially modify NAFTA or other international trade agreements.

Actual results and events in future periods may differ materially from those expressed or implied by forward-looking statements in this Form 10-Q. There are a number of factors that could cause actual events or results to differ materially from those indicated or implied by forward-looking statements, many of which are beyond our control, including the risk factors discussed herein and in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, in Part II and in other documents we file from time to time with the U.S. Securities and Exchange Commission ("SEC"). In addition, the forward-looking statements contained in this Form 10-Q represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements or otherwise.

We own or have rights to trademarks and service marks that we use in connection with the operation of our business. Avid is a trademark of Avid Technology, Inc. Other trademarks, logos, and slogans registered or used by us and our subsidiaries in the United States and other countries include, but are not limited to, the following: Avid Everywhere, Avid NEXIS, AirSpeed, EUCON, iNEWS, Interplay, MediaCentral, Mbox, Media Composer, NewsCutter, Nitris, Pro Tools, Sibelius and Symphony. Other trademarks appearing in this Form 10-Q are the property of their respective owners.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenues:				
Products	$ 47,655	$ 75,592	$ 98,661	$ 160,101
Services	54,718	58,477	107,819	117,515
Total net revenues	102,373	134,069	206,480	277,616
Cost of revenues:				
Products	26,489	28,488	50,993	55,612
Services	14,181	15,832	28,275	30,241
Amortization of intangible assets	1,950	1,950	3,900	3,900
Total cost of revenues	42,620	46,270	83,168	89,753
Gross profit	59,753	87,799	123,312	187,863
Operating expenses:				
Research and development	16,991	21,433	35,879	42,838
Marketing and selling	29,018	30,177	54,829	61,796
General and administrative	13,644	16,818	28,075	34,537
Amortization of intangible assets	363	782	726	1,568
Restructuring costs, net	6,063	(213)	7,046	2,564
Total operating expenses	66,079	68,997	126,555	143,303
Operating (loss) income	(6,326)	18,802	(3,243)	44,560
Interest and other expense, net	(3,918)	(5,159)	(8,764)	(9,342)
(Loss) income before income taxes	(10,244)	13,643	(12,007)	35,218
Provision for income taxes	587	703	739	1,338
Net (loss) income	$ (10,831)	$ 12,940	$ (12,746)	$ 33,880
Net (loss) income per common share – basic	$(0.26)	$0.33	$(0.31)	$0.86
Net (loss) income per common share – diluted	$(0.26)	$0.33	$(0.31)	$0.85
Weighted-average common shares outstanding – basic	40,953	39,678	40,863	39,622
Weighted-average common shares outstanding – diluted	40,953	39,734	40,863	39,691

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

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net (loss) income	$ (10,831)	$ 12,940	$ (12,746)	$ 33,880
Other comprehensive income (loss):				
Foreign currency translation adjustments	2,939	(787)	4,789	2,458
Comprehensive (loss) income	$ (7,892)	$ 12,153	$ (7,957)	$ 36,338

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

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

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,434	$ 44,948
Accounts receivable, net of allowances of $8,445 and $8,618 at June 30, 2017 and December 31, 2016, respectively	34,433	43,520
Inventories	41,219	50,701
Prepaid expenses	10,058	6,031
Other current assets	4,920	5,805
Total current assets	138,064	151,005
Property and equipment, net	23,977	30,146
Intangible assets, net	18,307	22,932
Goodwill	32,643	32,643
Long-term deferred tax assets, net	1,319	1,245
Other long-term assets	10,427	11,610
Total assets	$ 224,737	$ 249,581
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 27,495	$ 26,435
Accrued compensation and benefits	29,141	25,387
Accrued expenses and other current liabilities	30,130	34,088
Income taxes payable	1,958	1,012
Short-term debt	5,000	5,000
Deferred revenues	129,858	146,014
Total current liabilities	223,582	237,936
Long-term debt	189,857	188,795
Long-term deferred tax liabilities, net	173	913
Long-term deferred revenues	74,181	79,670
Other long-term liabilities	11,699	12,178
Total liabilities	499,492	519,492
Contingencies (Note 7)		
Stockholders' deficit:		
Common stock	423	423
Additional paid-in capital	1,038,093	1,043,063
Accumulated deficit	(1,283,894)	(1,271,148)
Treasury stock at cost	(24,270)	(32,353)
Accumulated other comprehensive loss	(5,107)	(9,896)
Total stockholders' deficit	(274,755)	(269,911)
Total liabilities and stockholders' deficit	$ 224,737	$ 249,581

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

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

	Six Months Ended June 30,	
	2017	**2016**
Cash flows from operating activities:		
Net (loss) income	$ (12,746)	$ 33,880
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,531	12,890
(Recovery) provision for doubtful accounts	(214)	367
Stock-based compensation expense	3,393	4,388
Non-cash provision for restructuring	2,477	—
Non-cash interest expense	5,214	5,394
Unrealized foreign currency transaction losses	4,763	1,578
Benefit from deferred taxes	(746)	(1,365)
Changes in operating assets and liabilities:		
Accounts receivable	9,343	13,683
Inventories	9,482	(5,829)
Prepaid expenses and other assets	(3,287)	(3,994)
Accounts payable	980	(10,373)
Accrued expenses, compensation and benefits and other liabilities	(3,419)	(13,910)
Income taxes payable	991	(510)
Deferred revenues	(21,690)	(81,215)
Net cash provided by (used in) operating activities	6,072	(45,016)
Cash flows from investing activities:		
Purchases of property and equipment	(3,108)	(7,321)
Increase in other long-term assets	(23)	(12)
Decrease (increase) in restricted cash	1,700	(4,544)
Net cash used in investing activities	(1,431)	(11,877)
Cash flows from financing activities:		
Proceeds from long-term debt	—	100,000
Repayment of debt	(2,500)	(1,250)
Proceeds from the issuance of common stock under employee stock plans	217	285
Common stock repurchases for tax withholdings for net settlement of equity awards	(497)	(441)
Proceeds from revolving credit facilities	—	25,000
Payments on revolving credit facilities	—	(30,000)
Payments for credit facility issuance costs	—	(4,971)
Net cash (used in) provided by financing activities	(2,780)	88,623
Effect of exchange rate changes on cash and cash equivalents	625	733
Net increase in cash and cash equivalents	2,486	32,463
Cash and cash equivalents at beginning of period	44,948	17,902
Cash and cash equivalents at end of period	$ 47,434	$ 50,365
Supplemental information:		
Cash paid for income taxes, net of refunds	$ 261	$ 1,003
Cash paid for interest	4,450	3,690
Non-cash financing activities:		
Issuance costs for long-term debt	$ —	$ 49

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

AVID TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 reflect all normal and recurring adjustments necessary for their fair statement. Interim results are not necessarily indicative of results expected for any other interim period or a full year. The accompanying unaudited condensed consolidated 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, comprehensive (loss) income, financial position and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying condensed consolidated balance sheet as of December 31, 2016 was derived from the Company's audited consolidated financial statements and does not include all disclosures required by U.S. GAAP for annual financial statements. The Company filed audited consolidated financial statements as of and for the year ended December 31, 2016 in its Annual Report on Form 10-K for the year ended December 31, 2016, which included information and footnotes necessary for such presentation. The financial statements contained in this Form 10-Q should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The Company's preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from the Company's estimates.

The Company has generally funded operations in recent years through the use of existing cash balances, supplemented from time to time with the proceeds of long-term debt and borrowings under its credit facilities. The Company's principal sources of liquidity include cash and cash equivalents totaling $47.4 million as of June 30, 2017.

In February 2016, the Company committed to a cost efficiency program that encompasses a series of measures intended to allow the Company to more efficiently operate in a leaner, more directed cost structure. These measures include reductions in the Company's workforce, consolidation of facilities, transfers of certain business processes to lower cost regions and reductions in other third-party service costs. The cost efficiency program was substantially complete as of June 30, 2017.

In connection with the cost efficiency program, on February 26, 2016, the Company entered into a Financing Agreement (the "Financing Agreement") with the lenders party thereto (the "Lenders"). Pursuant to the Financing Agreement, the Company entered into a term loan in the aggregate principal amount of $100.0 million. The Financing Agreement also provides the Company with the ability to draw up to a maximum of $5.0 million in revolving credit. All outstanding loans under the Financing Agreement will become due and payable in February 2021, or in May 2020 if the $125.0 million in outstanding principal of 2.00% convertible senior notes due June 15, 2020 (the "Notes") has not been repaid or refinanced by such time.

The Financing Agreement contains customary representations and warranties, covenants, mandatory prepayments, and events of default under which the Company's payment obligations may be accelerated. On March 14, 2017 (the "Effective Date"), the Company entered into an amendment (the "Amendment") to the Financing Agreement. The Amendment modified the covenant requiring the Company to maintain a Leverage Ratio (defined to mean the ratio of (a) total funded indebtedness to (b) consolidated EBITDA) such that following the Effective Date, the Company is required to maintain a Leverage Ratio of no greater than 3.50:1.00 for the four quarters ending March 31, 2017, 4.20:1.00 for the four quarters ending June 30, 2017, 4.75:1.00 for the four quarters ending September 30, 2017, 4.80:1.00 for the four quarters ending December 31, 2017, 4:40:1.00 for each of the four quarters ending March 31, 2018 through March 31, 2019, respectively, and thereafter declining over time from 3.50:1.00 to 2.50:1.00. Following the Effective Date, interest accrues on outstanding borrowings under the credit facility and the term loan (each as defined in the Financing Agreement) at a rate of either the LIBOR Rate (as defined in the Financing Agreement) plus 7.25% or a Reference Rate (as defined in the Financing Agreement) plus 6.25%, at the option of the Company. As of June 30, 2017, the Company was in compliance with the Financing Agreement covenants.

The Company's ability to satisfy the Leverage Ratio covenant in the future is dependent on its ability to maintain bookings and billings at or above levels experienced over the last 12 months. In recent quarters, the Company has experienced volatility in bookings and billings resulting from, among other things, (i) its transition towards subscription and recurring revenue streams and the resulting decline in traditional upfront product sales, (ii) volatility in currency rates and in particular the U.S. dollar against the Euro, (iii) significant changes and trends in the media industry and the impact they have had on the Company's customers and (iv) the impact of new and anticipated product launches and features. In addition to the impact of new bookings and billings, GAAP revenues recognized as the result of the existence of Implied Maintenance Release PCS (as defined below) will be significantly lower in the remainder of 2017, as compared to 2016 periods, which will have an adverse impact on the Company's Leverage Ratio.

In the event bookings and billings in future quarters are lower than the Company currently anticipates, the Company may be forced to take remedial actions which could include, among other things (and where allowed by the Lenders), (i) further cost reductions, (ii) seeking replacement financing, (iii) raising funds through the issuance of additional equity or debt securities or the incurrence of additional borrowings, or (iv) disposing of certain assets or businesses. Such remedial actions, which may not be available on favorable terms or at all, could have a material adverse impact on the Company's business. If the Company is not in compliance with the Leverage Ratio and is unable to obtain an amendment or waiver, such noncompliance may result in an event of default under the Financing Agreement, which could permit acceleration of the outstanding indebtedness under the Financing Agreement and require the Company to repay such indebtedness before the scheduled due date. If an event of default were to occur, the Company might not have sufficient funds available to make the payments required. If the Company is unable to repay amounts owed, the lenders may be entitled to foreclose on and sell substantially all of the Company's assets, which secure its borrowings under the Financing Agreement.

On January 26, 2017, the Company entered into an exclusive distributor agreement (the "Distributor Agreement") with Beijing Jetsen Technology Co., Ltd. ("Jetsen"), pursuant to which Jetsen became the exclusive distributor for Avid products and services in the greater China region. The Distributor Agreement has a five-year term, and Jetsen is required to make at least $75.8 million of aggregate purchases under the agreement over the first three years. At the same time, the Company also entered into a securities purchase agreement (the "Securities Purchase Agreement"), with Jetsen, pursuant to which it agreed to sell to Jetsen shares of Avid common stock. In June 2017, Avid and Jetsen amended the Securities Purchase Agreement. Under the amended terms, Jetsen will invest $18.2 million in Avid, in return for a minority stake in the Company of between 4.5% and 8.9% of Avid outstanding common stock on a fully diluted basis. The closing of the investment is subject to closing conditions, including China regulatory approvals. In the event regulatory approval is not obtained in the fourth quarter of 2017, either party may elect to terminate the Securities Purchase Agreement for any reason. The exact number of shares to be issued and sold at closing will be determined by reference to the trading price of Avid common stock before closing.

The Company's cash requirements vary depending on factors such as the growth of the business, changes in working capital, capital expenditures, and obligations under the cost efficiency program. Management expects to operate the business and execute its strategic initiatives principally with funds generated from operations, remaining net proceeds from the term loan borrowings under the Financing Agreement, and draw up to a maximum of $5.0 million under the Financing Agreement's revolving credit facility. Management anticipates that the Company will have sufficient internal and external sources of liquidity to fund operations and anticipated working capital and other expected cash needs for at least the next 12 months as well as for the foreseeable future.

Subsequent Events

The Company evaluated subsequent events through the date of issuance of these financial statements and no subsequent events required recognition or disclosure in these financial statements.

Significant Accounting Policies - Revenue Recognition

<u>General</u>

The Company commences revenue recognition when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is reasonably assured. Generally, the products the Company sells do not require significant production, modification or customization. Installation of the Company’s products is generally routine, consists of implementation and configuration and does not have to be performed by the Company.

At the time of a sales transaction, the Company makes an assessment of the collectability of the amount due from the customer. Revenues are recognized only if it is reasonably assured that collection will occur. When making this assessment, the Company considers customer credit-worthiness and historical payment experience. If it is determined from the outset of the arrangement that collection is not reasonably assured, revenues are recognized on a cash basis, provided that all other revenue recognition criteria are satisfied. At the outset of the arrangement, the Company also assesses whether the fee associated with the order is fixed or determinable and free of contingencies or significant uncertainties. When assessing whether the fee is fixed or determinable, the Company considers the payment terms of the transaction, the Company’s collection experience in similar transactions, and the Company’s involvement, if any, in third-party financing transactions, among other factors. If the fee is not fixed or determinable, revenues are recognized only as payments become due from the customer, provided that all other revenue recognition criteria are met. If a significant portion of the fee is due after the Company’s normal payment terms, the Company evaluates whether the Company has sufficient history of successfully collecting past transactions with similar terms without offering concessions. If that collection history is sufficient, revenue recognition commences, upon delivery of the products, assuming all other revenue recognition criteria are satisfied. If the Company was to make different judgments or assumptions about any of these matters, it could cause a material increase or decrease in the amount of revenues reported in a particular period.

The Company often receives multiple purchase orders or contracts from a single customer or a group of related customers that are evaluated to determine if they are, in effect, part of a single arrangement. In situations when the Company has concluded that two or more orders with the same customer are so closely related that they are, in effect, parts of a single arrangement, the Company accounts for those orders as a single arrangement for revenue recognition purposes. In other circumstances, when the Company has concluded that two or more orders with the same customer are independent buying decisions, such as an earlier purchase of a product and a subsequent purchase of a software upgrade or maintenance contract, the Company accounts for those orders as separate arrangements for revenue recognition purposes.

For many of its products, the Company has had an ongoing practice of making available, at no charge to customers, minor feature and compatibility enhancements as well as bug fixes on a when-and-if-available basis (collectively “Software Updates”), for a period of time after initial sales to end users. The implicit obligation to make such Software Updates available to customers over a period of time represents implied post-contract customer support, which is deemed to be a deliverable in each arrangement and is accounted for as a separate element (“Implied Maintenance Release PCS”).

Over the last two years, in connection with a strategic initiative to increase support and other recurring revenue streams, the Company has taken a number of steps to eliminate the longstanding practice of providing Implied Maintenance Release PCS for many of its products, including Media Composer, Pro Tools and Sibelius product lines. In the third quarter and fourth quarter of 2015, respectively, the Company concluded that Implied Maintenance Release PCS for its Media Composer and Sibelius product lines had ceased. In the first quarter of 2016, in connection with the release of Cloud Collaboration in Pro Tools version 12.5, which was an undelivered feature that had prevented the Company from recognizing any revenue related to new Pro Tools 12 software sales as it represented a specified upgrade right for which vendor specific objective evidence (“VSOE”) of fair value was not available, the Company concluded that Implied Maintenance Release PCS for Pro Tools 12 product lines had also ended. As a result of the conclusion that Implied Maintenance Release PCS on Pro Tools 12 has ended, revenue and net income in the first quarter of 2016 increased approximately $11.1 million, reflecting the recognition of orders received after the launch of Pro Tools 12 that would have qualified for earlier recognition using the residual method of accounting. In addition, the elimination of Implied Maintenance Release PCS also resulted in the accelerated recognition of maintenance and product revenues that were previously being recognized on a ratable basis over a much longer expected period of Implied Maintenance Release PCS rather than the contractual maintenance period. The reduction in the estimated amortization period of transactions being recognized on a ratable basis resulted in an additional $15.2 million and $21.7 million of revenue during the three and six months ended June 30, 2016, respectively.

The Company enters into certain contractual arrangements that have multiple elements, one or more of which may be delivered subsequent to the delivery of other elements. These multiple-deliverable arrangements may include products, support, training, professional services and Implied Maintenance Release PCS. For these multiple-element arrangements, the Company allocates revenue to each deliverable of the arrangement based on the relative selling prices of the deliverables. In such circumstances, the Company first determines the selling price of each deliverable based on (i) VSOE of fair value if that exists; (ii) third-party evidence of selling price ("TPE"), when VSOE does not exist; or (iii) best estimate of the selling price ("BESP"), when neither VSOE nor TPE exists. Revenue is then allocated to the non-software deliverables as a group and to the software deliverables as a group using the relative selling prices of each of the deliverables in the arrangement based on the selling price hierarchy. The Company's process for determining BESP for deliverables for which VSOE or TPE does not exist involves significant management judgment. In determining BESP, the Company considers a number of data points, including:

- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;
- contractually stated prices for deliverables that are intended to be sold on a standalone basis;
- the pricing of standalone sales that may not qualify as VSOE of fair value due to limited volumes or variation in prices; and
- other pricing factors, such as the geographical region in which the products are sold and expected discounts based on the customer size and type.

In determining a BESP for Implied Maintenance Release PCS, which the Company does not sell separately, the Company considers (i) the service period for the Implied Maintenance Release PCS, (ii) the differential in value of the Implied Maintenance Release PCS deliverable compared to a full support contract, (iii) the likely list price that would have resulted from the Company's established pricing practices had the deliverable been offered separately, and (iv) the prices a customer would likely be willing to pay.

The Company estimates the service period of Implied Maintenance Release PCS based on the length of time the product version purchased by the customer is planned to be supported with Software Updates. If facts and circumstances indicate that the original service period of Implied Maintenance Release PCS for a product has changed significantly after original revenue recognition has commenced, the Company will modify the remaining estimated service period accordingly and recognize the then-remaining deferred revenue balance over the revised service period.

The Company has established VSOE of fair value for some of the Company's professional services, training and support offerings. The Company's policy for establishing VSOE of fair value consists of evaluating standalone sales to determine if a substantial portion of the transactions fall within a reasonable range. If a sufficient volume of standalone sales exist and the standalone pricing for a substantial portion of the transactions falls within a reasonable range, management concludes that VSOE of fair value exists.

In accordance with Accounting Standards Update ("ASU") No. 2009-14, the Company excludes from the scope of software revenue recognition requirements the Company's sales of tangible products that contain both software and non-software components that function together to deliver the essential functionality of the tangible products. The Company adopted ASU No. 2009-13 and ASU No. 2009-14 prospectively on January 1, 2011 for new and materially modified arrangements originating after December 31, 2010.

Prior to the Company's adoption of ASU No. 2009-14, the Company primarily recognized revenues using the revenue recognition criteria of Accounting Standards Codification ("ASC") Subtopic 985-605, Software-Revenue Recognition. As a result of the Company's adoption of ASU No. 2009-14 on January 1, 2011, a majority of the Company's products are now considered non-software elements under GAAP, which excludes them from the scope of ASC Subtopic 985-605 and includes them within the scope of ASC Topic 605, Revenue Recognition. Because the Company had not been able to establish VSOE of fair value for Implied Maintenance Release PCS, as described further below, substantially all revenue arrangements prior to January 1, 2011 were recognized on a ratable basis over the service period of Implied Maintenance Release PCS. Subsequent to January 1, 2011 and the adoption of ASU No. 2009-14, the Company determines a relative selling price for all elements of the arrangement through the use of BESP, as VSOE and TPE are typically not available, resulting in revenue recognition upon delivery of arrangement consideration attributable to product revenue, provided all other criteria for revenue recognition are met, and revenue recognition of Implied Maintenance Release PCS and other service and support elements over time as services are rendered.

Revenue Recognition of Non-Software Deliverables

Revenue from products that are considered non-software deliverables is recognized upon delivery of the product to the customer. Products are considered delivered to the customer once they have been shipped and title and risk of loss has been transferred. For most of the Company's product sales, these criteria are met at the time the product is shipped. Revenue from support that is considered a non-software deliverable is initially deferred and is recognized ratably over the contractual period of the arrangement, which is generally twelve months. Professional services and training services are typically sold to customers on a time and materials basis. Revenue from professional services and training services that are considered non-software deliverables is recognized for these deliverables as services are provided to the customer. Revenue for Implied Maintenance Release PCS that is considered a non-software deliverable is recognized ratably over the service period of Implied Maintenance Release PCS, which ranges from one to eight years.

Revenue Recognition of Software Deliverables

The Company recognizes the following types of elements sold using software revenue recognition guidance: (i) software products and software upgrades, when the software sold in a customer arrangement is more than incidental to the arrangement as a whole and the product does not contain hardware that functions with the software to provide essential functionality, (ii) initial support contracts where the underlying product being supported is considered to be a software deliverable, (iii) support contract renewals, and (iv) professional services and training that relate to deliverables considered to be software deliverables. Because the Company does not have VSOE of the fair value of its software products, the Company is permitted to account for its typical customer arrangements that include multiple elements using the residual method. Under the residual method, the VSOE of fair value of the undelivered elements (which could include support, professional services or training, or any combination thereof) is deferred and the remaining portion of the total arrangement fee is recognized as revenue for the delivered elements. If evidence of the VSOE of fair value of one or more undelivered elements does not exist, revenues are deferred and recognized when delivery of those elements occurs or when VSOE of fair value can be established. VSOE of fair value is typically based on the price charged when the element is sold separately to customers. The Company is unable to use the residual method to recognize revenues for some arrangements that include products that are software deliverables under GAAP since VSOE of fair value does not exist for Implied Maintenance Release PCS elements, which are included in some of the Company's arrangements.

For software products that include Implied Maintenance Release PCS, an element for which VSOE of fair value does not exist, revenue for the entire arrangement fee, which could include combinations of product, professional services, training and support, is recognized ratably as a group over the longest service period of any deliverable in the arrangement, with recognition commencing on the date delivery has occurred for all deliverables in the arrangement (or begins to occur in the case of professional services, training and support). Standalone sales of support contracts are recognized ratably over the service period of the product being supported.

From time to time, the Company offers certain customers free upgrades or specified future products or enhancements. When a software deliverable arrangement contains an Implied Maintenance Release PCS deliverable, revenue recognition of the entire arrangement will only commence when any free upgrades or specified future products or enhancements have been delivered, assuming all other products in the arrangement have been delivered and all services, if any, have commenced.

Recently Adopted Accounting Pronouncement

In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, *Simplifying the Test for Goodwill Impairment.* The guidance simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The revised guidance will be applied prospectively, and is effective for calendar year-end SEC filers in 2020. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company adopted the revised guidance during the first quarter of 2017. The adoption of ASU 2017-04 had no immediate impact on the Company's condensed consolidated financial statements upon adoption, however, it could impact the calculation of goodwill impairments in future periods.

Recent Accounting Pronouncements to be Adopted

In May, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU No. 2014-09 is the final updated standard on revenue recognition. The standard supersedes the most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance becomes effective for the Company on January 1, 2018, and early adoption as of January 1, 2017 is permitted.

Subsequently, the FASB has issued the following standards related to ASU No. 2014-09: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations;* ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; and ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The Company must adopt ASU No. 2016-08, ASU No. 2016-10 and ASU No. 2016-12 with ASU No. 2014-09 (collectively, the “new revenue standards”).

Entities have the option of using either a full retrospective or a modified approach to adopt the new revenue standards. The Company expects to elect the modified transition method and, while the Company is still in the early stages of evaluating the impact of this new accounting standard, it expects the impact will be significant. The adoption will result in a significant cumulative reduction in deferred revenue as of January 1, 2018 because the Company will no longer require VSOE of fair value to recognize software deliverables with Implied Maintenance Release PCS upon delivery. Upon adoption of ASC 606, the Company expects to recognize a greater proportion of revenue upon delivery of its products, whereas some of the Company’s current product sales are initially recorded in deferred revenue and recognized over a long period of time (as described in detail in the “Significant Accounting Policies - Revenue Recognition” section above). Accordingly, the Company’s operating results may become more volatile as a result of the adoption.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic (842)*. The guidance requires an entity to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and lease liability. The new guidance becomes effective for the Company on January 1, 2019, and early adoption is permitted upon issuance. The Company is evaluating the potential impact of adopting this standard on its financial statements, as well as the timing of its adoption of the standard.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flow (Topic 230)*. The guidance reduces diversity in how certain cash receipts and cash payments are presented and classified in the Statements of Cash Flows. Certain of ASU No. 2016-15 requirements are as follows: 1) cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities, 2) contingent consideration payments made soon after a business combination should be classified as cash outflows for investing activities and cash payment made thereafter should be classified as cash outflows for financing up to the amount of the contingent consideration liability recognized at the acquisition date with any excess classified as operating activities, 3) cash proceeds from the settlement of insurance claims should be classified on the basis of the nature of the loss, 4) cash proceeds from the settlement of Corporate-Owned Life Insurance (COLI) Policies should be classified as cash inflows from investing activities and cash payments for premiums on COLI policies may be classified as cash outflows for investing activities, operating activities, or a combination of investing and operating activities, and 5) cash paid to a tax authority by an employer when withholding shares from an employee's award for tax-withholding purposes should be classified as cash outflows for financing activities. The new guidance becomes effective for the Company on January 1, 2018, and early adoption is permitted upon issuance. The Company is currently evaluating the potential impact of adopting this standard on its financial statements, as well as the timing of its adoption of the standard.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740)*. The guidance requires companies to recognize the income tax effects of intercompany sales and transfers of assets, other than inventory, in the income statement as income tax expense (or benefit) in the period in which the transfer occurs. The new guidance becomes effective for the Company on January 1, 2018, and early adoption is permitted upon issuance. The Company is currently evaluating the impact of the adoption of ASU No. 2016-16 on its financial statements, as well as timing of its adoption of the standard.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The guidance requires companies to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, companies will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet is required. The new guidance becomes effective for the Company on January 1, 2018, and early adoption is permitted upon issuance. The Company is currently evaluating the potential impact of adopting this standard on its financial statements, as well as the timing of its adoption of the standard.

2. NET INCOME PER SHARE

Net income per common share is presented for both basic income per share ("Basic EPS") and diluted income per share ("Diluted EPS"). Basic EPS is based on the weighted-average number of common shares outstanding during the period. Diluted EPS is based on the weighted-average number of common shares and common share equivalents outstanding during the period.

The potential common shares that were considered anti-dilutive securities were excluded from the diluted earnings per share calculations for the relevant periods either because the sum of the exercise price per share and the unrecognized compensation cost per share was greater than the average market price of the Company's common stock for the relevant period, or because they were considered contingently issuable. The contingently issuable potential common shares result from certain stock options and restricted stock units granted to the Company's employees that vest based on performance conditions, market conditions, or a combination of performance and market conditions.

The following table sets forth (in thousands) potential common shares that were considered anti-dilutive securities at June 30, 2017 and for the six months ended 2016.

	June 30, 2017	June 30, 2016
Options	2,382	4,218
Non-vested restricted stock units	3,163	1,177
Anti-dilutive potential common shares	5,545	5,395

On June 15, 2015, the Company issued $125.0 million aggregate principal amount of its 2.00% Convertible Senior Notes due 2020 (the "Notes"). The Notes are convertible into cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election, based on an initial conversion rate, subject to adjustment. In connection with the offering of the Notes, the Company entered into a capped call transaction with a third party. The Company uses the treasury stock method in computing the dilutive impact of the Notes. The Notes are convertible into shares of the Company's common stock but the Company's stock price was less than the conversion price as of June 30, 2017, and, therefore, the Notes are excluded from Diluted EPS. The Capped Call is not reflected in diluted net income per share as it will always be anti-dilutive.

3. FAIR VALUE MEASUREMENTS

Assets Measured at Fair Value on a Recurring Basis

The Company measures deferred compensation investments on a recurring basis. As of June 30, 2017 and December 31, 2016, the Company's deferred compensation investments were classified as either Level 1 or Level 2 in the fair value hierarchy. Assets valued using quoted market prices in active markets and classified as Level 1 are money market and mutual funds. Assets valued based on other observable inputs and classified as Level 2 are insurance contracts.

The following tables summarize the Company’s deferred compensation investments measured at fair value on a recurring basis (in thousands):

	June 30, 2017	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Deferred compensation assets	$ 2,056	$ 424	$ 1,632	$ —

	December 31, 2016	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Deferred compensation assets	$ 2,035	$ 493	$ 1,542	$ —

Financial Instruments Not Recorded at Fair Value

The carrying amounts of the Company’s other financial assets and liabilities including cash, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values because of the relatively short period of time between their origination and their expected realization or settlement. As of June 30, 2017, the net carrying amount of the Notes was $104.6 million, and the fair value of the Notes was approximately $92.8 million based on open market trading activity, which constitutes a Level 1 input in the fair value hierarchy.

4. INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Raw materials	$ 9,559	$ 10,481
Work in process	344	291
Finished goods	31,316	39,929
Total	$ 41,219	$ 50,701

As of June 30, 2017 and December 31, 2016, finished goods inventory included $8.0 million and $8.6 million, respectively, associated with products shipped to customers and deferred labor costs for arrangements where revenue recognition had not yet commenced.

5. INTANGIBLE ASSETS AND GOODWILL

Amortizing identifiable intangible assets related to the Company's acquisitions or capitalized costs of internally developed or externally purchased software that form the basis for the Company's products consisted of the following (in thousands):

	June 30, 2017			December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Completed technologies and patents	$ 58,353	$ (42,916)	$ 15,437	$ 57,994	$ (38,657)	$ 19,337
Customer relationships	54,805	(51,935)	2,870	54,597	(51,002)	3,595
Trade names	1,346	(1,346)	—	1,346	(1,346)	—
Capitalized software costs	4,911	(4,911)	—	4,911	(4,911)	—
Total	$ 119,415	$ (101,108)	$ 18,307	$ 118,848	$ (95,916)	$ 22,932

Amortization expense related to all intangible assets in the aggregate was $2.3 million and $2.7 million, respectively, for the three months ended June 30, 2017 and 2016, and $4.6 million and $5.5 million, respectively, for the six months ended June 30, 2017 and 2016. The Company expects amortization of acquired intangible assets to be $4.6 million for the remainder of 2017, $9.3 million in 2018, and $4.4 million in 2019.

The acquisition of Orad in 2015 resulted in goodwill of $32.6 million as of June 30, 2017 and December 31, 2016.

6. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Deferred rent	$ 4,306	$ 5,458
Accrued restructuring	1,459	1,256
Deferred compensation	5,934	5,464
Total	$ 11,699	$ 12,178

7. CONTINGENCIES

The Company's industry is characterized by the existence of a large number of patents and frequent claims and litigation regarding patent and other intellectual property rights. In addition to the legal proceedings described below, the Company is involved in legal proceedings from time to time arising from the normal course of business activities, including claims of alleged infringement of intellectual property rights and contractual, commercial, employee relations, product or service performance, or other matters. The Company does not believe these matters will have a material adverse effect on the Company's financial position or results of operations. However, the outcome of legal proceedings and claims brought against the Company is subject to significant uncertainty. Therefore, the Company's financial position or results of operations may be negatively affected by the unfavorable resolution of one or more of these proceedings for the period in which a matter is resolved. The Company's results could be materially adversely affected if the Company is accused of, or found to be, infringing third parties' intellectual property rights.

In November 2016, a purported securities class action lawsuit was filed in the U.S. District Court for the District of Massachusetts (Mohanty v. Avid Technology, Inc. et al., No. 16-cv-12336) against the Company and certain of its executive officers seeking unspecified damages and other relief on behalf of a purported class of purchasers of the Company's common stock between August 4, 2016 and November 9, 2016, inclusive. The complaint purported to state a claim for violation of federal securities laws as a result of alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("the Exchange Act") and Rule 10b-5 promulgated thereunder. The complaint's allegations relate generally to the Company's disclosure surrounding the level of implementation of the Company's Avid NEXIS solution product offerings. On February 7, 2017, the Court appointed a lead plaintiff and counsel in the matter. On June 14, 2017, the Company moved to dismiss the action. The matter is not yet scheduled for trial.

On March 15, 2017, Danae Georges, a stockholder of the Company, filed a class action in the Delaware Court of Chancery (the "Action") against the Company and our board members alleging that Article III, Section 6 of the Company's Amended and Restated Bylaws (the "Bylaws") violated Section 141(k) of the Delaware General Corporation Law ("DGCL"). This section of the Bylaws required that (unless otherwise required by Delaware law) the Company's directors could be removed by the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding common stock of the Company entitled to vote in the election of directors. The Action sought to lower that threshold to a simple majority of the voting power of the Company's outstanding common stock.

The Company's position was that the bylaw was consistent with Delaware law but to avoid the expense of continued litigation, on March 30, 2017, our Board of Directors approved an amendment to Article III, Section 6 of the Company's Bylaws, lowering the threshold voting requirement for the removal of directors from 66 2/3% to a majority of the voting power of the outstanding common stock of the Company entitled to vote in the election of directors. This amendment effectively mooted the Action.

On May 1, 2017, the Court of Chancery entered an order dismissing the Action and retaining jurisdiction solely for the purpose of ruling on the plaintiff's application for an award of attorneys' fees and reimbursement of expenses. The parties subsequently agreed to a payment by Avid to plaintiffs' counsel of $40 thousand in full satisfaction of their claim for attorneys' fees and expenses. The Court of Chancery has not been asked to review, and will pass no judgment on, this payment.

The Company considers all claims on a quarterly basis and based on known facts assesses whether potential losses are considered reasonably possible, probable and estimable. Based upon this assessment, the Company then evaluates disclosure requirements and whether to accrue for such claims in its consolidated financial statements. The Company records a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

At June 30, 2017 and as of the date of filing of these consolidated financial statements, the Company believes that, other than as set forth in this note, no provision for liability nor disclosure is required related to any claims because: (a) there is no reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial.

Additionally, the Company provides indemnification to certain customers for losses incurred in connection with intellectual property infringement claims brought by third parties with respect to the Company's products. These indemnification provisions generally offer perpetual coverage for infringement claims based upon the products covered by the agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions is theoretically unlimited. To date, the Company has not incurred material costs related to these indemnification provisions; accordingly, the Company believes the estimated fair value of these indemnification provisions is immaterial. Further, certain of the Company's arrangements with customers include clauses whereby the Company may be subject to penalties for failure to meet certain performance obligations; however, the Company has not recorded any related material penalties to date.

In the second quarter of 2017, the Company entered into a long-term agreement to purchase a variety of information technology solutions from a third party, which included an unconditional commitment to purchase a minimum of $12.8 million of products and services over the initial three-year term of the agreement.

The Company has letters of credit that are used as security deposits in connection with the Company's leased Burlington, Massachusetts office space. In the event of default on the underlying leases, the landlords would, at June 30, 2017, be eligible to draw against the letters of credit to a maximum of $1.3 million in the aggregate. The letters of credit are subject to aggregate reductions provided the Company is not in default under the underlying leases and meets certain financial performance conditions. In no case will the letters of credit amounts be reduced to below $1.2 million in the aggregate throughout the lease periods, all of which extend to May 2020.

The Company also has letters of credit in connection with security deposits for other facility leases totaling $1.0 million in the aggregate, as well as letters of credit totaling $1.4 million that otherwise support its ongoing operations. These letters of credit have various terms and expire during 2017 and beyond, while some of the letters of credit may automatically renew based on the terms of the underlying agreements.

The Company provides warranties on externally sourced and internally developed hardware. For internally developed hardware, and in cases where the warranty granted to customers for externally sourced hardware is greater than that provided by the manufacturer, the Company records an accrual for the related liability based on historical trends and actual material and labor costs. The following table sets forth the activity in the product warranty accrual account for the six months ended June 30, 2017 and 2016 (in thousands):

	Six Months Ended June 30,	
	2017	2016
Accrual balance at beginning of year	$ 2,518	$ 2,234
Accruals for product warranties	1,304	1,362
Costs of warranty claims	(1,261)	(1,205)
Accrual balance at end of period	$ 2,561	$ 2,391

The warranty accrual is included in the caption “accrued expenses and other current liabilities” in the Company’s condensed consolidated balance sheet.

8. RESTRUCTURING COSTS AND ACCRUALS

In February 2016, the Company committed to a restructuring plan that encompasses a series of measures intended to allow the Company to more efficiently operate in a leaner, more directed cost structure. These include reductions in the Company’s workforce, consolidation of facilities, transfers of certain business processes to lower cost regions, and reductions in other third-party services costs. The cost efficiency program was substantially complete as of June 30, 2017.

During the three and six months ended June 30, 2017, the Company recorded restructuring charges of $6.1 million and $7.0 million, respectively. The restructuring charges for the six months ended June 30, 2017 included $2.5 million for the severance costs related to approximately 58 terminated employees and $4.5 million for the closure of certain excess facility space, including leasehold improvement write-offs and adjustments to sublease assumptions associated with prior abandoned facilities.

During the three months ended June 30, 2016, the Company recorded restructuring recoveries of $0.2 million as a result of severance cost estimate changes for terminated employees in Europe. During the six months ended June 30, 2016, the Company recorded restructuring charges of $2.6 million for the severance costs related to approximately 63 terminated employees.

Restructuring Summary

The following table sets forth the activity in the restructuring accruals for the six months ended June 30, 2017 (in thousands):

	Employee-Related	Facilities/Other-Related	Total
Accrual balance as of December 31, 2016	$ 7,018	$ 3,093	$ 10,111
New restructuring charges – operating expenses	2,680	1,304	3,984
Revisions of estimated liabilities	(149)	734	585
Non-cash write-offs	—	2,477	2,477
Accretion	—	178	178
Cash payments	(4,323)	(1,691)	(6,014)
Foreign exchange impact on ending balance	(12)	9	(3)
Accrual balance as of June 30, 2017	$ 5,214	$ 6,104	$ 11,318

The employee-related accruals at June 30, 2017 represent severance costs to former employees that will be paid out within twelve months, and are, therefore, included in the caption “accrued expenses and other current liabilities” in the Company’s consolidated balance sheets.

The facilities/other-related accruals at June 30, 2017 represent contractual lease payments, net of estimated sublease income, on space vacated as part of the Company’s restructuring actions. The leases, and payments against the amounts accrued, extend through December 2021 unless the Company is able to negotiate earlier terminations. Of the total facilities/other-related balance, $2.1 million is included in the caption “accrued expenses and other current liabilities”, $1.5 million is included in the caption “other long-term liabilities”, and $2.5 million of leasehold improvements write-off is reflected in the caption “property and equipment, net” in the Company’s condensed consolidated balance sheet as of June 30, 2017.

9. PRODUCT AND GEOGRAPHIC INFORMATION

The Company, through the evaluation of the discrete financial information that is regularly reviewed by the chief operating decision makers (the Company’s chief executive officer and chief financial officer), has determined that the Company has one reportable segment. The following table is a summary of the Company’s revenues by type for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Video products and solutions net revenues	$ 26,706	$ 44,501	$ 55,527	$ 79,070
Audio products and solutions net revenues	20,949	31,091	43,134	81,031
Products and solutions net revenues	47,655	75,592	98,661	160,101
Services net revenues	54,718	58,477	107,819	117,515
Total net revenues	$ 102,373	$ 134,069	$ 206,480	$ 277,616

The following table sets forth the Company's revenues by geographic region for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
United States	$ 45,905	$ 44,360	$ 82,685	$ 99,402
Other Americas	6,413	10,234	13,204	20,972
Europe, Middle East and Africa	37,986	58,980	80,121	114,719
Asia-Pacific	12,069	20,495	30,470	42,523
Total net revenues	$ 102,373	$ 134,069	$ 206,480	$ 277,616

10. LONG-TERM DEBT AND CREDIT AGREEMENT

Long-term debt consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Term Loan, net of unamortized debt issuance costs of $3,444 at June 30, 2017 and $4,042 at December 31, 2016	$ 90,306	$ 92,208
Notes, net of unamortized original issue discount and debt issuance costs of $20,449 at June 30, 2017 and $23,413 at December 31, 2016, respectively	104,551	101,587
Total debt	194,857	193,795
Less: current portion	5,000	5,000
Total long-term debt	$ 189,857	$ 188,795

2.00% Convertible Senior Notes due 2020

On June 15, 2015, the Company issued $125.0 million aggregate principal amount of its Notes in an offering conducted in accordance with Rule 144A under the Securities Act of 1933. The Notes pay interest semi-annually on June 15 and December 15 of each year at an annual rate of 2.00% and mature on June 15, 2020, unless earlier converted or repurchased in accordance with their terms prior to such date. Total interest expense for the six months ended June 30, 2017 and 2016 was $4.2 million and $4.0 million, respectively, reflecting the coupon and accretion of the discount.

Credit Facility

On February 26, 2016, the Company entered into the Financing Agreement with the Lenders. Pursuant to the Financing Agreement, the Lenders agreed to provide the Company with (a) a term loan in the aggregate principal amount of $100.0 million (the "Term Loan") and (b) a revolving credit facility (the "Credit Facility") of up to a maximum of $5.0 million in borrowings outstanding at any time. All outstanding loans under the Financing Agreement will become due and payable on the earlier of February 26, 2021 and the date that is 30 days prior to June 15, 2020 if the $125.0 million in outstanding principal of the Notes has not been repaid or refinanced by such time. The Company granted a security interest on substantially all of its assets to secure the obligations under the Credit Facility and the Term Loan. The Company borrowed the full amount of the Term Loan, or $100.0 million, as of the closing date of the Financing Agreement, and there were no amounts outstanding under the Credit Facility as of June 30, 2017.

The Company may prepay all or any portion of the Term Loan prior to its stated maturity, subject to the payment of certain fees based on the amount repaid. The Term Loan requires quarterly principal payments of $1.25 million, which commenced in June 2016. The Term Loan also requires the Company to use 50% of excess cash flow, as defined in the Financing Agreement, to repay outstanding principal of the loans under the Financing Agreement.

The Financing Agreement contains customary representations and warranties, covenants, mandatory prepayments, and events of default under which the Company's payment obligations may be accelerated. On March 14, 2017 (the "Effective

Date”), the Company entered into an amendment (the “Amendment”) to the Financing Agreement. The Amendment modified the covenant requiring the Company to maintain a Leverage Ratio (defined to mean the ratio of (a) total funded indebtedness to (b) consolidated EBITDA) such that following the Effective Date, the Company is required to maintain a Leverage Ratio of no greater than 3.50:1.00 for the four quarters ending March 31, 2017, 4.20:1.00 for the four quarters ending June 30, 2017, 4.75:1.00 for the four quarters ending September 30, 2017, 4.80:1.00 for the four quarters ending December 31, 2017, 4:40:1.00 for each of the four quarters ending March 31, 2018 through March 31, 2019, respectively, and thereafter declining over time from 3.50:1.00 to 2.50:1.00. Following the Effective Date, interest accrues on outstanding borrowings under the credit facility and the term loan (each as defined in the Financing Agreement) at a rate of either the LIBOR Rate (as defined in the Financing Agreement) plus 7.25% or a Reference Rate (as defined in the Financing Agreement) plus 6.25%, at the option of the Company. The Company recorded $3.9 million and $2.7 million of interest expense on the Term Loan for the six months ended June 30, 2017 and 2016, respectively. As of June 30, 2017, the Company was in compliance with the Financing Agreement covenants.

11. STOCKHOLDERS’ EQUITY

Stock-Based Compensation

Information with respect to option shares granted under all the Company’s stock incentive plans for the six months ended June 30, 2017 was as follows:

	Time-Based Shares	Performance-Based Shares	Total Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2017	2,847,502	—	2,847,502	$10.43		
Granted	—	—	—	$—		
Exercised	—	—	—	$—		
Forfeited or canceled	(465,828)	—	(465,828)	$12.70		
Options outstanding at June 30, 2017	2,381,674	—	2,381,674	$9.98	2.74	$—
Options vested at June 30, 2017 or expected to vest			2,381,674	$9.98	2.74	$—
Options exercisable at June 30, 2017			2,340,396	$10.02	2.72	$—

Information with respect to the Company’s non-vested restricted stock units for the six months ended June 30, 2017 was as follows:

	Non-Vested Restricted Stock Units					
	Time-Based Shares	Performance-Based Shares	Total Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Non-vested at January 1, 2017	1,513,098	642,683	2,155,781	$6.85		
Granted	825,591	639,703	1,465,294	$4.47		
Vested	(402,831)	—	(402,831)	$7.82		
Forfeited	(54,401)	—	(54,401)	$6.96		
Non-vested at June 30, 2017	1,881,457	1,282,386	3,163,843	$5.27	0.98	$16,610
Expected to vest			2,521,160	$5.22	0.97	$13,236

Stock-based compensation was included in the following captions in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Cost of products revenues	$ 10	$ 1	$ 25	$ 31
Cost of services revenues	410	151	459	300
Research and development expenses	164	65	252	149
Marketing and selling expenses	437	520	793	961
General and administrative expenses	961	1,564	1,864	2,947
	$ 1,982	$ 2,301	$ 3,393	$ 4,388

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

EXECUTIVE OVERVIEW

Business Overview

We develop, market, sell, and support software and hardware for digital media content production, management and distribution. We do this by providing an open and efficient platform for digital media, along with a comprehensive set of tools and workflow solutions, that enable the creation, distribution and optimization of audio and video content. Digital media are video, audio or graphic elements in which the image, sound or picture is recorded and stored as digital values, as opposed to analog or tape-based signals. Our products are used in production and post-production facilities; film studios; network, affiliate, independent and cable television stations; recording studios; live-sound performance venues; advertising agencies; government and educational institutions; corporate communications departments; and by independent video and audio creative professionals, as well as aspiring professionals. Projects produced using our products include feature films, television programming, live events, news broadcasts, sports productions, commercials, music, video and other digital media content.

Our mission is to create the most powerful and collaborative media network that enables the creation, distribution and monetization of the most inspiring content in the world. Guided by our Avid Everywhere strategic vision, we strive to deliver the industry's most open, tightly integrated and efficient platform for media, connecting content creation with collaboration, asset protection, distribution and consumption of media in the world - from the most prestigious and award-winning feature films, music recordings, and television shows, to live concerts, sporting events and news broadcasts. We have been honored over time for our technological innovation with 14 Emmy Awards, one Grammy Award, two Oscars and the first ever America Cinema Editors Technical Excellence Award. Our solutions were used in all 2017 Oscar nominated films for Best Picture, Best Film Editing and Best Original Song. Every 2017 Grammy nominee for Record of the Year and Album of The Year relied on our music creation solutions powered by our MediaCentral Platform.

Operations Overview

Our strategy is built on three pillars, Avid Everywhere, The Avid Advantage and the Avid Customer Association, or ACA. Avid Everywhere is our strategic vision for connecting creative professionals and media organizations with their audiences in a more powerful, efficient, collaborative, and profitable way. Central to the Avid Everywhere vision is the Avid MediaCentral Platform, an open, extensible, and customizable foundation that streamlines and simplifies workflows by integrating all Avid or third party products and services that run on top of it. The platform provides secure and protected access, which enables the creation and delivery of content faster and easier through a set of modular application suites and new public and private marketplaces, that together, represent an open, integrated and flexible production and distribution environment for the media industry. The Avid Advantage complements Avid Everywhere by offering a new standard in service, support and education to enable our customers to derive more efficiency from their Avid investment. Finally, the ACA is an association of dedicated media community visionaries, thought leaders and users designed to provide essential strategic leadership to the media industry, facilitate collaboration between Avid and key industry leaders and visionaries, and strengthen relationships between our customers and us. This preeminent client and user community helps shape our collective future.

Another key element of our strategy is our transition to a subscription or recurring revenue based model. We started offering cloud-based subscription licensing options for some of our products and solutions in 2014, and had more than 78,000 paying cloud-enabled subscribers in the second quarter of 2017, a 91% increase from the second quarter of 2016. These licensing options offer choice in pricing and deployment to suit our customers' needs and are expected to increase recurring revenue on a longer term basis. However, during our transition to a recurring revenue model, we expect that our revenue, deferred revenue, and cash flow from operations will be adversely affected as an increasing portion of our total revenue is recognized ratably rather than up front, and as new product offerings are sold at a wider variety of price points.

In April 2017, we entered into a strategic alliance agreement with Microsoft Corporation to develop and market cloud-based solutions and cloud services aimed at the media and entertainment industry. As part of the agreement, we have chosen Microsoft Azure as our preferred cloud hosting platform, and will develop and launch a range of Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS) offerings powered by the Avid MediaCentral Platform.

As a complement to our core strategy, we continue to review and implement programs throughout the Company to reduce costs, increase operational efficiencies, align talent and enhance our business, including the cost efficiency program announced in

February 2016. The cost efficiency program encompasses a series of measures intended to allow us to more efficiently operate in a leaner, more directed cost structure. These measures include reductions in our workforce, consolidation of facilities, transfers of certain business processes to lower cost regions, and reductions in other third-party services costs. The cost efficiency program was substantially complete as of June 30, 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses. Actual results may differ from these estimates.

We believe that our critical accounting policies and estimates are those related to revenue recognition and allowances for sales returns and exchanges; stock-based compensation; income tax assets and liabilities; and restructuring charges and accruals. We believe these policies and estimates are critical because they most significantly affect the portrayal of our financial condition and results of operations and involve our most complex and subjective estimates and judgments. A discussion of our critical accounting policies and estimates may be found in our Annual Report on Form 10-K for the year ended December 31, 2016 in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Policies and Estimates” and below. There have been no significant changes to the identification of the accounting policies and estimates that are deemed critical, nor have there been any significant changes to the policies applied or methodologies used by management to measure the critical accounting estimates.

Revenue Recognition

General

We commence revenue recognition when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is reasonably assured. Generally, the products we sell do not require significant production, modification or customization. Installation of our products is generally routine, consists of implementation and configuration and does not have to be performed by us.

At the time of a sales transaction, we make an assessment of the collectability of the amount due from the customer. Revenues are recognized only if it is reasonably assured that collection will occur. When making this assessment, we consider customer credit-worthiness and historical payment experience. If it is determined from the outset of the arrangement that collection is not reasonably assured, revenues are recognized on a cash basis, provided that all other revenue recognition criteria are satisfied. At the outset of the arrangement, we also assess whether the fee associated with the order is fixed or determinable and free of contingencies or significant uncertainties. When assessing whether the fee is fixed or determinable, we consider the payment terms of the transaction, our collection experience in similar transactions without making concessions, and our involvement, if any, in third-party financing transactions, among other factors. If the fee is not fixed or determinable, revenues are recognized only as payments become due from the customer, provided that all other revenue recognition criteria are met. If a significant portion of the fee is due after our normal payment terms, we evaluate whether we have sufficient history of successfully collecting past transactions with similar terms without offering concessions. If that collection history is sufficient, revenue recognition commences, upon delivery of the products, assuming all other revenue recognition criteria are satisfied. If we were to make different judgments or assumptions about any of these matters, it could cause a material increase or decrease in the amount of revenues reported in a particular period.

We often receive multiple purchase orders or contracts from a single customer or a group of related customers that are evaluated to determine if they are, in effect, part of a single arrangement. In situations when we have concluded that two or more orders with the same customer are so closely related that they are, in effect, parts of a single arrangement, we account for those orders as a single arrangement for revenue recognition purposes. In other circumstances, when we have concluded that two or more orders with the same customer are independent buying decisions, such as an earlier purchase of a product and a subsequent purchase of a software upgrade or maintenance contract, we account for those orders as separate arrangements for revenue recognition purposes.

For many of our products, we have had an ongoing practice of making available, at no charge to customers, minor feature and compatibility enhancements as well as bug fixes on a when-and-if-available basis, collectively the Software Updates, for a period of time after initial sales to end users. The implicit obligation to make such Software Updates available to customers over a period of time represents implied post-contract customer support, which is deemed to be a deliverable in each arrangement and is accounted for as a separate element, or Implied Maintenance Release PCS.

Over the last two years, in connection with a strategic initiative to increase support and other recurring revenue streams, we have taken a number of steps to eliminate the longstanding practice of providing Implied Maintenance Release PCS for many of our products, including our Media Composer, Pro Tools and Sibelius product lines. In the third quarter and fourth quarter of 2015, respectively, we concluded that Implied Maintenance Release PCS for our Media Composer and Sibelius product lines had ceased. In the first quarter of 2016, in connection with the release of Cloud Collaboration in Pro Tools version 12.5, which was an undelivered feature that had prevented us from recognizing any revenue related to new Pro Tools 12 software sales as it represented a specified upgrade right for which vendor specific objective evidence, or VSOE, of fair value was not available, we concluded that Implied Maintenance Release PCS for our Pro Tools 12 product lines had also ended. As a result of the conclusion that Implied Maintenance Release PCS on Pro Tools 12 has ended, revenue and net income in the first quarter of 2016 increased approximately $11.1 million, reflecting the recognition of orders received after the launch of Pro Tools 12 that would have qualified for earlier recognition using the residual method of accounting. In addition, the elimination of Implied Maintenance Release PCS also resulted in the accelerated recognition of maintenance and product revenues that were previously being recognized on a ratable basis over a much longer expected period of Implied Maintenance Release PCS rather than the contractual maintenance period. The reduction in the estimated amortization period of transactions being recognized on a ratable basis resulted in an additional $15.2 million and $21.7 million of revenue during the three and six months ended June 30, 2016, respectively.

Management will continue to evaluate the judgment of whether Implied Maintenance Release PCS exists on each product line and version. Since the remaining products that contain Implied Maintenance Release PCS largely consist of products that fall under the non-software revenue recognition guidance, where management defers a small portion of revenue based on the best estimated selling price of Implied Maintenance Release PCS rather than the entire order value as required for transactions that fall under software revenue recognition guidance, any further determinations that Implied Maintenance Release PCS no longer exists for other product lines will be unlikely to result in a significant impact to the financial statements in any future periods.

As a result of the conclusion that Implied Maintenance Release PCS no longer exists for Pro Tools 12, prospective revenue recognition on new product orders will be recognized upfront, assuming all other revenue recognition criteria are met and VSOE of fair value exists for all undelivered elements. The cessation of Implied Maintenance Release PCS for Pro Tools and other products subject to software revenue recognition guidance, in addition to the initial impact of immediately recognizing revenue related to orders that would have qualified for earlier recognition using the residual method of accounting, resulted in increased revenue throughout 2016 as the elimination of Implied Maintenance Release PCS also results in the accelerated recognition of preexisting maintenance and product revenues that still do not qualify for the residual method of accounting but are now being recognized on an accelerated basis over a shorter remaining contractual maintenance period as compared to (i) the previous model of being recognized over a longer expected period of Implied Maintenance Release PCS and (ii) the prospective model of recognizing revenue ratably over a longer original contractual maintenance support period. As a result of the compressed recognition period for these prior transactions and longer recognition of the respective renewals, we expect significant decreases in revenues related to impacted product lines in 2017 as recognition from old contracts is completed and new contracts are recognized over a traditional maintenance period.

We enter into certain contractual arrangements that have multiple elements, one or more of which may be delivered subsequent to the delivery of other elements. These multiple-deliverable arrangements may include products, support, training, professional services and Implied Maintenance Release PCS. For these multiple-element arrangements, we allocate revenue to each deliverable of the arrangement based on the relative selling prices of the deliverables. In such circumstances, we first determine the selling price of each deliverable based on (i) VSOE of fair value if that exists; (ii) third-party evidence of selling price, or TPE, when VSOE does not exist; or (iii) best estimate of the selling price, or BESP, when neither VSOE nor TPE exists. Revenue is then allocated to the non-software deliverables as a group and to the software deliverables as a group using the relative selling prices of each of the deliverables in the arrangement based on the selling price hierarchy. Our process for determining BESP for deliverables for which VSOE or TPE does not exist involves significant management judgment. In determining BESP, we consider a number of data points, including:

- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;

- contractually stated prices for deliverables that are intended to be sold on a standalone basis;
- the pricing of standalone sales that may not qualify as VSOE of fair value due to limited volumes or variation in prices; and
- other pricing factors, such as the geographical region in which the products are sold and expected discounts based on the customer size and type.

In determining a BESP for Implied Maintenance Release PCS, which we do not sell separately, we consider (i) the service period for the Implied Maintenance Release PCS, (ii) the differential in value of the Implied Maintenance Release PCS deliverable compared to a full support contract, (iii) the likely list price that would have resulted from our established pricing practices had the deliverable been offered separately, and (iv) the prices a customer would likely be willing to pay.

We estimate the service period of Implied Maintenance Release PCS based on the length of time the product version purchased by the customer is planned to be supported with Software Updates. If facts and circumstances indicate that the original service period of Implied Maintenance Release PCS for a product has changed significantly after original revenue recognition has commenced, we will modify the remaining estimated service period accordingly and recognize the then-remaining deferred revenue balance over the revised service period.

We have established VSOE of fair value for all professional services and training and for some of our support offerings. Our policy for establishing VSOE of fair value consists of evaluating standalone sales to determine if a substantial portion of the transactions fall within a reasonable range. If a sufficient volume of standalone sales exist and the standalone pricing for a substantial portion of the transactions falls within a reasonable range, management concludes that VSOE of fair value exists.

In accordance with Accounting Standards Update, or ASU, No. 2009-14, we exclude from the scope of software revenue recognition requirements our sales of tangible products that contain both software and non-software components that function together to deliver the essential functionality of the tangible products. We adopted ASU No. 2009-13 and ASU No. 2009-14 prospectively on January 1, 2011 for new and materially modified arrangements originating after December 31, 2010.

Prior to our adoption of ASU No. 2009-14, we primarily recognized revenues using the revenue recognition criteria of Accounting Standards Codification, or ASC, Subtopic 985-605, *Software-Revenue Recognition.* As a result of our adoption of ASU No. 2009-14 on January 1, 2011, a majority of our products are now considered non-software elements under GAAP, which excludes them from the scope of ASC Subtopic 985-605 and includes them within the scope of ASC Topic 605, *Revenue Recognition*. Because we had not been able to establish VSOE of fair value for Implied Maintenance Release PCS, as described further below, substantially all revenue arrangements prior to January 1, 2011 were recognized on a ratable basis over the service period of Implied Maintenance Release PCS. Subsequent to January 1, 2011 and the adoption of ASU No. 2009-14, we determine a relative selling price for all elements of the arrangement through the use of BESP, as VSOE and TPE are typically not available, resulting in revenue recognition upon delivery of arrangement consideration attributable to product revenue, provided all other criteria for revenue recognition are met, and revenue recognition of Implied Maintenance Release PCS and other service and support elements over time as services are rendered.

The timing of revenue recognition of customer arrangements follows a number of different accounting models determined by the characteristics of the arrangement, and that timing can vary significantly from the timing of related cash payments due from customers. One significant factor affecting the timing of revenue recognition is the determination of whether each deliverable in the arrangement is considered to be a software deliverable or a non-software deliverable. For transactions occurring after January 1, 2011, our revenue recognition policies have generally resulted in the recognition of approximately 70% of billings as revenue in the year of billing, and prior to January 1, 2011, the previously applied revenue recognition policies resulted in the recognition of approximately 30% of billings as revenue in the year of billing. We expect this trend to continue in future periods.

Revenue Recognition of Non-Software Deliverables

Revenue from products that are considered non-software deliverables is recognized upon delivery of the product to the customer. Products are considered delivered to the customer once they have been shipped and title and risk of loss has been transferred. For most of our product sales, these criteria are met at the time the product is shipped. Revenue from support that is considered a non-software deliverable is initially deferred and is recognized ratably over the contractual period of the arrangement, which is generally twelve months. Professional services and training services are typically sold to customers on a time and materials basis. Revenue from professional services and training services that are considered non-software deliverables is recognized for these deliverables as services are provided to the customer. Revenue for Implied Maintenance Release PCS that is considered a non-software deliverable is recognized ratably over the service period of Implied Maintenance Release PCS, which ranges from one to eight years.

Revenue Recognition of Software Deliverables

We recognize the following types of elements sold using software revenue recognition guidance: (i) software products and software upgrades, when the software sold in a customer arrangement is more than incidental to the arrangement as a whole and the product does not contain hardware that functions with the software to provide essential functionality, (ii) initial support contracts where the underlying product being supported is considered to be a software deliverable, (iii) support contract renewals, and (iv) professional services and training that relate to deliverables considered to be software deliverables. Because we do not have VSOE of the fair value of our software products, we are permitted to account for our typical customer arrangements that include multiple elements using the residual method. Under the residual method, the VSOE of fair value of the undelivered elements (which could include support, professional services or training, or any combination thereof) is deferred and the remaining portion of the total arrangement fee is recognized as revenue for the delivered elements. If evidence of the VSOE of fair value of one or more undelivered elements does not exist, revenues are deferred and recognized when delivery of those elements occurs or when VSOE of fair value can be established. VSOE of fair value is typically based on the price charged when the element is sold separately to customers. We are unable to use the residual method to recognize revenues for some arrangements that include products that are software deliverables under GAAP since VSOE of fair value does not exist for Implied Maintenance Release PCS elements, which are included in some of our arrangements.

For software products that include Implied Maintenance Release PCS, an element for which VSOE of fair value does not exist, revenue for the entire arrangement fee, which could include combinations of product, professional services, training and support, is recognized ratably as a group over the longest service period of any deliverable in the arrangement, with recognition commencing on the date delivery has occurred for all deliverables in the arrangement (or begins to occur in the case of professional services, training and support). Standalone sales of support contracts are recognized ratably over the service period of the product being supported.

From time to time, we offer certain customers free upgrades or specified future products or enhancements. When a software deliverable arrangement contains an Implied Maintenance Release PCS deliverable, revenue recognition of the entire arrangement will only commence when any free upgrades or specified future products or enhancements have been delivered, assuming all other products in the arrangement have been delivered and all services, if any, have commenced.

RESULTS OF OPERATIONS

The following table sets forth certain items from our consolidated statements of operations as a percentage of net revenues for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenues:				
Product	46.6 %	56.4 %	47.8 %	57.7 %
Services	53.4 %	43.6 %	52.2 %	42.3 %
Total net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	41.6 %	34.5 %	40.3 %	32.3 %
Gross margin	58.4 %	65.5 %	59.7 %	67.7 %
Operating expenses:				
Research and development	16.6 %	16.0 %	17.4 %	15.4 %
Marketing and selling	28.4 %	22.5 %	26.6 %	22.3 %
General and administrative	13.3 %	12.5 %	13.6 %	12.4 %
Amortization of intangible assets	0.4 %	0.6 %	0.3 %	0.6 %
Restructuring costs, net	5.9 %	(0.2)%	3.4 %	0.9 %
Total operating expenses	64.6 %	51.4 %	61.3 %	51.6 %
Operating (loss) income	(6.2)%	14.1 %	(1.6)%	16.1 %
Interest and other expense, net	(3.8)%	(3.9)%	(4.2)%	(3.4)%
(Loss) income before income taxes	(10.0)%	10.2 %	(5.8)%	12.7 %
Provision for income taxes	0.6 %	0.5 %	0.4 %	0.5 %
Net (loss) income	(10.6)%	9.7 %	(6.2)%	12.2 %

Net Revenues

Our net revenues are derived mainly from sales of video and audio hardware and software products and solutions for digital media content production, management and distribution, and related professional services and maintenance contracts. We commonly sell large, complex solutions to our customers that, due to their strategic nature, have long lead times where the timing of order execution and fulfillment can be difficult to predict. In addition, the rapid evolution of the media industry is changing our customers' needs, businesses and revenue models, which is influencing their short-term and long-term purchasing decisions. As a result of these factors, the timing and amount of product revenue recognized each quarter related to these large orders, as well as the services associated with them, can fluctuate from quarter to quarter and cause significant volatility in our quarterly operating results. For a discussion of these factors, see the risk factors discussed in Part I - Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016.

Net Revenues for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017	Change		2016
	Net Revenues	$	%	Net Revenues
Video products and solutions	$ 26,706	$ (17,795)	(40.0)%	$ 44,501
Audio products and solutions	20,949	(10,142)	(32.6)%	31,091
Products and solutions	47,655	(27,937)	(37.0)%	75,592
Services	54,718	(3,759)	(6.4)%	58,477
Total net revenues	$ 102,373	$ (31,696)	(23.6)%	$ 134,069

Net Revenues for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Net Revenues	Change $	Change %	2016 Net Revenues
Video products and solutions	$ 55,527	$ (23,543)	(29.8)%	$ 79,070
Audio products and solutions	43,134	(37,897)	(46.8)%	81,031
Products and solutions	98,661	(61,440)	(38.4)%	160,101
Services	107,819	(9,696)	(8.3)%	117,515
Total net revenues	$ 206,480	$ (71,136)	(25.6)%	$ 277,616

The following table sets forth the percentage of our net revenues attributable to geographic regions for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
United States	45%	33%	40%	36%
Other Americas	6%	8%	6%	8%
Europe, Middle East and Africa	37%	44%	39%	41%
Asia-Pacific	12%	15%	15%	15%

Video Products and Solutions Revenues

Video products and solutions revenues are derived primarily from sales of our storage and workflow solutions, our media management solutions and our video creative tools. Video products and solutions revenues decreased $17.8 million, or 40.0%, for the three months ended June 30, 2017, and decreased $23.5 million, or 29.8%, for the six months ended June 30, 2017 compared to the same periods in 2016. The decrease in video revenues was primarily due to lower amortization of deferred revenues attributable to transactions executed on or before December 31, 2010. As a result of our adoption of ASU No. 2009-13 and ASU No. 2009-14 on January 1, 2011, many of our product orders now qualify for upfront revenue recognition; however, prior to adoption of this accounting guidance, the same orders required ratable recognition over periods of up to eight years. Deferred revenue associated with transactions executed prior to the adoption of ASU No. 2009-13 and ASU No. 2009-14 was largely amortized in 2016.

Audio Products and Solutions Revenues

Audio products and solutions revenues are derived primarily from sales of our digital audio software and workstation solutions and our control surfaces, consoles and live-sound systems. Audio products and solutions revenues decreased $10.1 million, or 32.6%, for the three months ended June 30, 2017, and decreased $37.9 million, or 46.8%, for the six months ended June 30, 2017, compared to the same periods in 2016. The decreases in audio revenues were primarily due to the accelerated revenue recognition of Pro Tools 12 during the three and six months ended June 30, 2016 as the result of the cessation of Implied Maintenance Release PCS for Pro Tools. The decreases were also due to the previously discussed lower amortization of deferred revenues attributable to transactions executed on or before December 31, 2010.

Services Revenues

Services revenues are derived primarily from maintenance contracts, as well as professional services and training. Services revenues decreased $3.8 million, or 6.4%, for the three months ended June 30, 2017, and decreased $9.7 million, or 8.3%, for the six months ended June 30, 2017, compared to the same periods in 2016. The decrease was primarily due to the accelerated revenue recognition of maintenance contracts and increasing conversion rates of new maintenance contracts into revenue during the three and six months ended June 30, 2016 as the result of the determination that Implied Maintenance Release PCS on Pro Tools 12 no longer existed during the three months ended March 31, 2016. The previously discussed lower amortization of deferred revenues attributable to transactions executed on or before December 31, 2010 also contributed to the decreases.

Cost of Revenues, Gross Profit and Gross Margin Percentage

Cost of revenues consists primarily of costs associated with:

- procurement of components and finished goods;
- assembly, testing and distribution of finished products;
- warehousing;
- customer support related to maintenance;
- royalties for third-party software and hardware included in our products;
- amortization of technology; and
- providing professional services and training.

Amortization of technology represents the amortization of developed technology assets acquired as part of acquisitions.

Costs of Revenues and Gross Profit for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Costs	Change $	Change %	2016 Costs
Products	$ 26,489	$ (1,999)	(7.0)%	$ 28,488
Services	14,181	(1,651)	(10.4)%	15,832
Amortization of intangible assets	1,950	—	—%	1,950
Total cost of revenues	$ 42,620	$ (3,650)	(7.9)%	$ 46,270
Gross profit	$ 59,753	$ (28,046)	(31.9)%	$ 87,799

Costs of Revenues and Gross Profit for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Costs	Change $	Change %	2016 Costs
Products	$ 50,993	$ (4,619)	(8.3)%	$ 55,612
Services	28,275	(1,966)	(6.5)%	30,241
Amortization of intangible assets	3,900	—	—%	3,900
Total cost of revenues	$ 83,168	$ (6,585)	(7.3)%	$ 89,753
Gross profit	$ 123,312	$ (64,551)	(34.4)%	$ 187,863

Gross Margin Percentage

Gross margin percentage, which is net revenues less costs of revenues divided by net revenues, fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware and software included in the systems sold, the offering of product upgrades, price discounts and other sales-promotion programs, the distribution channels through which products are sold, the timing of new product introductions, sales of aftermarket hardware products such as disk drives and currency exchange-rate fluctuations. For a discussion of these factors, see the risk factors discussed in Part I - Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. Our total gross margin percentage for the three months ended June 30, 2017 decreased to 58.4% from 65.5% for the same period in 2016, and for the six months ended June 30, 2017 decreased to 59.7% from 67.7% for the same period in 2016. The decreases were primarily due to the decreased revenue from our products and services as discussed above, partially offset by cost savings resulting from our programs to reduce costs and increase operational efficiencies.

Gross Margin % for the Three Months Ended June 30, 2017 and 2016

	2017 Gross Margin %	Change	2016 Gross Margin %
Products	44.4%	(17.9)%	62.3%
Services	74.1%	1.2%	72.9%
Total	58.4%	(7.1)%	65.5%

Gross Margin % for the Six Months Ended June 30, 2017 and 2016

	2017 Gross Margin %	Change	2016 Gross Margin %
Products	48.3%	(17.0)%	65.3%
Services	73.8%	(0.5)%	74.3%
Total	59.7%	(8.0)%	67.7%

Operating Expenses and Operating Income

Operating Expenses and Operating (Loss) Income for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017	Change		2016
	Expenses	$	%	Expenses
Research and development	$ 16,991	$ (4,442)	(20.7)%	$ 21,433
Marketing and selling	29,018	(1,159)	(3.8)%	30,177
General and administrative	13,644	(3,174)	(18.9)%	16,818
Amortization of intangible assets	363	(419)	(53.6)%	782
Restructuring costs, net	6,063	6,276	(2,946.5)%	(213)
Total operating expenses	$ 66,079	$ (2,918)	(4.2)%	$ 68,997
Operating (loss) income	$ (6,326)	$ (25,128)	(133.6)%	$ 18,802

Operating Expenses and Operating (Loss) Income for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017	Change		2016
	Expenses	$	%	Expenses
Research and development	$ 35,879	$ (6,959)	(16.2)%	$ 42,838
Marketing and selling	54,829	(6,967)	(11.3)%	61,796
General and administrative	28,075	(6,462)	(18.7)%	34,537
Amortization of intangible assets	726	(842)	(53.7)%	1,568
Restructuring costs, net	7,046	4,482	174.8%	2,564
Total operating expenses	$ 126,555	$ (16,748)	(11.7)%	$ 143,303
Operating (loss) income	$ (3,243)	$ (47,803)	(107.3)%	$ 44,560

Research and Development Expenses

Research and development ("R&D") expenses include costs associated with the development of new products and the enhancement of existing products, and consist primarily of employee compensation and benefits; facilities costs; depreciation; costs for consulting and temporary employees; and prototype and other development expenses. R&D expenses decreased $4.4 million, or 20.7%, for the three months ended June 30, 2017, and decreased $7.0 million, or 16.2%, for the six months ended June 30, 2017, compared to the same periods in 2016. The table below provides further details regarding the changes in components of R&D expenses.

Change in R&D Expenses for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Decrease From 2016	
	$	**%**
Personnel-related	$ (2,882)	(23.4)%
Facilities and information technology	(613)	(15.0)%
Consulting and outside services	(408)	(11.3)%
Computer hardware and supplies	(338)	(59.0)%
Other	(201)	(22.8)%
Total research and development expenses decrease	$ (4,442)	(20.7)%

Change in R&D Expenses for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Decrease From 2016	
	$	**%**
Personnel-related	$ (4,331)	(17.8)%
Consulting and outside services	(1,127)	(14.7)%
Facilities and information technology	(835)	(10.3)%
Computer hardware and supplies	(475)	(42.4)%
Other	(191)	(11.9)%
Total research and development expenses decrease	$ (6,959)	(16.2)%

The decreases in all R&D expense categories for the three and six months ended June 30, 2017, compared to the same periods in 2016, were primarily the result of our cost efficiency program.

Marketing and Selling Expenses

Marketing and selling expenses consist primarily of employee compensation and benefits for selling, marketing and pre-sales customer support personnel; commissions; travel expenses; advertising and promotional expenses; web design costs and facilities costs. Marketing and selling expenses decreased $1.2 million, or 3.8%, for the three months ended June 30, 2017, and decreased $7.0 million, or 11.3%, for six months ended June 30, 2017, compared to the same periods in 2016. The table below provides further details regarding the changes in components of marketing and selling expenses.

Change in Marketing and Selling Expenses for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 (Decrease) Increase From 2016	
	$	**%**
Personnel-related	$ (2,535)	(12.8)%
Foreign exchange losses	2,258	458.6 %
Advertising and promotion	(663)	(15.5)%
Consulting and outside services	(471)	(27.1)%
Other	252	5.3 %
Total marketing and selling expenses decrease	$ (1,159)	(3.8)%

Change in Marketing and Selling Expenses for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 (Decrease) Increase From 2016	
	$	**%**
Personnel-related	$ (5,651)	(14.6)%
Consulting and outside services	(2,000)	(43.3)%
Foreign exchange losses	1,914	151.4 %
Advertising and promotion	(1,028)	(17.0)%
Other	(202)	(1.8)%
Total marketing and selling expenses decrease	$ (6,967)	(11.3)%

The decreases in personnel-related, consulting and outside services, and advertising and promotion expenses for the three and six months ended June 30, 2017, compared to the same periods in 2016, were primarily the result of our cost efficiency program. During the three and six months ended June 30, 2017, net foreign exchange losses (specifically, resulting from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities), which are included in marketing and selling expenses, were $1.8 million and $3.2 million, respectively, compared to gains of $0.5 million and losses of $1.3 million, respectively, during the three and six months ended June 30, 2016.

General and Administrative Expenses

General and administrative, or G&A, expenses consist primarily of employee compensation and benefits for administrative, executive, finance and legal personnel; audit, legal and strategic consulting fees; and insurance, information systems and facilities costs. Information systems and facilities costs reported within general and administrative expenses are net of allocations to other expenses categories. G&A expenses decreased $3.2 million, or 18.9%, for the three months ended June 30, 2017, and decreased $6.5 million, or 18.7%, for the six months ended June 30, 2017, compared to the same periods in 2016. The table below provides further details regarding the changes in components of G&A expenses.

Change in General and Administrative Expenses for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Decrease From 2016	
	$	**%**
Personnel-related	$ (2,921)	(33.1)%
Facilities and information technology	(253)	(3.2)%
Total general and administrative expenses decrease	$ (3,174)	(18.9)%

Change in General and Administrative Expenses for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Decrease From 2016 $	2017 Decrease From 2016 %
Personnel-related	$ (4,191)	(25.5)%
Consulting and outside services	(1,878)	(17.5)%
Facilities and information technology	(269)	(5.4)%
Other	(124)	(5.0)%
Total general and administrative expenses decrease	$ (6,462)	(18.7)%

The decreases in all G&A expense categories for the three and six months ended June 30, 2017, compared to the same periods in 2016, were primarily the result of our cost efficiency program.

Provision for Income Taxes

Provision for Income Taxes for the Three Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Provision	Change $	Change %	2016 Provision
Provision for income taxes	$ 587	$ (116)	(16.5)%	$ 703

Provision for Income Taxes for the Six Months Ended June 30, 2017 and 2016

(dollars in thousands)

	2017 Provision	Change $	Change %	2016 Provision
Provision for income taxes	$ 739	$ (599)	(44.8)%	$ 1,338

We had a tax provision of (6.2)% and 3.8%, respectively, as a percentage of loss or income before tax for the six months ended June 30, 2017 and 2016. The $0.6 million decrease in the tax provision for the six month period ended June 30, 2017 is primarily related to the 2016 accrual of $2.0 million for an uncertain tax position related to the foreign implications arising from changes in revenue recognition, which was not present in the 2017 period. The decrease was partially offset by changes in the jurisdictional mix of earnings. No benefit was provided for the tax loss generated in the United States due to a full valuation on the deferred tax asset. In addition, the estimated annual effective tax rate excluded the United States because the earnings could not be reliably estimated due to anticipated marginal profitability.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Sources of Cash

We have generally funded operations in recent years through the use of existing cash balances, supplemented from time to time with the proceeds of long-term debt and borrowings under our credit facilities. Our principal sources of liquidity include cash and cash equivalents totaling $47.4 million as of June 30, 2017.

In February 2016, we committed to a cost efficiency program that encompasses a series of measures intended to allow us to more efficiently operate in a leaner, more directed cost structure. These measures include reductions in our workforce, consolidation of facilities, transfers of certain business processes to lower cost regions and reductions in other third-party services costs. The cost efficiency program was substantially complete as of June 30, 2017.

In connection with the cost efficiency program, on February 26, 2016, we entered into the Financing Agreement with the Lenders. Pursuant to the Financing Agreement, we entered into a term loan in the aggregate principal amount of $100.0 million. The Financing Agreement also provides us with the ability to draw up to a maximum of $5.0 million in revolving credit. All outstanding loans under the Financing Agreement will become due and payable in February 2021, or in May 2020 if the $125.0 million in outstanding principal of the Notes has not been repaid or refinanced by such time.

The Financing Agreement contains customary representations and warranties, covenants, mandatory prepayments, and events of default under which our payment obligations may be accelerated. On March 14, 2017, we entered into an Amendment to our Financing Agreement. The Amendment modifies the covenant requiring us to maintain a Leverage Ratio (defined to mean the ratio of (a) total funded indebtedness to (b) consolidated EBITDA) such that following the Effective Date, we are required to keep a Leverage Ratio of no greater than 3.50:1.00 for the four quarters ending March 31, 2017, 4.20:1.00 for the four quarters ending June 30, 2017, 4.75:1.00 for the four quarters ending September 30, 2017, 4.80:1.00 for the four quarters ending December 31, 2017, 4:40:1.00 for each of the four quarters ending March 31, 2018 through March 31, 2019, respectively, and thereafter declining over time from 3.50:1.00 to 2.50:1.00. Following the Effective Date, interest accrues on outstanding borrowings under the credit facility and the term loan (each as defined in the Financing Agreement) at a rate of either the LIBOR Rate (as defined in the Financing Agreement) plus 7.25% or a Reference Rate (as defined in the Financing Agreement) plus 6.25%, at the option of Avid. As of June 30, 2017, we were in compliance with the Financing Agreement covenants.

Our ability to satisfy the Leverage Ratio covenant in the future is dependent on our ability to maintain bookings and billings at or above levels experienced over the last 12 months. In recent quarters, we have experienced volatility in bookings and billings resulting from, among other things, (i) our transition towards subscription and recurring revenue streams and the resulting decline in traditional upfront product sales, (ii) volatility in currency rates and in particular the U.S. dollar against the Euro, (iii) significant changes and trends in the media industry and the impact they have had on our customers and (iv) the impact of new and anticipated product launches and features. In addition to the impact of new bookings and billings, GAAP revenues recognized as the result of the existence of Implied Maintenance Release PCS will be significantly lower in the remainder of 2017, as compared to 2016 periods, which will have an adverse impact on our Leverage Ratio.

In the event bookings and billings in future quarters are lower than we currently anticipate, we may be forced to take remedial actions which could include, among other things (and where allowed by the Lenders), (i) further cost reductions, (ii) seeking replacement financing, (iii) raising funds through the issuance of additional equity or debt securities or the incurrence of additional borrowings, or (iv) disposing of certain assets or businesses. Such remedial actions, which may not be available on favorable terms or at all, could have a material adverse impact on our business. If we are not in compliance with the Leverage Ratio and are unable to obtain an amendment or waiver, such noncompliance may result in an event of default under the Financing Agreement, which could permit acceleration of the outstanding indebtedness under the Financing Agreement and require us to repay such indebtedness before the scheduled due date. If an event of default were to occur, we might not have sufficient funds available to make the payments required. If we are unable to repay amounts owed, the Lenders may be entitled to foreclose on and sell substantially all of our assets, which secure our borrowings under the Financing Agreement.

On January 26, 2017, we entered into an exclusive distributor agreement, or the Distributor Agreement, with Beijing Jetsen Technology Co., Ltd., or Jetsen, pursuant to which Jetsen became the exclusive distributor for Avid products and services in the greater China region. The Distributor Agreement has a five-year term, and Jetsen is required to make at least $75.8 million of aggregate purchases under the agreement over the first three years. At the same time, we also entered into a securities purchase agreement, or the Securities Purchase Agreement, with Jetsen, pursuant to which we agreed to sell to Jetsen shares of Avid common stock. In June 2017, we and Jetsen amended the Securities Purchase Agreement. Under the amended terms, Jetsen will invest $18.2 million in Avid, in return for a minority stake in the Company of between 4.5% and 8.9% of Avid outstanding common stock on a fully diluted basis. The closing of the investment is subject to closing conditions, including China regulatory approvals. In the event regulatory approval is not obtained in the fourth quarter of 2017, either party may elect to terminate the Securities Purchase Agreement for any reason. The exact number of shares to be issued and sold at closing will be determined by reference to the trading price of Avid common stock before closing.

Our cash requirements vary depending on factors such as the growth of the business, changes in working capital, capital expenditures, and obligations under our cost efficiency program. We expect to operate the business and execute our strategic initiatives principally with funds generated from operations, remaining net proceeds from the term loan borrowings under the Financing Agreement, and draw up to a maximum of $5 million under the Financing Agreement's revolving credit facility. We anticipate that we will have sufficient internal and external sources of liquidity to fund operations and anticipated working capital and other expected cash needs for at least the next 12 months as well as for the foreseeable future.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Six Months Ended June 30,	
	2017	2016
Net cash provided by (used in) operating activities	$ 6,072	$ (45,016)
Net cash used in investing activities	(1,431)	(11,877)
Net cash (used in) provided by financing activities	(2,780)	88,623
Effect of foreign currency exchange rates on cash and cash equivalents	625	733
Net increase in cash and cash equivalents	$ 2,486	$ 32,463

Cash Flows from Operating Activities

Cash provided by operating activities aggregated $6.1 million for the six months ended June 30, 2017. The significant improvement compared to the six months ended June 30, 2016 was primarily attributable to (i) significantly lower operating expenses as the result of our cost efficiency program, (ii) significantly lower inventory purchases due to improved inventory management, (iii) severance and other restructuring related payments during the six months ended June 30, 2016 that did not reoccur at the same levels in the 2017 period, and (iv) the timing on annual bonus payments, which were paid in the second quarter of 2016 but have been deferred to a later time in 2017.

Cash Flows from Investing Activities

For the six months ended June 30, 2017, the net cash flow used in investing activities reflected $3.1 million used for the purchase of property and equipment, and $1.7 million of cash released from the cash collateral for our letters of credit. Our purchases of property and equipment largely consist of computer hardware and software to support R&D activities and information systems.

Cash Flows from Financing Activities

For the six months ended June 30, 2017, the net cash flow used in financing activities was primarily the principal payment of the Term Loan.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement *and* ***Recent Accounting Pronouncements To Be Adopted***

Our recently adopted and to be adopted accounting pronouncements are set forth under Part 1, Item 1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have significant international operations and derive more than half of our revenues from customers outside the United States. This business is, for the most part, transacted through international subsidiaries and generally in the currency of the end-user customers. Therefore, we are exposed to the changes in foreign currency exchange rates that could adversely affect our revenues, net income and cash flow.

During the six months ended June 30, 2017 and 2016, we recorded net losses of $3.2 million and $1.3 million, respectively, that resulted from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities.

A hypothetical change of 10% in appreciation or depreciation of foreign currency exchange rates from the quoted foreign currency exchange rates as of June 30, 2017, would not have a significant impact on our financial position, results of operations or cash flows.

Interest Rate Risk

On February 26, 2016, we borrowed $100.0 million under the Term Loan. On March 14, 2017 (the "Effective Date"), we entered into an amendment (the "Amendment") to the Financing Agreement, with the lenders party thereto. Following the Effective Date, interest accrues on outstanding borrowings under the credit facility and the term loan (each as defined in the Financing Agreement) at a rate of either the LIBOR Rate (as defined in the Financing Agreement) plus 7.25% or a Reference Rate (as defined in the Financing Agreement) plus 6.25%, at our option. We also maintain a revolving Credit Facility that allows us to borrow up to $5.0 million. A hypothetical 10% increase or decrease in interest rates paid on outstanding borrowings under the Financing Agreement would not have a material impact on our financial position, results of operations or cash flows.

On June 15, 2015, we issued $125.0 million aggregate principal amount of our Notes pursuant to the terms of an indenture. The Notes pay interest semi-annually on June 15 and December 15 of each year, beginning on December 15, 2015, at an annual rate of 2.00% and mature on June 15, 2020 unless earlier converted or repurchased in accordance with their terms prior to such date. The fair value of the Notes is dependent on the price and volatility of our common stock as well as movements in interest rates. The fair value of our common stock and interest rate changes affect the fair value of the Notes, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified under SEC rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2017. Based on this evaluation, our management concluded that as of June 30, 2017 these disclosure controls and procedures were not effective at the reasonable assurance level as a result of the material weakness in our internal controls over financial reporting, due to the ineffective controls over licensing and provisioning of software described in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2016. As discussed below, our internal control over financial reporting is an integral part of our disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

Under applicable SEC rules (Exchange Act Rules 13a-15(c) and 15d-15(c)) management is required to evaluate any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As discussed in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2016, we have undertaken remedial actions to address the material weakness in our internal control over financial reporting over the licensing and provisioning of software by enhancing the design of our controls to now require our development team to formalize and sign-off testing procedures currently in place to ensure documentation is sufficient for compliance purposes. Our enhanced controls were operational for the three months ended June 30, 2017, however, the material weakness cannot be considered remediated until (i) the control has operated for a sufficient period of time and (ii) management has concluded, through testing, that the control is operating effectively. We expect that the material weakness will be remediated in the second half of fiscal year 2017.

Inherent Limitation on the Effectiveness of Internal Controls

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 8 “Contingencies” of our Notes to Condensed Consolidated Financial Statements regarding our legal proceedings. Aside from the disclosure below, there have been no material developments from the disclosures contained in our Annual Report on Form 10-K for the year ended December 31, 2016.

On March 15, 2017, Danae Georges, a stockholder of the Company, filed a class action in the Delaware Court of Chancery (the “Action”) against the Company and its board members alleging that Article III, Section 6 of the Company’s Amended and Restated Bylaws (the “Bylaws”) violated Section 141(k) of the Delaware General Corporation Law (“DGCL”). This section of the Bylaws required that (unless otherwise required by Delaware law) the Company’s directors could be removed by the affirmative vote of the holders of at least 66.67% of the voting power of the outstanding common stock of the Company entitled to vote in the election of directors. The Action sought to lower that threshold to a simple majority of the voting power of the Company's outstanding common stock.

The Company’s position was that the Bylaws were consistent with Delaware law but to avoid the expense of continued litigation, on March 30, 2017, the Board of Directors approved an amendment to Article III, Section 6 of the Company’s Bylaws, lowering the threshold voting requirement for the removal of directors from 66.67% to a majority of the voting power of the outstanding common stock of the Company entitled to vote in the election of directors. This amendment effectively mooted the Action.

On May 1, 2017, the Court of Chancery entered an order dismissing the Action and retaining jurisdiction solely for the purpose of ruling on the plaintiff's application for an award of attorneys’ fees and reimbursement of expenses. The parties subsequently agreed to a payment by Avid to plaintiffs’ counsel of $40 thousand in full satisfaction of their claim for attorneys’ fees and expenses. The Court of Chancery has not been asked to review, and will pass no judgment on, this payment.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in Part I - Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016 in addition to the other information included in this Form 10-Q before making an investment decision regarding our common stock. If any of these risks actually occurs, our business, financial condition or operating results would likely suffer, possibly materially, the trading price of our common stock could decline, and you could lose part or all of your investment.

ITEM 6. EXHIBITS

The list of exhibits, which are filed or furnished with this Form 10-Q or are incorporated herein by reference, is set forth in the Exhibit Index immediately preceding the exhibits and is incorporated herein by reference.

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 thereunto duly authorized.

		AVID TECHNOLOGY, INC.	
		(Registrant)	
Date:	August 3, 2017	By:	/s/ Brian E. Agle
		Name:	Brian E. Agle
		Title:	Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form or Schedule	SEC Filing Date	SEC File Number
#10.1	Form of Amended and Restated Employment Letter - President/SVP/CFO	X			
#10.2	Form of Amended and Restated Employment Letter - VP	X			
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
*101.INS	XBRL Instance Document	X			
*101.SCH	XBRL Taxonomy Extension Schema Document	X			
*101.CAL	XBRL Taxonomy Calculation Linkbase Document	X			
*101.DEF	XBRL Taxonomy Definition Linkbase Document	X			
*101.LAB	XBRL Taxonomy Label Linkbase Document	X			
*101.PRE	XBRL Taxonomy Presentation Linkbase Document	X			

Management contract of compensatory plan identified pursuant to Item 15(a)3.

* Pursuant to Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information is deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise is not subject to liability under these sections.

FORM OF AMENDED AND RESTATED EMPLOYEMENT LETTER - PRESIDENT/SVP/CFO

_____________________, 2017

[ ]

Dear ______________,

We are pleased to set forth amended and restated terms for your continued service in the position of **PRESIDENT/SVP/CFO** of Avid Technology, Inc. ("Avid" or the "Company"), reporting to Louis Hernandez, Jr.

Salary

Your 2017 salary will continue to be paid at an annual rate ______________________ thousand dollars ($XXX), payable in regular installments in accordance with Avid's usual payment practices.

[Sign-On Bonus

You received a one-time sign-on bonus of _______________________ ($XXX). If, during the first twelve months of employment, you terminate your employment with Avid or Avid terminates your employment for Cause (as defined below), you authorize Avid to deduct the amount of the sign-on bonus from any amounts due to you and, if that does not result in full repayment of the sign-on bonus amount, you will reimburse Avid for the difference.**]**

Bonus Eligibility

You will continue to be eligible to participate in Avid's annual performance bonus plan (the "Plan"). Your 2017 target annual bonus level is __% of your base salary. The annual Plan and payouts under the Plan are subject to approval of the Compensation Committee of Avid's Board of Directors ("Compensation Committee"), and may include Avid's achievement of certain financial goals and individual performance. The Compensation Committee (or a Plan administrator designed by the Compensation Committee) will have discretion to determine the amount of your bonus (including to pay less than the formula amount), subject to restrictions under the Plan against using discretion to increase the amount of your bonus. The Plan results and payment amounts will be determined following the Plan year after audited financials have been completed and announced, and any earned amounts will be paid at any time after the filing of the Company's 10-K and before December 31 of the year following the Plan year, in management's discretion.

Equity Award Grants

As approved by Avid's Compensation Committee, you will be granted _______ RSUs with a value of ____________thousand dollars ($XXX) ("2017 RSUs"). Subject to the Compensation Committee's approval, (a) 50% of the 2017 RSUs will be conditioned on achieving performance objectives specified in your award agreement, which shall be the same performance objectives specified for Avid's other executive officers, and (b) the other 50% of the 2017 RSUs (the "time-vested portion") will vest as follows: 33.33% of the time-vested portion will vest on the first anniversary of the grant date, and an additional 8.33% of the time-vested portion will vest at the end of each three-month period, starting from the first anniversary of the grant date, provided, in each case, that you are employed by the Company on such vesting date. Except as otherwise expressly provided, if your employment terminates for any reason before the 2017 RSUs (or any other award) are fully vested, you will forfeit the unvested portion.

Benefits

Avid offers four weeks of paid vacation and ten paid holidays per calendar year for senior vice presidents. We currently offer Company subsidized medical, dental, and vision programs as well as life insurance, long term and short-term disability plans. You will continue to be eligible for these benefits to participate in Avid's 401(k) Plan. All benefits are subject to the terms of the applicable benefit plans, as in effect and amended from time to time. Avid reserves the right to amend its benefit plans at any time and for any reason.

Severance

Should Avid terminate your employment with the Company without "Cause" (as defined below) other than due to your long-term disability, or you resign for "Good Reason" (as defined below), Avid agrees to continue to pay you, as severance pay:

- your base salary for a period of twelve (12) months after your date of termination;
- your target bonus for the year in which your employment terminates, pro-rated based on the number of months you were employed by the Company during the year of the date of termination; and
- if you elect to continue receiving any group medical, dental, and/or vision benefits through COBRA, a payment equal to twelve (12) times the excess of (i) the total monthly premium for the coverage that you elect to receive over (ii) the monthly amount that Avid requires similarly situated employees to pay for the same type of coverage. This payment will be made within sixty (60) days after your employment terminates.

In order to be eligible for any of the severance pay and benefits, you will be required to sign Avid's standard severance agreement, which includes a general release of claims against Avid and its affiliates, and to allow the general release of claims to become effective and unrevoked. As a condition to receiving any severance, you will also be required to sign such other agreements as officers of the Company are generally required to sign if you have not already done so. Subject to the general release of claims not being revoked (and compliance with the tax laws described below), your base salary continuation payments (described above) will start on a date determined by Avid that is no more than sixty (60) days after your termination; the first payment will include any payments that would have been made before the first payment date had payment started on Avid's first payroll date after your termination. If your termination date occurs within sixty (60) days before the end of a calendar year, no payment that is subject to Section 409A of the Internal Revenue Code will be made before January 1 of the next calendar year.

If and to the extent Avid determines that it must delay payment of any severance amounts described in this letter agreement in order to avoid triggering a tax under Section 409A of the Internal Revenue Code, the delayed amounts will be paid to you, without interest, on the first business day following the six (6) month anniversary of the termination of your employment. These requirements and provisions regarding the timing of commencement will also apply to amounts payable in connection with a Change-in-Control, as set forth below. For purposes of Section 409A, each installment payment shall be treated as a separate payment, and all provisions of this letter shall be interpreted consistent with the intent to comply with the requirements of Section 409A.

For the purpose of this letter:

- "Cause" means misconduct including, but not limited to: (1) conviction of any felony or any crime involving moral turpitude or dishonesty ; (2) participation in a fraud, embezzlement or act of dishonesty to the detriment of Avid; (3) material breach of any Avid policy; (4) gross negligence or willful misconduct ; (5) material breach of any agreement between you and Avid (including your Non-Disclosure and Invention Assignment Agreement and Avid's Code of Business Conduct and Ethics (both of which you are required to sign as a condition of your employment at Avid)); (6) failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness); or (7) failing or refusing to cooperate, as reasonably requested in writing by the Company, in any internal or external investigation of any matter in which the Company has a material interest (financial or otherwise) in the outcome of the investigation.
- "Good Reason" means a material diminution in your authority, duties or responsibilities; provided that "Good Reason" will exist only if (1) you inform Avid of the existence of the condition that you believe constitutes Good Reason within thirty (30) days after the condition first exists, (2) Avid fails to remedy the condition within thirty (30) days after being notified, and (3) your employment terminates within 30 days after the end of the thirty-day cure period described in clause (2) (or by such earlier date as is requested by Avid).

Change-in-Control of the Company

Should Avid terminate your employment with the Company without "Cause" or you resign for "Good Reason," in either case within one year following a Change-in-Control of the Company, as defined on Exhibit A attached hereto, in addition to the severance described above, Avid agrees to pay you,

- an additional six (6) months base salary (which will be paid during the six (6) month period following the payment of the initial severance described above),
- 1.5 times your target bonus for the year in which your employment terminates, and
- an additional payment in lieu of continued medical benefits, equal to six (6) times the monthly amount described above.

In addition, and notwithstanding anything to the contrary in this letter or any applicable stock option or restricted stock unit (RSU) agreement, all outstanding stock options and RSUs that are not yet vested will become fully vested and exercisable (with respect to stock options) and payable (with respect to RSUs). Payment of RSUs will be delayed to the extent (if at all) that Avid determines is required to avoid triggering a tax under Section 409A of the Internal Revenue Code.

Limitation on Payments.
In the event that the severance and other benefits provided for in this Agreement or otherwise payable to you (i) constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986 as amended (the “Code”) and (ii) but for this paragraph, would be subject to the excise tax imposed by Section 4999 of the Code, then such severance benefits shall be either (a) delivered in full, or (b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by you, on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and you otherwise agree in writing, any determination required under this paragraph shall be made in writing by the Company’s accountants, whose determination shall be conclusive and binding upon you and the Company for all purposes. For purposes of making the calculations required hereunder, the accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and you shall furnish to the accountants such information and documents as the accountants may reasonably request in order to make a determination under this paragraph. The Company shall bear all costs the accountants may reasonably incur in connection with any calculations contemplated by this paragraph.

Location

This position will be based in the _________________________ office.

Other

This letter amends, restates and supersedes your offer letter dated ________________ (together with any amendments thereto, the “Original Offer Letter”) in its entirety. This letter does not constitute an employment agreement and is not to be construed as a guarantee of employment by the Company for any specific period of time.

In connection with the execution of this letter, you are required to sign Avid’s Non-Disclosure and Invention Assignment Agreement, which includes non-competition and non-solicitation provisions, and Avid’s Code of Business Conduct and Ethics, Copies will be provided to you.

All of us at Avid look forward to continuing to work with you as a valued and respected member of our organization.

Sincerely,

Vice President of Human Resources

ACCEPTED: _____________________________ DATE: ______________________

Exhibit A

"Change-in-Control of the Company" shall be deemed to have occurred only if any of the following events occur:

(i) *The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided , however, that for purposes of this section, the following acquisitions shall not constitute a Change-in-Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which satisfies the criteria set forth in clauses (a) and (b) of paragraph (iii) below; or*

(ii) *Individuals who, as of the date of this letter (the "Effective Date"), constitute the Company's Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Company's Board of Directors; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or*

(iii) *Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the operating assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 40% of, respectively, the then-outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation), and the combined voting power of the then-outstanding voting securities of the corporation or other entity resulting from such Business Combination (which as used in this section shall include, without limitation, a corporation or other entity which as a result of such transaction owns all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (b) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation) of the corporation or other entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation or other entity;*

provided, however, that a "Change-in-Control of the Company" shall be deemed to occur only if any of the foregoing events occur and such event that occurs is a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Reg. § 1.409A-3(i)(5).

EXHIBIT 10.2

FORM OF AMENDED AND RESTATED EMPLOYMENT LETTER - VP

______________, 2017

Dear

We are pleased to set forth amended and restated terms for your continued service in the position of Vice President of Avid Technology, Inc. ("Avid" or the "Company"), reporting to Louis Hernandez, Jr. As approved by Avid's Compensation Committee, your annual salary has been increased _____________________________ ($___________) effective __________. The salary is payable in regular installments in accordance with Avid's usual payment practices.

Bonus Eligibility

You will continue to be eligible to participate in Avid's annual performance bonus plan (the "Plan"). Your 2017 target annual bonus level is __% of your base salary. The annual Plan and payouts under the Plan are subject to approval of the Compensation Committee of Avid's Board of Directors ("Compensation Committee"), and may include Avid's achievement of certain financial goals and individual performance. The Compensation Committee (or a Plan administrator designed by the Compensation Committee) will have discretion to determine the amount of your bonus (including to pay less than the formula amount), subject to restrictions under the Plan against using discretion to increase the amount of your bonus. The Plan results and payment amounts will be determined following the Plan year after audited financials have been completed and announced, and any earned amounts will be paid at any time after the filing of the Company's 10-K and before December 31 of the year following the Plan year, in management's discretion.

Equity Award Grants

On ___________________ the Compensation Committee awarded you __________________ RSUs with a value of ____________________________________ dollars ($_________) ("2017 RSUs"). Fifty percent (50%) of the 2017 RSUs (the "time-vested portion") were granted on March 8, 2017 and will vest as follows: 33.33% of the time-vested portion will vest on the first anniversary of the grant date, and an additional 8.33% of the time-vested portion will vest at the end of each three-month period, starting from the first anniversary of the grant date, provided, in each case, that you are employed by the Company on such vesting date. The other fifty percent (50%) of the 2017 RSUs will be (i) subject to, and granted following, shareholder approval of an amendment to the 2014 Stock Incentive Plan, and (ii) conditioned on achieving performance objectives specified in your award agreement, which shall be the same performance objectives specified for Avid's other executive officers. Except as otherwise expressly provided, if your employment terminates for any reason before the 2017 RSUs (or any other award) are fully vested, you will forfeit the unvested portion.

Benefits

Avid offers four weeks of paid vacation and ten paid holidays per calendar year for vice presidents and above. We currently offer Company subsidized medical, dental, and vision programs as well as life insurance, long term and short-term disability plans. You will continue to be eligible for these benefits to participate in Avid's 401(k) Plan. All benefits are subject to the terms of the applicable benefit plans, as in effect and amended from time to time. Avid reserves the right to amend its benefit plans at any time and for any reason.

Severance

Should Avid terminate your employment with the Company without "Cause" (as defined below) other than due to your long-term disability, or you resign for "Good Reason" (as defined below), Avid agrees to continue to pay you, as severance pay:

- your base salary for a period of six (6) months after your date of termination;
- your target bonus for the year in which your employment terminates, pro-rated based on the number of months you were employed by the Company during the year of the date of termination; and
- if you elect to continue receiving any group medical, dental, and/or vision benefits through COBRA, a payment equal to six (6) times the excess of (i) the total monthly premium for the coverage that you elect to

receive over (ii) the monthly amount that Avid requires similarly situated employees to pay for the same type of coverage. This payment will be made within sixty (60) days after your employment terminates.

In order to be eligible for any of the severance pay and benefits, you will be required to sign Avid's standard severance agreement, which includes a general release of claims against Avid and its affiliates, and to allow the general release of claims to become effective and unrevoked. As a condition to receiving any severance, you will also be required to sign such other agreements as officers of the Company are generally required to sign if you have not already done so. Subject to the general release of claims not being revoked (and compliance with the tax laws described below), your base salary continuation payments (described above) will start on a date determined by Avid that is no more than sixty (60) days after your termination; the first payment will include any payments that would have been made before the first payment date had payment started on Avid's first payroll date after your termination. If your termination date occurs within sixty (60) days before the end of a calendar year, no payment that is subject to Section 409A of the Internal Revenue Code will be made before January 1 of the next calendar year.

If and to the extent Avid determines that it must delay payment of any severance amounts described in this letter agreement in order to avoid triggering a tax under Section 409A of the Internal Revenue Code, the delayed amounts will be paid to you, without interest, on the first business day following the six (6) month anniversary of the termination of your employment. These requirements and provisions regarding the timing of commencement will also apply to amounts payable in connection with a Change-in-Control, as set forth below. For purposes of Section 409A, each installment payment shall be treated as a separate payment, and all provisions of this letter shall be interpreted consistent with the intent to comply with the requirements of Section 409A.

For the purpose of this letter:

- "Cause" means misconduct including, but not limited to: (1) conviction of any felony or any crime involving moral turpitude or dishonesty ; (2) participation in a fraud, embezzlement or act of dishonesty to the detriment of Avid; (3) material breach of any Avid policy; (4) gross negligence or willful misconduct ; (5) material breach of any agreement between you and Avid (including your Non-Disclosure and Invention Assignment Agreement and Avid's Code of Business Conduct and Ethics (both of which you are required to sign as a condition of your employment at Avid)); (6) failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness); or (7) failing or refusing to cooperate, as reasonably requested in writing by the Company, in any internal or external investigation of any matter in which the Company has a material interest (financial or otherwise) in the outcome of the investigation.
- "Good Reason" means a material diminution in your authority, duties or responsibilities; provided that "Good Reason" will exist only if (1) you inform Avid of the existence of the condition that you believe constitutes Good Reason within thirty (30) days after the condition first exists, (2) Avid fails to remedy the condition within thirty (30) days after being notified, and (3) your employment terminates within 30 days after the end of the thirty-day cure period described in clause (2) (or by such earlier date as is requested by Avid).

Change-in-Control of the Company

Should Avid terminate your employment with the Company without "Cause" or you resign for "Good Reason," in either case within one year following a Change-in-Control of the Company, as defined on Exhibit A attached hereto, in addition to the severance described above, Avid agrees to pay you,

- an additional six (6) months base salary (which will be paid during the six (6) month period following the payment of the initial severance described above),
- your target bonus for the year in which your employment terminates, and
- an additional payment in lieu of continued medical benefits, equal to six (6) times the monthly amount described above.

In addition, and notwithstanding anything to the contrary in this letter or any applicable stock option or restricted stock unit (RSU) agreement, all outstanding stock options and RSUs that are not yet vested will become fully vested and exercisable (with respect to stock options) and payable (with respect to RSUs). Payment of RSUs will be delayed to the extent (if at all) that Avid determines is required to avoid triggering a tax under Section 409A of the Internal Revenue Code.

Limitation on Payments.
In the event that the severance and other benefits provided for in this Agreement or otherwise payable to you (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 as amended (the "Code") and (ii) but for this paragraph, would be subject to the excise tax imposed by Section 4999 of the Code, then such severance benefits shall be either (a) delivered in full, or (b) delivered as to such lesser extent

which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by you, on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and you otherwise agree in writing, any determination required under this paragraph shall be made in writing by the Company's accountants, whose determination shall be conclusive and binding upon you and the Company for all purposes. For purposes of making the calculations required hereunder, the accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and you shall furnish to the accountants such information and documents as the accountants may reasonably request in order to make a determination under this paragraph. The Company shall bear all costs the accountants may reasonably incur in connection with any calculations contemplated by this paragraph.

Location

This position will be based in the ________________________________ office.

Other

This letter amends, restates and supersedes your offer letter dated _________________________ (together with any amendments thereto, the "Original Offer Letter") in its entirety.

This letter does not constitute an employment agreement and is not to be construed as a guarantee of employment by the Company for any specific period of time.

In connection with the execution of this letter, you are required to sign Avid's Non-Disclosure and Invention Assignment Agreement, which includes non-competition and non-solicitation provisions, and Avid's Code of Business Conduct and Ethics, Copies will be provided to you.

All of us at Avid look forward to continuing to work with you as a valued and respected member of our organization.

Sincerely,

Vice President of Human Resources

ACCEPTED: ______________________________ DATE: _______________________

Exhibit A

"Change-in-Control of the Company" shall be deemed to have occurred only if any of the following events occur:

(i) *The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided , however, that for purposes of this section, the following acquisitions shall not constitute a Change-in-Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which satisfies the criteria set forth in clauses (a) and (b) of paragraph (iii) below; or*

(ii) *Individuals who, as of the date of this letter (the "Effective Date"), constitute the Company's Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Company's Board of Directors; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or*

(iii) *Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the operating assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 40% of, respectively, the then-outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation), and the combined voting power of the then-outstanding voting securities of the corporation or other entity resulting from such Business Combination (which as used in this section shall include, without limitation, a corporation or other entity which as a result of such transaction owns all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (b) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or other equity interests, in the case of an entity other than a corporation) of the corporation or other entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation or other entity;*

provided, however, that a "Change-in-Control of the Company" shall be deemed to occur only if any of the foregoing events occur and such event that occurs is a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Reg. § 1.409A-3(i)(5).

EXHIBIT 31.1

CERTIFICATION

I, Louis Hernandez, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2017

/s/ Louis Hernandez, Jr.

Louis Hernandez, Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Brian E. Agle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2017

/s/ Brian E. Agle

Brian E. Agle

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avid Technology, Inc. (the “Company”) for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Louis Hernandez, Jr., Chairman and Chief Executive Officer of the Company, and Brian E. Agle, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2017

/s/ Louis Hernandez, Jr.
Louis Hernandez, Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 3, 2017

/s/ Brian E. Agle
Brian E. Agle
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

A certification furnished pursuant to this item will not be deemed “filed” for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.