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, 2008

o **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: 0-21174

Avid Technology, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-2977748**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

Avid Technology Park, One Park West
Tewksbury, Massachusetts 01876
(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 o

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 definition of "accelerated filer," large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

The number of shares outstanding of the registrant's Common Stock as of August 1, 2008 was 37,062,055.

AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

TABLE OF CONTENTS

		Page
PART I.	***FINANCIAL INFORMATION***	
ITEM 1.	Condensed Consolidated Financial Statements:	
	• Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2008 and 2007	1
	• Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2008 and December 31, 2007	2
	• Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2008 and 2007	3
	• Notes to Condensed Consolidated Financial Statements (unaudited)	4
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
ITEM 3.	Quantitative and Qualitative Disclosure About Market Risk	30
ITEM 4.	Controls and Procedures	31
PART II.	***OTHER INFORMATION***	
ITEM 1.	Legal Proceedings	32
ITEM 1A.	Risk Factors	32
ITEM 4.	Submission of Matters to a Vote of Security Holders	32
ITEM 6.	Exhibits	32
SIGNATURE		33
EXHIBIT INDEX		34

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained herein regarding our strategy, future plans or operations, financial position, future revenues, projected costs, prospects and objectives of management, other than statements of historical facts, may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations expressed or implied in forward-looking statements. There are a number of factors that could cause actual events or results to differ materially from those indicated or implied by such forward-looking statements, many of which are beyond our control, including the 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, 2007, and as referenced in Part II - Item 1A of this report. In addition, the forward-looking statements contained herein 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 at some point 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.

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,	
	2008	2007	2008	2007
Net revenues:				
Products	$ 189,115	$ 192,370	$ 357,291	$ 384,813
Services	33,748	32,956	63,838	59,411
Total net revenues	222,863	225,326	421,129	444,224
Cost of revenues:				
Products	92,628	92,991	177,701	185,703
Services	19,629	17,454	37,016	33,433
Amortization of intangible assets	2,270	4,761	5,524	9,233
Total cost of revenues	114,527	115,206	220,241	228,369
Gross profit	108,336	110,120	200,888	215,855
Operating expenses:				
Research and development	38,972	38,444	77,482	76,186
Marketing and selling	55,259	56,505	105,586	108,199
General and administrative	19,492	17,698	41,435	35,550
Amortization of intangible assets	3,323	3,431	6,710	6,863
Restructuring costs, net	937	1,517	2,000	1,775
Total operating expenses	117,983	117,595	233,213	228,573
Operating loss	(9,647)	(7,475)	(32,325)	(12,718)
Interest income	746	2,037	2,309	4,026
Interest expense	(143)	(98)	(279)	(222)
Other income (expense), net	14	84	68	114
Loss before income taxes	(9,030)	(5,452)	(30,227)	(8,800)
Provision for (benefit from) income taxes, net	1,355	547	1,306	(2,821)
Net loss	$ (10,385)	$ (5,999)	$ (31,533)	$ (5,979)
Net loss per common share – basic and diluted	$ (0.28)	$ (0.15)	$ (0.83)	$ (0.15)
Weighted-average common shares outstanding – basic and diluted	36,904	40,940	38,133	41,046

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, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 129,437	$ 208,619
Marketable securities	9,025	15,841
Accounts receivable, net of allowances of $20,976 and $20,784 at June 30, 2008 and December 31, 2007, respectively	114,080	138,692
Inventories	120,728	117,324
Deferred tax assets, net	1,894	1,873
Prepaid expenses	12,670	9,967
Other current assets	26,935	24,948
Total current assets	414,769	517,264
Property and equipment, net	44,491	46,160
Intangible assets, net	59,193	71,427
Goodwill	360,521	360,584
Other assets	11,537	10,518
Total assets	$ 890,511	$ 1,005,953
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 36,358	$ 34,992
Accrued compensation and benefits	34,738	30,724
Accrued expenses and other current liabilities	45,133	49,319
Income taxes payable	13,271	13,869
Deferred revenues	79,186	79,771
Total current liabilities	208,686	208,675
Long-term liabilities	17,539	17,495
Total liabilities	226,225	226,170
Contingencies (Note 11)		
Stockholders' equity:		
Common stock	423	423
Additional paid-in capital	973,482	968,339
Accumulated deficit	(196,123)	(155,722)
Treasury stock at cost, net of reissuances	(128,735)	(45,823)
Accumulated other comprehensive income	15,239	12,566
Total stockholders' equity	664,286	779,783
Total liabilities and stockholders' equity	$ 890,511	$ 1,005,953

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,	
	2008	2007
Cash flows from operating activities:		
Net loss	$ (31,533)	$ (5,979)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	23,352	27,167
Provision for doubtful accounts	941	405
Non-cash provision for restructuring	16	—
Loss on disposal of fixed assets	17	15
Compensation expense from stock grants and options	6,473	8,103
Changes in deferred tax assets and liabilities	(376)	(2,208)
Changes in operating assets and liabilities:		
Accounts receivable	25,481	1,479
Inventories	(3,406)	4,186
Prepaid expenses and other current assets	(4,122)	(6,642)
Accounts payable	1,267	(2,095)
Accrued expenses, compensation and benefits and other liabilities	(2,937)	(3,846)
Income taxes payable	(1,203)	(3,243)
Deferred revenues	374	5,288
Net cash provided by operating activities	14,344	22,630
Cash flows from investing activities:		
Purchases of property and equipment	(8,543)	(14,709)
Payments for other long-term assets	(1,018)	(438)
Payments for business acquisitions	—	(529)
Purchases of marketable securities	(16,872)	(2,142)
Proceeds from sales of marketable securities	23,701	35,003
Net cash (used in) provided by investing activities	(2,732)	17,185
Cash flows from financing activities:		
Payments on capital lease obligations	—	(51)
Purchases of common stock for treasury	(93,187)	(23,687)
Proceeds from issuance of common stock under employee stock plans	1,205	4,245
Net cash used in financing activities	(91,982)	(19,493)
Effect of exchange rate changes on cash and cash equivalents	1,188	(1,673)
Net (decrease) increase in cash and cash equivalents	(79,182)	18,649
Cash and cash equivalents at beginning of period	208,619	96,279
Cash and cash equivalents at end of period	$ 129,437	$ 114,928

The accompanying notes are an integral part of the 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 include all adjustments, consisting of only normal, recurring adjustments, necessary for their fair statement. Interim results are not necessarily indicative of results expected for 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, financial position and cash flows of the Company in conformity with generally accepted accounting principles. The accompanying condensed consolidated balance sheet as of December 31, 2007 was derived from Avid's audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 2007 in its 2007 Annual Report on Form 10-K, which included all 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 Form 10-K.

The Company's preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates reflected in these financial statements include accounts receivable and sales allowances, stock-based compensation, inventory valuation, income tax asset valuation allowances and purchase accounting. Actual results could differ from the Company's estimates.

2. NET INCOME (LOSS) PER COMMON SHARE

Basic and diluted net income (loss) per common share are as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net loss	$ (10,385)	$ (5,999)	$ (31,533)	$ (5,979)
Weighted-average common shares outstanding – basic and diluted	36,904	40,940	38,133	41,046
Net loss per common share – basic and diluted	$ (0.28)	$ (0.15)	$ (0.83)	$ (0.15)

The following table sets forth (in thousands) potential common shares, on a weighted-average basis, that are considered anti-dilutive securities and are excluded from the diluted net loss per share calculations because the sum of the exercise price per share and the unrecognized compensation cost per share is greater than the average market price of the Company's common stock for the relevant period.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Options	3,005	2,942	2,769	2,805
Warrant	1,155	1,155	1,155	1,155
Non-vested restricted stock and restricted stock units	1,174	129	1,036	6
Anti-dilutive potential common shares	5,334	4,226	4,960	3,966

Certain stock options and restricted stock units granted to executive officers starting in the fourth quarter of 2007 include shares that vest based on performance and market conditions and as a result are considered contingently issuable. The following table sets forth (in thousands) potential common shares, on a weighted-average basis, that are related to such contingently-issuable stock options and restricted stock units and were excluded from the calculation of diluted net loss for the three and six months ended June 30, 2008.

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Performance-based options	1,115	1,009
Performance-based restricted stock units	27	18
Potential common shares from performance-based grants	1,142	1,027

The following table sets forth (in thousands) common stock equivalents excluded from the calculation of diluted net loss per share because the effect would be anti-dilutive due to the net loss for the relevant period.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Options	148	527	169	576
Non-vested restricted stock and restricted stock units	4	50	4	31
Anti-dilutive common stock equivalents	152	577	173	607

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but its provisions apply to all other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 is effective for the Company’s fiscal year beginning January 1, 2008 and for interim periods within that year. In February 2008, the FASB issued FASB Staff Position (“FSP”) No. 157-2, *Effective Date of FASB Statement No. 157*, which delayed for one year the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). As required, the Company adopted SFAS No. 157 for its financial assets on January 1, 2008. Adoption did not have a material impact on the Company’s financial position or results of operations. The Company has not yet determined the impact on its financial statements of the January 1, 2009 adoption of SFAS No. 157 as it pertains to non-financial assets and liabilities.

SFAS No. 157 establishes a fair value hierarchy that requires the use of observable market data, when available, and prioritizes the inputs to valuation techniques used to measure fair value in the following categories:

- Level 1 – Quoted unadjusted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all observable inputs and significant value drivers are observable in active markets.
- Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable, including assumptions developed by the Company.

The following table summarizes the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2008 (in thousands):

		Fair Value Measurements at Reporting Date Using		
	June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Available for sale securities	$ 56,855	$ 18,990	$ 37,865	$ —
Deferred compensation plan investments	807	807	—	—
Financial Liabilities:				
Foreign currency forward contracts	48	—	48	—
Deferred compensation plan	$ 807	$ 807	$ —	$ —

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Changes in the carrying amount of the Company's goodwill consisted of the following (in thousands):

	Total
Goodwill balance at December 31, 2007	$ 360,584
Revised restructuring estimates	(345)
Deferred tax liability adjustments, net	282
Goodwill balance at June 30, 2008	$ 360,521

Amortizable Identifiable Intangible Assets

Amortizable identifiable intangible assets resulting from the Company's acquisitions consisted of the following (in thousands):

	June 30, 2008			December 31, 2007		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Completed technologies and patents	$ 65,727	$ (59,925)	$ 5,802	$ 65,727	$ (54,099)	$ 11,628
Customer relationships	71,701	(29,875)	41,826	71,701	(25,205)	46,496
Trade names	21,316	(9,879)	11,437	21,316	(8,284)	13,032
Non-compete covenants	—	—	—	1,704	(1,637)	67
License agreements	560	(432)	128	560	(356)	204
	$ 159,304	$ (100,111)	$ 59,193	$ 161,008	$ (89,581)	$ 71,427

Amortization expense related to all intangible assets in the aggregate was $5.6 million and $8.2 million, respectively, for the three-month periods ended June 30, 2008 and 2007, and $12.2 million and $16.1 million, respectively, for the six-month periods ended June 30, 2008 and 2007. The Company expects amortization of these intangible assets to be approximately $9 million for the remainder of 2008, $15 million in 2009, $12 million in 2010, $10 million in 2011, $5 million in 2012, $2 million in 2013 and $6 million thereafter.

5. ACCOUNTS RECEIVABLE

Accounts receivable, net of allowances, consist of the following (in thousands):

	June 30, 2008	December 31, 2007
Accounts receivable	$ 135,056	$ 159,476
Less:		
Allowance for doubtful accounts	(2,444)	(2,160)
Allowance for sales returns and rebates	(18,532)	(18,624)
	$ 114,080	$ 138,692

The accounts receivable balances as of June 30, 2008 and December 31, 2007 exclude approximately $23.9 million and $24.6 million, respectively, for large solution sales and certain distributor sales that were invoiced, but for which revenues had not been recognized and payments were not then due.

6. INVENTORIES

Inventories, net of related reserves, consist of the following (in thousands):

	June 30, 2008	December 31, 2007
Raw materials	$ 29,205	$ 31,316
Work in process	9,144	6,179
Finished goods	82,379	79,829
	$ 120,728	$ 117,324

As of June 30, 2008 and December 31, 2007, the finished goods inventory includes inventory at customer locations of $20.3 million and $22.8 million, respectively, associated with products shipped to customers for which revenues had not yet been recognized.

7. PROPERTY AND EQUIPMENT, NET

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

	June 30, 2008	December 31, 2007
Computer and video equipment and software	$ 121,878	$ 116,413
Manufacturing tooling and testbeds	8,205	7,748
Office equipment	3,523	3,741
Furniture and fixtures	12,033	13,314
Leasehold improvements	31,145	30,762
	176,784	171,978
Less accumulated depreciation and amortization	(132,293)	(125,818)
	$ 44,491	$ 46,160

8. LONG-TERM LIABILITIES

Long-term liabilities consist of the following (in thousands):

	June 30, 2008	December 31, 2007
Long-term deferred tax liabilities	$ 7,381	$ 7,430
Long-term deferred revenue	5,549	4,581
Long-term deferred rent	2,724	3,008
Long-term accrued restructuring	1,885	2,476
	$ 17,539	$ 17,495

9. ACCOUNTING FOR STOCK-BASED COMPENSATION

Stock Incentive Plan

At the Company's 2008 Annual Stockholder Meeting held on May 21, 2008, the Company's stockholders approved the Company's Amended and Restated 2005 Stock Incentive Plan (the "Plan"). Under the Plan, the Company is authorized to issue, subject to adjustment in the event of stock splits and other similar events, up to 8,000,000 shares of the Company's common stock plus:

- an aggregate of 168,143 shares that remained available for issuance as of May 21, 2008 under the Company's 1993 Director Stock Option Plan, as amended; the Company's 1998 Stock Option Plan; the Company's Amended and Restated 1999 Stock Option Plan; and the Company's Midiman, Inc. 2002 Stock Option/Stock Issuance Plan (the "Existing Plans"); and

- any shares subject to awards granted under the Existing Plans, which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right; as of May 21, 2008, there were 1,519,437 shares subject to awards granted under the Existing Plans.

No further awards will be granted under the Existing Plans from and after May 21, 2008. Under the Plan, the Company may grant stock awards or options to purchase the Company's common stock to employees, officers, directors (subject to certain restrictions) and consultants, generally at the market price on the date of grant. The options become exercisable over various periods, typically four years for employees and one year for non-employee directors, and have a maximum term of seven years. Restricted stock and restricted stock unit awards typically vest over four years. As of June 30, 2008, 5,629,145 shares were available for issuance under the Plan, including 1,002,771 shares that may alternatively be issued as awards of restricted stock or restricted stock units.

The Company records stock-based compensation expense in accordance with SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. The following table sets forth the key assumptions and fair value results for stock options with time-based vesting granted during the three- and six-month periods ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	2.67%	4.85%	2.48%	4.80%
Expected volatility	40.9%	31.2%	39.4%	32.9%
Expected life (in years)	4.71	4.63	4.43	4.37
Weighted-average fair value of options granted	$8.67	$11.49	$8.42	$11.80

In December 2007, the Company issued a stock option to purchase 625,000 shares of Avid common stock to the Company's new chief executive officer that has vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for this option were recorded based on a Monte Carlo valuation with an assumed volatility of 32.80% and a risk-free interest rate of 3.93%. The weighted-average fair value of this grant is $6.60 and the expected lives range from 3.25 to 4.98 years with a weighted average of 4.44 years.

During the three months ended March 31, 2008, the Company issued stock options to purchase 490,000 shares of Avid common stock to newly hired officers of the Company that have vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for these options were recorded based on a Monte Carlo valuation with a weighted-average volatility of 38.44% and a risk-free interest rate of 3.42%. The weighted-average fair value of these grants is $7.11 and the expected lives range from 2.81 to 4.97 years with a weighted average of 4.26 years.

Also during the three months ended March 31, 2008, the Company issued 27,200 restricted stock units to executives as part of the Company's annual grant program that have vesting based on market conditions or a combination of performance and market conditions. The compensation cost and derived service periods for these restricted stock units were estimated using the Monte Carlo valuation method using a volatility of 38.95% and a risk-free interest rate of 3.29%. For restricted stock units with vesting based on a combination of performance and market conditions, compensation costs were also estimated using the intrinsic value on the date of grant factored for probability. Compensation costs for each vesting tranche were recorded based on the higher estimate. The weighted-average fair value of these restricted stock units is $18.61 and the derived service periods range from 3.04 to 4.75 years with a weighted average of 4.17 years.

In accordance with SFAS 123(R), the Company estimates forfeiture rates at the time awards are made based on historical turnover rates and applies these rates in the calculation of estimated compensation cost. For all stock-based awards for the year ended December 31, 2006 and for most of the stock-based awards for the year ended December 31, 2007, the Company applied a 6.5% estimated forfeiture rate. In the fourth quarter of 2007, based on historical turnover rates, the Company segregated non-employee directors into a separate class and applied a 0% estimated forfeiture rate to the calculation of estimated compensation cost for this class. During the three months ended March 31, 2008, based on recent changes in the Company's stock-based compensation structure and executive management staff, the Company determined that the executive management staff should be segregated from the rest of its employees into a separate class for the calculation of stock-based compensation. Accordingly, based on the Company's historical turnover rates for these classes of employees and directors, for grants made during the first quarter of 2008, the Company applied annualized estimated forfeiture rates of 0% to non-employee director awards, 7% to executive management staff awards and 8.75% to awards to all other employees. Similarly, based on a review of updated historical turnover rates during the three months ended June 30, 2008, the Company determined that the annualized forfeiture rates for grants made in that quarter to the executive management staff should be increased to 8%. Accordingly, for grants made during the second quarter of 2008, the Company applied annualized estimated forfeiture rates of 0% to non-employee director awards, 8% to executive management staff awards and 8.75% to awards to all other employees.

During the first and second quarters of 2008, the Company also revised its estimated forfeiture rates for, and began applying the then current revised forfeiture rates to, all outstanding stock options and non-vested restricted stock awards, resulting in a revised estimate of compensation costs related to these stock-based grants. As a result of the application of the changes in forfeiture rates, the Company recorded in its results of operations cumulative adjustments that reduced previously recorded stock-based compensation expense of approximately $1.2 million during the first six months of 2008.

The following table summarizes changes in the Company's stock option plans during the six-month period ended June 30, 2008:

	Stock Options			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2007	3,825,180	$35.83		
Granted	1,009,430	$23.51		
Exercised	(48,253)	$14.31		
Forfeited or expired	(351,285)	$44.59		
Options outstanding at June 30, 2008	4,435,072	$32.57	6.53	$1,549
Options vested at June 30, 2008 or expected to vest	4,018,182	$33.29	6.41	$1,549
Options exercisable at June 30, 2008	2,074,125	$37.87	5.01	$1,549

The aggregate intrinsic value of stock options exercised during the six-month periods ended June 30, 2008 and 2007 was approximately $0.4 million and $3.5 million, respectively. Cash received from the exercise of stock options was $0.7 million and $3.7 million for the six-month periods ended June 30, 2008 and 2007, respectively. The Company did not realize any actual tax benefit from the tax deductions for stock option exercises during the six-month periods ended June 30, 2008 and 2007 due to the full valuation allowance on the Company's U.S. deferred tax assets.

The following tables summarize the changes in the Company's non-vested restricted stock units and non-vested restricted stock during the six-month period ended June 30, 2008:

	Non-Vested Restricted Stock Units			
	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Non-vested at December 31, 2007	647,501	$35.39		
Granted	712,254	$23.50		
Vested	(171,585)	$35.46		
Forfeited	(66,325)	$32.24		
Non-vested at June 30, 2008	1,121,845	$28.13	1.90	$19,049

	Non-Vested Restricted Stock			
	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Non-vested at December 31, 2007	106,463	$26.72		
Granted	—	—		
Vested	(2,155)	$47.01		
Forfeited	—	—		
Non-vested at June 30, 2008	104,308	$26.30	3.40	$1,771

Employee Stock Purchase Plan

On February 27, 2008, the Company's board of directors approved the Company's Second Amended and Restated 1996 Employee Stock Purchase Plan (the "ESPP"). The amended plan became effective May 1, 2008, the first day of the next offering period under the plan, and offers shares for purchase at a price equal to 85% of the closing price on the applicable offering termination date. Shares issued under the ESPP are considered compensatory under SFAS 123(R). Accordingly, the Company is required to assign fair value to, and record compensation expense for, shares issued from the ESPP starting May 1, 2008. Prior to May 1, 2008, shares were authorized for issuance at a price equal to 95% of the closing price on the applicable offering termination date, and shares offered under this arrangement were considered noncompensatory under SFAS 123(R).

The following table sets forth the key assumptions and fair value results for shares issued under the ESPP starting May 1, 2008:

	Three Months Ended June 30, 2008
Expected dividend yield	0.00%
Risk-free interest rate	2.50%
Expected volatility	40.9%
Expected life (in years)	0.25
Weighted-average fair value of shares issued	$3.39

At the 2008 Annual Stockholder Meeting held on May 21, 2008, the Company's stockholders authorized an additional 800,000 shares for issuance under the ESPP. As of June 30, 2008, 1,027,076 shares remained available for issuance under the ESPP.

Stock-Based Compensation Expense

Stock-based compensation was included in the following captions in the Company's condensed consolidated statements of operations for the three- and six-month periods ended June 30, 2008 and 2007 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Products cost of revenues	$ 171	$ 182	$ 303	$ 323
Services cost of revenues	166	251	264	448
Research and development expense	1,089	1,354	1,452	2,397
Marketing and selling expense	1,109	1,201	1,638	2,136
General and administrative expense	2,053	1,563	3,076	2,799
Total stock-based compensation expense	$4,588	$4,551	$6,733	$8,103

As of June 30, 2008, the Company had $55.5 million of unrecognized compensation cost before forfeitures related to non-vested stock-based compensation awards granted under its stock-based compensation plans. This cost will be recognized over the next five years.

10. STOCK REPURCHASES

A stock repurchase program was approved by the Company's board of directors and publicly announced on April 26, 2007. Under this program, the Company was authorized to repurchase up to $100 million of the Company's common stock through transactions on the open market, in block trades or otherwise. The stock repurchase program has no expiration date. On February 27, 2008, the Company announced its board of directors' approval of a $100 million increase in the authorized funds for the repurchase of the Company's common stock, increasing the total authorized funds for stock repurchases under the program to $200 million. During 2007, the Company repurchased 809,236 shares of the Company's common stock for a total purchase price, including commissions, of $26.6 million,

or $32.92 per share. During the three months ended March 31, 2008, the Company repurchased an additional 4,254,397 shares of the Company's common stock for a total purchase price, including commissions, of $93.2 million. The average price per share paid for the shares repurchased during the first quarter of 2008, including commissions, was $21.90. No shares were repurchased during the three months ended June 30, 2008, and, as of June 30, 2008, $80.3 million remained available for future stock repurchases under the program. This stock repurchase program is being funded using the Company's working capital.

At June 30, 2008 and December 31, 2007, treasury shares held by the Company totaled 5.3 million shares and 1.2 million shares, respectively.

11. CONTINGENCIES

Avid receives inquiries from time to time claiming possible patent infringement by the Company. If any infringement is determined to exist, the Company may seek licenses or settlements. In addition, as a normal incidence of the nature of the Company's business, various claims, charges and litigation have been asserted or commenced from time to time against the Company arising from or related to contractual or employee relations, intellectual property rights or product performance. Settlements related to any such claims are generally included in the "general and administrative expenses" caption in the Company's consolidated statements of operations. Management does not believe these claims will have a material adverse effect on the financial position or results of operations of the Company.

On May 24, 2007, David Engelke and Bryan Engelke filed a complaint against the Company's Pinnacle subsidiary in Pinellas County (Florida) Circuit Court, claiming that Pinnacle breached certain contracts among them and that the Engelkes are entitled to indemnification for damages (and attorneys' fees) awarded against them in litigation with a third party. The complaint, which seeks damages of approximately $17.7 million, was served on September 4, 2007. On September 28, 2007, the Florida appellate court reversed the damages award for which the Engelkes seek indemnification and, on June 16, 2008, remanded the case for a new damages trial with instructions that would limit the potential award to a sum significantly lower than the amount demanded in the Engelkes' complaint against Pinnacle. Because the Company cannot predict the outcome of this action at this time, no costs have been accrued for any loss contingency; however, the Company does not expect this matter to have a material effect on the Company's financial position or results of operations.

From time to time, the Company provides indemnification provisions in agreements with customers covering potential claims by third parties of intellectual property infringement. These agreements generally provide that the Company will indemnify customers for losses incurred in connection with an infringement claim brought by a third party 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. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is theoretically unlimited; however, to date, the Company has not incurred material costs related to these indemnification provisions. As a result, the Company believes the estimated fair value of these indemnification provisions is minimal.

As permitted under Delaware law and pursuant to Avid's Third Amended and Restated Certificate of Incorporation, as amended, the Company is obligated to indemnify its current and former officers and directors for certain events that occur or occurred while the officer or director is or was serving in such capacity. The term of the indemnification period is for each respective officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification obligations is unlimited; however, Avid has mitigated the exposure through the purchase of directors and officers insurance, which is intended to limit the risk and, in most cases, enable the Company to recover all or a portion of any future amounts paid. As a result of this insurance coverage, the Company believes the estimated fair value of these indemnification obligations is minimal.

The Company, through a third party, provides lease financing options to its customers, including end users and, on a limited basis, resellers. During the terms of these leases, which are generally three years, the Company remains liable for any unpaid principal balance upon default by the customer, but such liability is limited in the aggregate

based on a percentage of initial amounts funded or, in certain cases, amounts of unpaid balances. At June 30, 2008 and December 31, 2007, Avid's maximum recourse exposure totaled approximately $9.1 million and $8.8 million, respectively. The Company records revenues from these transactions upon the shipment of products, provided that all other revenue recognition criteria, including collectibility being reasonably assured, are met. Because the Company has been providing these financing options to its customers for many years, the Company has a substantial history of collecting under these arrangements without providing significant refunds or concessions to the end user, reseller or financing party. To date, the payment default rate has consistently been between 2% and 4% per year of the original funded amount. This low default rate results because the third-party leasing company diligently screens applicants and collects amounts due, and because Avid actively monitors its exposures under the financing program and participates in the approval process for any lessees outside of agreed-upon credit-worthiness metrics. The Company maintains a reserve for estimated losses under this recourse lease program based on the historical default rates applied to the funded amount outstanding at period end. At June 30, 2008 and December 31, 2007, the Company's accrual for estimated losses was $0.9 million and $0.8 million, respectively.

Avid 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 warranty period for all of the Company's products is generally 90 days to one year, but can extend up to five years depending on the manufacturer's warranty or local law.

The following table sets forth activity for the Company's product warranty accrual (in thousands):

	Six Months Ended June 30,	
	2008	2007
Accrual balance at beginning of period	$ 5,803	$ 6,072
Accruals for product warranties	4,180	4,260
Cost of warranty claims	(3,800)	(4,338)
Accrual balance at end of period	$ 6,183	$ 5,994

12. COMPREHENSIVE LOSS

Total comprehensive loss, net of taxes, consists of net loss and the net changes in foreign currency translation adjustment and net unrealized gains and losses on available-for-sale securities. The following is a summary of the Company's comprehensive loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net loss	$ (10,385)	$ (5,999)	$ (31,533)	$ (5,979)
Net changes in:				
Foreign currency translation adjustment	(510)	2,051	2,659	2,417
Unrealized gains on securities	—	16	14	27
Total comprehensive loss	$ (10,895)	$ (3,932)	$ (28,860)	$ (3,535)

13. SEGMENT INFORMATION

The Company has been organized into three strategic business units, Professional Video, Audio, and Consumer Video, each of which is a reportable segment. During the first quarter of 2008, the Company changed the way it reviews and manages its business by excluding certain corporate infrastructure costs and expenses, including finance, human resources, legal and some information technology expenses, when evaluating segment performance and measuring the profitability of each operating segment. Such expenses, which were previously allocated to the operating segments, are managed outside the segments and are not controllable at the segment level. The Company believes that excluding these costs provides a better measure of each segment's performance. The Company also

continues to exclude certain other costs and expenses when evaluating segment performance and profitability, including the amortization and impairment of acquired intangible assets, the write-off of acquired in-process research and development, stock-based compensation expenses, restructuring expenses and legal settlements. The Company now reports a contribution margin for each business unit that excludes these costs and has revised the prior period segment disclosures to conform to the current presentation. The change to the current presentation did not affect the Company's consolidated operating results.

The following is a summary of the Company's revenues and contribution margin by reportable segment for the three- and six-month periods ended June 30, 2008 and 2007 and a reconciliation of segment contribution margin to total consolidated operating loss for each period (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Professional Video	$ 115,738	$ 120,318	$ 209,988	$ 232,989
Audio	75,315	76,763	148,554	155,686
Consumer Video	31,810	28,245	62,587	55,549
Total revenues	$ 222,863	$ 225,326	$ 421,129	$ 444,224
Contribution Margin:				
Professional Video	$ 10,563	$ 12,136	$ 9,243	$ 23,737
Audio	10,626	12,109	21,496	25,262
Consumer Video	21	1,967	530	2,535
Segment contribution margin	21,210	26,212	31,269	51,534
Less unallocated costs and expenses:				
Common costs and operating expenses	(19,739)	(18,402)	(42,627)	(37,253)
Amortization of acquisition-related intangible assets	(5,593)	(8,192)	(12,234)	(16,096)
Stock-based compensation	(4,588)	(4,551)	(6,733)	(8,103)
Restructuring costs, net	(937)	(1,517)	(2,000)	(1,775)
Legal settlements	—	(1,025)	—	(1,025)
Consolidated operating loss	$ (9,647)	$ (7,475)	$ (32,325)	$ (12,718)

In July 2008, the Company announced several changes to its previous business unit structure. The Company is taking actions necessary to transition to this new business structure in the second half of 2008. The new business unit structure will be used to evaluate segment performance and measure segment profitability beginning January 1, 2009.

14. RESTRUCTURING COSTS AND ACCRUALS

During the quarter ended March 31, 2008, the Company initiated restructuring plans within the Company's Professional Video business unit and corporate operations to eliminate duplicative business functions and improve operational efficiencies. During the quarter ended March 31, 2008, the Company recorded restructuring charges of $1.2 million under these plans related to employee termination costs for 20 employees, primarily in the marketing and selling teams and general and administrative teams. During the quarter ended June 30, 2008, the Company recorded restructuring charges of $1.0 million under these plans primarily related to employee termination costs for 26 employees, primarily in the research and development teams and marketing and selling teams. The Company expects to incur total expenses, representing cash expenditures, under these restructuring plans of $3 million to $4 million and anticipates that it will complete the actions under the plans by December 31, 2008.

During 2007, the Company implemented restructuring plans within the Professional Video and Consumer Video business units, as well as corporate operations, that resulted in restructuring charges of $12.2 million. In connection with these actions, the Company terminated the employment of approximately 125 employees, primarily from the

research and development teams and marketing and selling teams. The purpose of these plans was to eliminate duplicative business functions, improve operational efficiencies and align business skills with future opportunities. The charges for the estimated costs for the employee terminations totaled $5.2 million. Actions under these restructuring plans also included the closure of facilities in Munich, Germany and Chicago, Illinois and portions of facilities in Tewksbury, Massachusetts; Montreal, Canada; and Mountain View, California, and the Company's exit from the transmission server product line. The costs for the facility closures totaled $2.6 million. As a result of exiting the transmission server product line, the Company recorded non-cash charges totaling $4.3 million in cost of revenues for the write-down of inventory. The Company also recorded a non-cash restructuring charge of $0.1 million related to the disposal of fixed assets. During the first six months of 2008, the Company revised its previous estimated liability for the 2007 restructuring plans and recorded a restructuring recovery of $0.1 million.

The Company recorded these charges in accordance with the guidance of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. These restructuring charges and accruals require significant estimates and assumptions, including sub-lease income assumptions. These estimates and assumptions are monitored on at least a quarterly basis for changes in circumstances and any corresponding adjustments to the accrual are recorded in the Company's statement of operations in the period when such changes are known.

In connection with the August 2005 Pinnacle acquisition and the January 2006 Medea acquisition, the Company recorded accruals of $14.4 million and $1.1 million, respectively, related to severance agreements and lease or other contract terminations in accordance with Emerging Issues Task Force ("EITF") Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. During the third quarter of 2007, the Company recorded a $0.7 million increase in the estimate for the Pinnacle restructuring and a corresponding restructuring charge in the Company's statement of operations. Similarly, in the first quarter of 2007, the Company recorded a $0.1 million increase in the estimate for the Medea restructuring and a corresponding restructuring charge. During the second quarter of 2008, the Company recorded a $0.1 million decrease in the estimate for the Medea restructuring and a corresponding decrease in goodwill.

The following table sets forth the activity in the restructuring costs and accruals for the six-month period ended June 30, 2008 (in thousands):

	Non-Acquisition-Related Restructuring Liabilities		Acquisition-Related Restructuring Liabilities		
	Employee-Related	Facilities-Related	Employee-Related	Facilities-Related	Total
Accrual balance at December 31, 2007	$ 1,186	$ 3,256	$ 2	$ 2,041	$ 6,485
New restructuring charges – operating expenses	2,020	137	—	—	2,157
Revisions of estimated liabilities	(76)	(44)	(2)	(170)	(292)
Accretion	—	37	—	2	39
Cash payments for employee-related charges	(1,991)	—	—	—	(1,991)
Cash payments for facilities, net of sublease income	—	(1,112)	—	(488)	(1,600)
Foreign exchange impact on ending balance	5	6	—	(4)	7
Accrual balance at June 30, 2008	$ 1,144	$ 2,280	$ —	$ 1,381	$ 4,805

The employee-related accruals at June 30, 2008 represent severance and outplacement costs to former employees that will be paid within the next 12 months and are, therefore, included in the caption "accrued expenses and other current liabilities" in the condensed consolidated balance sheet at June 30, 2008.

The facilities-related accruals at June 30, 2008 represent estimated losses on subleases of space vacated as part of the Company's restructuring actions. The leases, and payments against the amounts accrued, will extend through 2011 unless the Company is able to negotiate earlier terminations. Of the total facilities-related accruals, $1.8 million is included in the caption "accrued expenses and other current liabilities" and $1.9 million is included in the caption "long-term liabilities" in the condensed consolidated balance sheet at June 30, 2008.

15. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 requires companies with derivative instruments to disclose information that should enable financial-statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS No 161 is effective for the Company's fiscal year beginning January 1, 2009. Adoption of SFAS No. 161 is not expected to have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141(R)"), *Business Combinations*. SFAS 141(R) makes significant changes to the accounting and reporting standards for business acquisitions. SFAS 141(R) establishes principles and requirements for an acquirer's financial statement recognition and measurement of the assets acquired; the liabilities assumed, including those arising from contractual contingencies; any contingent consideration; and any noncontrolling interest in the acquiree at the acquisition date. SFAS 141(R) amends SFAS No. 109, *Accounting for Income Taxes*, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable as a result of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. The statement also amends SFAS No. 142, *Goodwill and Other Intangible Assets*, to, among other things, provide guidance for the impairment testing of acquired research and development intangible assets and assets that the acquirer intends not to use. SFAS 141(R) is effective for the Company's fiscal year beginning January 1, 2009 and may not be adopted early or applied retrospectively. The adoption of SFAS 141(R) will have an impact on the accounting for, and the effect will depend upon the nature of, business combinations occurring on or after the adoption date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires that a noncontrolling interest, or minority interest, be recognized as equity in the consolidated financial statements and that it be presented separately from the parent's equity. Also, the amounts of net income attributable to the parent and to the noncontrolling interest must be included in consolidated net income on the face of the income statement. SFAS No. 160 clarifies that changes in a parent's ownership interest in a subsidiary are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated, with such gain or loss measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS No. 160 is effective for the Company's fiscal year beginning January 1, 2009 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests; all other requirements may only be applied prospectively. Adoption of SFAS No. 160 is not expected to have a material impact on the Company's financial position or results of operations.

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

EXECUTIVE OVERVIEW

Our Markets and Strategy

We develop, market, sell and support a wide range of software and hardware products for the production, management and distribution of digital media content. Our products empower users, from the home hobbyist to film studios and media-production companies, to realize their creative vision, whether they aspire to edit blockbuster feature films, write and record hit songs, or design animated characters for games or movies. Our technology also improves customer workflows by enabling collaboration, streamlining processes and securely managing digital assets and allows users to distribute media over multiple platforms, including airwaves, cable and the Internet.

We have been organized into business units that focus on products and services sold to the following markets: Professional Video, Audio and Consumer Video. These business units also reflect our reportable segments and collectively encompass seven brands: Avid Video, Digidesign, M-Audio, Pinnacle, Sibelius, Softimage and Sundance Digital. The following is an overview of the business units and the markets they serve.

Professional Video. This business unit offers innovative solutions including video- and film-editing systems, integrated storage, workflow and asset management tools, 3D and special-effects software, and a comprehensive range of services, from product support and training to consultancy and managed services. We market these solutions under the brand names Avid Video, Softimage and Sundance Digital to a broad range of professional users, broadcast and cable companies, corporations, governmental entities and educational institutions. Professional users include production and post-production companies that produce feature films, music videos, commercials, entertainment programs, documentaries, and industrial videos, as well as professional animators, video-game developers and film studios. Our broadcast and cable customers include national and international broadcasters, as well as network affiliates, local independent television stations, web news providers and local and regional cable operators.

Audio. Under the Digidesign, M-Audio and Sibelius brand names, this business unit offers solutions for audio creation, mixing, post-production, collaboration, distribution and scoring to a range of users from home studio novices to award-winning, multi-platinum recording artists. We also sell our solutions to professional music studios, project studios, film and television production and post-production facilities, television and radio broadcasters, "new media" production studios (for example, creators of DVD and web content), performance venues, corporations, governmental entities and educational institutions. Customers use our audio products and solutions for a wide variety of tasks in both studio and live environments, including recording, editing, mixing, processing, mastering, composing and performing.

Consumer Video. This business unit markets, under the Pinnacle brand name, video-editing and digital-lifestyle products to the home user who wants to create, edit, share, publish and view video content easily, creatively and effectively. This segment's two vertical markets consist of home video editing and TV-over-PC viewing. The home video-editing market includes novice and advanced home video editors, as well as corporations, governmental entities and educational institutions, who want to edit, enhance and preserve their videos and share those videos on DVD or over the Internet. The TV-over-PC viewing market includes virtually any consumer who wants to watch and record television programming on a personal computer.

In July 2008, we announced several changes to our previous business unit structure. We are taking actions necessary to transition to this new business structure in the second half of 2008. The new business unit structure will be used to evaluate segment performance and measure segment profitability beginning January 1, 2009.

We continue to focus on strategically enhancing our existing products and broadening our product offerings to satisfy customer demand for new technology across the spectrum of educational to consumer to professional markets. We also continue to position ourselves and deliver new products and services to benefit from a number of

important industry trends, including the move to HD television production, the switch to all-digital broadcast production, the growth of home audio studios, the move to digital audio mixing and the growth of consumer video editing and consumption.

Financial Summary

Our revenues for the three months ended June 30, 2008 were $222.9 million, a decrease of 1% compared to the same period last year. By business unit, compared to the second quarter last year, Professional Video revenues decreased 4%, Audio revenues decreased 2% and Consumer Video revenues increased 13%. Our revenues for the six-months ended June 30, 2008 were $421.1 million, a decrease of 5% compared to the same period last year. By business unit, compared to the first half of last year, Professional Video revenues decreased 10%, Audio revenues decreased 5% and Consumer Video revenues increased 13%. The revenues of each business unit are discussed in further detail in the section titled "Results of Operations" below.

For both the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, decreases in our revenues and gross margins, coupled with increased operating expenses, resulted in an overall decline in operating income. The $4.6 million increase in operating expenses in the first six months of 2008, compared to the same period in 2007, included increased expenses of approximately $4.9 million related to investments in strategic consultants assisting management in the transformation of our business and management transition expenses. During the first quarter of 2008, we initiated restructuring plans within our Professional Video business unit and corporate operations and recorded restructuring charges of $2.2 million under these plans during the first six months of 2008.

During the first quarter of 2008, we used $93.2 million in cash to repurchase 4,254,397 shares of our common stock. No additional shares of our common stock were repurchased during the second quarter of 2008. At June 30, 2008, we had authorization from our board of directors for additional repurchases of up to $80.3 million. In the first six months of 2008, our operating activities provided cash flows totaling $14.3 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. However, actual results may differ from these estimates.

We believe that our critical accounting policies are those related to revenue recognition and allowances for product returns and exchanges, stock-based compensation, allowances for bad debts and reserves for recourse under financing transactions, inventories, business combinations, goodwill and intangible assets, and income tax assets. We believe these policies are critical because they are important to the portrayal of our financial condition and results of operations, and they require us to make judgments and estimates about matters that are inherently uncertain. Additional information about our critical accounting policies may be found in our 2007 Annual Report on Form 10-K in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Critical Accounting Policies and Estimates." During the three months ended March 31, 2008 and June 30, 2008, primarily due to the differing types of stock-based awards that are now being granted, we revised our estimates of future forfeitures used in the calculation of estimated compensation costs for these awards. As a result, we have revised our critical accounting policy for "Stock-Based Compensation." The revised policy is provided below.

Stock-Based Compensation

On January 1, 2006, we adopted the provisions of, and started to account for stock-based compensation in accordance with, Statement of Financial Accounting Standards, or SFAS, No. 123 (revised 2004), or SFAS 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS

123(R) requires employee stock-based compensation awards to be accounted for under the fair value method and eliminates the ability to account for these instruments under the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. We adopted SFAS 123(R) using the modified prospective application method as permitted under SFAS 123(R). Under this method, we are required to record compensation cost, based on the fair value estimated in accordance with SFAS 123(R), for stock-based awards granted after the date of adoption over the requisite service periods for the individual awards, which generally equals the vesting period. We are also required to record compensation cost for the non-vested portion of previously granted stock-based awards outstanding at the date of adoption over the requisite service periods for the individual awards based on the fair value estimated in accordance with the original provisions of SFAS No. 123 adjusted for forfeitures as required by SFAS 123(R).

During 2008 and 2007, we granted both restricted stock units and stock options as part of our key performer stock-based compensation program, as well as stock options, restricted stock units and restricted stock to newly hired employees. The vesting of stock option grants may be based on time, performance or market conditions. In the future, we may grant stock awards, options, or other equity-based instruments allowed by our stock-based compensation plans, or a combination thereof, as part of our overall compensation strategy.

The fair values of restricted stock awards with time-based vesting, including restricted stock and restricted stock units, are generally based on the intrinsic values of the awards at the date of grant. As permitted under SFAS No. 123 and SFAS 123(R), we generally use the Black-Scholes option pricing model to estimate the fair value of stock option grants. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. Our assumed dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends. Since adoption of SFAS 123(R) on January 1, 2006, the expected stock-price volatility assumption used by us has been based on recent (six-month trailing) implied volatility calculations. These calculations are performed on exchange traded options of our common stock. We believe that using a forward-looking market-driven volatility assumption will result in the best estimate of expected volatility. The assumed risk-free interest rate is the U.S. Treasury security rate with a term equal to the expected life of the option. The assumed expected life is based on company-specific historical experience. With regard to the estimate of the expected life, we consider the exercise behavior of past grants and model the pattern of aggregate exercises.

In accordance with SFAS 123(R), we estimate forfeiture rates at the time awards are made based on historical turnover rates and apply these rates in the calculation of estimated compensation cost. For all stock-based awards for the year ended December 31, 2006 and for most stock-based awards for the year ended December 31, 2007, we applied a 6.5% estimated forfeiture rate. In the fourth quarter of 2007, based on historical turnover rates, we segregated our non-employee directors into a separate class and applied a 0% estimated forfeiture rate to the calculation of estimated compensation cost for this class. During the three months ended March 31, 2008, based on recent changes in our stock-based compensation structure and executive management staff, we determined that the executive management staff should be segregated from the rest of our employees into a separate class for the calculation of stock-based compensation. Accordingly, based on our historical turnover rates for these classes of employees and directors, for grants made during the first quarter of 2008, we applied annualized estimated forfeiture rates of 0% to non-employee director awards, 7% to executive management staff awards and 8.75% to awards to all other employees. Similarly, based on a review of updated historical turnover rates during the three months ended June 30, 2008, we determined that the annualized forfeiture rates for grants made in that quarter to the executive management staff should be increased to 8%. Accordingly, for grants made during the second quarter of 2008, we applied annualized estimated forfeiture rates of 0% to non-employee director awards, 8% to executive management staff awards and 8.75% to awards to all other employees

During the three-month periods ended March 31, 2008 and June 30, 2008, we also revised our estimated forfeiture rates for, and began applying the then current revised forfeiture rates to, all outstanding stock options and non-vested restricted stock awards, resulting in a revised estimate of compensation costs related to these stock-based grants. As a result of the application of the changes in forfeiture rates, we recorded in our results of operations cumulative adjustments that reduced previously recorded stock-based compensation expense of approximately $1.2 million during the first six months of 2008.

In December 2007, we granted a stock option to purchase 625,000 shares of our common stock to our new chief executive officer that has vesting based on market conditions or a combination of performance and market

conditions. During the three months ended March 31, 2008, we issued stock options to purchase 490,000 shares of common stock to newly hired executive officers, as well as 27,200 restricted stock units to other executives, as part of our annual grant program, that also have vesting based on market conditions or a combination of performance and market conditions. The compensation costs and derived service periods for all grants with vesting based on market conditions or a combination of performance and market conditions were estimated using the Monte Carlo valuation method. For stock option grants with vesting based on a combination of performance and market conditions, the compensation costs were also estimated using the Black-Scholes valuation method. For restricted stock grants with vesting based on a combination of performance and market conditions, the compensation costs were also estimated using the intrinsic value on the date of grant factored for probability. Compensation costs for these stock option and restricted stock grants were recorded based on the higher estimate for each vesting tranche.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods, or if we decide to use a different valuation model, the stock-based compensation expense we recognize in future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and earnings per share. It may also result in a lack of comparability with other companies that use different models, methods and assumptions. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. These characteristics are not present in our option grants. Existing valuation models, including the Black-Scholes and Monte Carlo models, may not provide reliable measures of the fair values of our stock-based compensation. See Note 9 of the unaudited condensed consolidated financial statements in Item 1 of this report for further information regarding stock-based compensation.

RESULTS OF OPERATIONS

Net Revenues

Our net revenues are derived mainly from sales of computer-based digital, nonlinear, media-editing and finishing systems and related peripherals, including shared-storage systems, software licenses, and related professional services and software maintenance contracts.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)					
	2008 Net Revenues	% of Consolidated Net Revenues	2007 Net Revenues	% of Consolidated Net Revenues	Change	% Change in Revenues
Professional Video:						
Product revenues	$ 82,761	37.1%	$ 87,838	39.0%	($5,077)	(5.8%)
Services revenues	32,977	14.8%	32,480	14.4%	497	1.5%
Total	115,738	51.9%	120,318	53.4%	(4,580)	(3.8%)
Audio:						
Product revenues	74,545	33.4%	76,287	33.9%	(1,742)	(2.3%)
Services revenues	770	0.4%	476	0.2%	294	61.8%
Total	75,315	33.8%	76,763	34.1%	(1,448)	(1.9%)
Consumer Video:						
Product revenues	31,810	14.3%	28,245	12.5%	3,565	12.6%
Total	31,810	14.3%	28,245	12.5%	3,565	12.6%
Total net revenues:	$222,863	100.0%	$225,326	100.0%	($2,463)	(1.1%)

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)					
	2008 Net Revenues	% of Consolidated Net Revenues	2007 Net Revenues	% of Consolidated Net Revenues	Change	% Change in Revenues
Professional Video:						
Product revenues	$147,679	35.1%	$174,469	39.3%	($26,790)	(15.4%)
Services revenues	62,309	14.8%	58,520	13.2%	3,789	6.5%
Total	209,988	49.9%	232,989	52.5%	(23,001)	(9.9%)
Audio:						
Product revenues	147,025	34.9%	154,795	34.8%	(7,770)	(5.0%)
Services revenues	1,529	0.4%	891	0.2%	638	71.6%
Total	148,554	35.3%	155,686	35.0%	(7,132)	(4.6%)
Consumer Video:						
Product revenues	62,587	14.8%	55,549	12.5%	7,038	12.7%
Total	62,587	14.8%	55,549	12.5%	7,038	12.7%
Total net revenues:	$421,129	100.0%	$444,224	100.0%	($23,095)	(5.2%)

The decreases in Professional Video product revenues for both the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, were primarily due to lower revenues from our video-editing products and, to a lesser extent, decreased revenues from large broadcast deals. We believe the decrease in video-editing revenues was the result of a slowdown in sales in early 2008 in anticipation of our new editor product set, which was released in June 2008, as well as price reductions announced in the first quarter of 2008 in response to competitive pressures. The effect of the price reductions was partially offset by higher unit volumes for these products. The decrease in revenues from large broadcast deals was due to the timing of customer acceptance and revenue recognition.

Professional Video services revenues are derived primarily from maintenance contracts, professional and installation services, and training. There was no significant change in services revenues for the three-month period ended June 30, 2008, compared to the same period in 2007. The increase in services revenues for the six-month period ended June 30, 2008, compared to the same period in 2007, was primarily due to increased revenues generated from maintenance contracts sold in connection with our products and, to a lesser extent, increased revenues from installation and training services. Maintenance revenues increased starting in the second quarter of 2007 due to an increase in new large deals that included maintenance contracts.

The decreases in Audio product revenues for the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, were primarily the result of decreased revenues from our entry-level Digidesign products, as well as a slowdown in sales of our Digidesign integrated mixing console products. The decreases in revenues from our entry-level Digidesign products were due to temporary delays in the release of products compatible with a new version of Apple's Mac OS X Leopard operating system, as well as increased competitive pressure. The products compatible with the new version of the Mac OS X Leopard operating system were released late in the second quarter of 2008. We believe the slowdown in sales of our Digidesign integrated mixing console products was due to unfavorable macroeconomic conditions.

The increases in Consumer Video product revenues for the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, were primarily the result of increased revenues, on increased volumes, from our TV-over-PC viewing products, as well as new revenues from our Pinnacle Video Transfer product introduced in the first quarter of 2008.

Net revenues derived through indirect channels were 68% for both the three-month periods ended June 30, 2008 and 2007, and 70% for both the six-month periods ended June 30, 2008 and 2007.

International sales accounted for 61% and 60% of our net revenues for the three- and six-month periods ended June 30, 2008, respectively, compared to 58% for both periods in 2007.

Gross Profit

Cost of revenues consists primarily of costs associated with:

- the procurement of components;
- the assembly, testing and distribution of finished products;
- warehousing;
- customer support costs related to maintenance contract revenues and other services; and
- royalties for third-party software and hardware included in our products.

Cost of revenues also includes amortization of technology, which represents the amortization of developed technology assets acquired in the August 2005 acquisition of Pinnacle and, to a lesser extent, other acquisitions we have made since August 2004. Amortization of technology is described further in the "Amortization of Intangible Assets" section below.

Gross margin fluctuates based on factors such as the mix of products and services sold, the cost and proportion of third-party hardware and software included in the products 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 and currency exchange rate fluctuations.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)				
	2008	Gross Margin	2007	Gross Margin	Gross Margin % Change
Product cost of revenues	$ 92,628	51.0%	$ 92,991	51.7%	(0.7%)
Services cost of revenues	19,629	41.8%	17,454	47.0%	(5.2%)
Amortization of intangible assets	2,270	–	4,761	–	–
Total	$114,527	48.6%	$115,206	48.9%	(0.3%)

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)				
	2008	Gross Margin	2007	Gross Margin	Gross Margin % Change
Product cost of revenues	$ 177,701	50.3%	$185,703	51.7%	(1.4%)
Services cost of revenues	37,016	42.0%	33,433	43.7%	(1.7%)
Amortization of intangible assets	5,524	–	9,233	–	–
Total	$220,241	47.7%	$228,369	48.6%	(0.9%)

The decreases in product gross margin percentage for the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, primarily reflected decreased revenues on costs of product revenues that have a significant fixed element. A $1.2 million increase in inventory write-downs, due primarily to new product transitions, was a significant contributing factor in the decreased gross margin percentage for the three-month period ended June 30, 2008, compared to the same period in 2007.

The decreases in the services gross margin for the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, primarily reflected the change in services revenues mix to a higher percentage of installation and training revenues, which have higher labor costs and lower gross margins than maintenance revenues.

Research and Development

Research and development expenses include costs associated with the development of new products and the enhancement of existing products, and consist primarily of employee salaries and benefits, facilities costs, depreciation, costs for consulting and temporary employees, and prototype and other development expenses.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008 Expenses	2007 Expenses	Change	% Change
Research and development	$38,972	$38,444	$528	1.4%
As a percentage of net revenues	17.5%	17.1%	0.4%	

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008 Expenses	2007 Expenses	Change	% Change
Research and development	$77,482	$76,186	$1,296	1.7%
As a percentage of net revenues	18.4%	17.2%	1.2%	

The increase in research and development expenses for the three-month period ended June 30, 2008, compared to the same period in 2007, was due to higher personnel-related costs, as well as increased information systems and facilities infrastructure costs, partially offset by decreased expenses due to increased capitalized research and development costs, as well as decreased costs for outside services and consulting. The higher personnel-related costs were primarily the result of our increased emphasis on the development of new products and increased accruals for our company bonus plan, partially offset by decreased stock-based compensation expenses. Personnel-related costs increased $1.3 million for the three-month period ended June 30, 2008, compared to the same period in 2007. Information systems and facilities infrastructure costs increased $0.5 million for the three-month period ended June 30, 2008, compared to the same period in 2007. The decreased expenses due to increased capitalized research and development costs were $0.6 million for the three-month period ended June 30, 2008, compared to the same period in 2007. Outside services and consulting costs decreased $0.5 million for the three-month period ended June 30, 2008, compared to the same period in 2007. The increase in research and development expenses as a percentage of revenues for the three-month period ended June 30, 2008 was the result of both the increase in expenses and the decrease in revenues for the period compared to the same period in 2007.

The increase in research and development expenses for the six-month period ended June 30, 2008, compared to the same period in 2007, was due to higher personnel-related costs, as well as increased information systems and facilities infrastructure costs. These increases were partially offset by decreased expenses due to an increase in capitalized research and development costs, as well as decreased costs for outside services and consulting and hardware development and computer equipment costs. The higher personnel-related costs were primarily the result of our increased emphasis on the development of new products and increased accruals for our company bonus plan, partially offset by decreased stock-based compensation expenses. Personnel-related costs increased $2.2 million for the six-month period ended June 30, 2008, compared to the same period in 2007. Information systems and facilities infrastructure costs increased $1.1 million for the six-month period ended June 30, 2008, compared to the same period in 2007. The decreased expenses due to increased capitalized research and development costs were $0.4 million for the six-month period ended June 30, 2008, compared to the same period in 2007. Outside services and consulting costs decreased $1.0 million for the six-month period ended June 30, 2008, compared to the same period in 2007. Hardware development and computer equipment costs decreased $0.5 million for the six-month period ended June 30, 2008, compared to the same period in 2007, primarily as a result of expenses for the development of high-end video-editing products during 2007. The increase in research and development expenses as a percentage of revenues for the six-month period ended June 30, 2008 was largely the result of the decrease in revenues for the period compared to the same period in 2007.

Marketing and Selling

Marketing and selling expenses consist primarily of employee salaries and benefits for selling, marketing and pre-sales customer support personnel; commissions; travel expenses; advertising and promotional expenses; and facilities costs.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008 Expenses	2007 Expenses	Change	% Change
Marketing and selling	$55,259	$56,505	($1,246)	(2.2%)
As a percentage of net revenues	24.8%	25.1%	(0.3%)	

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008 Expenses	2007 Expenses	Change	% Change
Marketing and selling	$105,586	$108,199	($2,613)	(2.4%)
As a percentage of net revenues	25.1%	24.4%	0.7%	

The decrease in marketing and selling expenses for the three-month period ended June 30, 2008, compared to the same period in 2007, was largely due to decreased advertising, tradeshow and other promotional expenses, as well as favorable foreign exchange translations, and, to a lesser extent, decreased bad debt expenses. These decreases were partially offset by increased personnel-related costs. The decrease in advertising, tradeshow and other promotional expenses was $1.9 million, primarily due to decreased trade show expenses, and the increase in personnel-related costs was $0.8 million, primarily due to increased salaries and bonus accruals, for the three-month period ended June 30, 2008, compared to the same period in 2007. Also in the first three months of 2008, net foreign exchange gains (specifically, remeasurement gains and losses on net monetary assets denominated in foreign currencies, offset by hedging gains and losses), which are included in marketing and selling expenses, were $0.9 million, compared to net foreign exchange losses of $0.2 million in the first three months of 2007. The decrease in marketing and selling expenses as a percentage of revenues for the three-month period ended June 30, 2008 was the result of the decrease in expenses for the period compared to the same period in 2007.

The decrease in marketing and selling expenses for the six-month period ended June 30, 2008, compared to the same period in 2007, was largely due to decreased advertising, tradeshow and other promotional expenses, as well as favorable foreign exchange translations, and, to a lesser extent, decreased bad debt and demonstration equipment expenses. These decreases were partially offset by increased personnel-related costs. The decrease in advertising, tradeshow and other promotional expenses was $3.1 million, primarily due to decreased trade show expenses, and the increase in personnel-related costs was $2.7 million, primarily due to increased salaries and bonus accruals, for the six-month period ended June 30, 2008, compared to the same period in 2007. Also in the first six months of 2008, net foreign exchange gains (specifically, remeasurement gains and losses on net monetary assets denominated in foreign currencies, offset by hedging gains and losses), which are included in marketing and selling expenses, were $1.7 million, compared to net foreign exchange losses of $0.3 million in the first six months of 2007. The increase in research and development expenses as a percentage of revenues for the six-month period ended June 30, 2008 was the result of the decrease in revenues for the period compared to the same period in 2007.

General and Administrative

General and administrative expenses consist primarily of employee salaries 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.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008 Expenses	2007 Expenses	Change	% Change
General and administrative	$19,492	$17,698	$1,794	10.1%
As a percentage of net revenues	8.7%	7.9%	0.8%	

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008 Expenses	2007 Expenses	Change	% Change
General and administrative	$41,435	$35,550	5,885	16.6%
As a percentage of net revenues	9.8%	8.0%	1.8%	

The increase in general and administrative expenses for the three-month period ended June 30, 2008, compared to the same period in 2007, was primarily due to increased consulting and outside services costs, as well as higher personnel-related costs, partially offset by decreased legal settlements of $1.0 million. The consulting and outside services costs increased $1.6 million for the three-month period ended June 30, 2008, compared to the same period in 2007, largely as a result of consulting costs related to the strategic review and transformation of our business. Personnel-related costs increased $1.4 million for the three-month period ended June 30, 2008, compared to the same period in 2007, primarily due to management transition expenses, including executive severance, and increased accruals for our company bonus plan in the second quarter of 2008. The increase in general and administrative expenses as a percentage of revenues for the three-month period ended June 30, 2008 was largely the result of the increase in expenses for the period compared to the same period in 2007.

The increase in general and administrative expenses for the six-month period ended June 30, 2008, compared to the same period in 2007, was primarily due to increased consulting and outside services costs, as well as higher personnel-related costs, partially offset by decreased legal settlements of $1.0 million. The consulting and outside services costs increased $3.8 million for the six-month period ended June 30, 2008, compared to the same period in 2007, largely as a result of consulting costs related to the strategic review and transformation of our business. Personnel-related costs increased $2.6 million for the six-month period ended June 30, 2008, compared to the same period in 2007, primarily due to management transition expenses, including executive severance, and increased accruals for our company bonus plan in the first six months of 2008. The increase in general and administrative expenses as a percentage of revenues for the six-month period ended June 30, 2008 was largely the result of the increase in expenses for the period compared to the same period in 2007.

Amortization of Intangible Assets

Intangible assets result from acquisitions and include developed technology, customer-related intangibles, trade names and other identifiable intangible assets with finite lives. With the exception of developed technology, these intangible assets are amortized using the straight-line method. Developed technology is amortized over the greater of (1) the amount calculated using the ratio of current quarter revenues to the total of current quarter and anticipated future revenues over the estimated useful life of the developed technology, and (2) the straight-line method over each developed technology's remaining useful life. Amortization of developed technology is recorded within cost of revenues. Amortization of customer-related intangibles, trade names and other identifiable intangible assets is recorded within operating expenses.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008	2007	Change	% Change
Amortization of intangible assets recorded in cost of revenues	$2,270	$4,761	($2,491)	(52.3%)
Amortization of intangible assets recorded in operating expenses	3,323	3,431	(108)	(3.1%)
Total amortization of intangible assets	$5,593	$8,192	($2,599)	(31.7%)
Total amortization of intangible assets as a percentage of net revenues	2.5%	3.6%	(1.1%)	

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008	2007	Change	% Change
Amortization of intangible assets recorded in cost of revenues	$ 5,524	$ 9,233	($3,709)	(40.2%)
Amortization of intangible assets recorded in operating expenses	6,710	6,863	(153)	(2.2%)
Total amortization of intangible assets	$12,234	$16,096	($3,862)	(24.0%)
Total amortization of intangible assets as a percentage of net revenues	2.9%	3.6%	(0.7%)	

The decreases in amortization of intangible assets for the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, were primarily the result of the completion during 2007 of the amortization of certain developed technologies related to our acquisition of Pinnacle in 2005.

Restructuring Costs, Net

During the quarter ended March 31, 2008, we initiated restructuring plans within our Professional Video business unit and corporate operations to eliminate duplicative business functions and improve operational efficiencies. During the quarter ended March 31, 2008, we recorded restructuring charges of $1.2 million under these plans related to employee termination costs for 20 employees, primarily in the marketing and selling teams and general and administrative teams. During the quarter ended June 30, 2008, we recorded restructuring charges of $1.0 million under these plans primarily related to employee termination costs for 26 employees, primarily in the research and development teams and sales and marketing teams. We expect to incur total expenses, representing cash expenditures, related to these restructurings of $3 million to $4 million and anticipate that we will complete the restructurings by December 31, 2008. We expect annual cost savings of between $4 million and $5 million to result from actions taken under these restructuring plans.

During 2007, we implemented restructuring plans within our Professional Video and Consumer Video business units, as well as corporate operations, that resulted in restructuring charges of $12.2 million. The purpose of these restructuring plans was to eliminate duplicative business functions, improve operational efficiencies and align key business skill sets with future opportunities. During the first six months of 2008, we revised our previous estimated liability for the 2007 restructuring plans and recorded in our statement of operations restructuring recoveries of $0.1 million.

Interest and Other Income (Expense), Net

Interest and other income (expense), net, generally consists of interest income, interest expense and equity in income of a non-consolidated company.

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008	**2007**	**Change**	**% Change**
Interest and other income (expense), net	$617	$2,023	($1,406)	(69.5%)
As a percentage of net revenues	0.3%	0.9%	(0.6%)	

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)			
	2008	**2007**	**Change**	**% Change**
Interest and other income (expense), net	$2,098	$3,918	($1,820)	(46.5%)
As a percentage of net revenues	0.5%	0.9%	(0.4%)	

The decreases in other income and expense for the three- and six-month periods ended June 30, 2008, compared to the same periods in 2007, were primarily the result of decreased interest income due to lower average cash balances, as well as lower interest rates paid on the cash balances.

Provision for (Benefit from) Income Taxes, Net

	Three Months Ended June 30, 2008 and 2007 (dollars in thousands)		
	2008	**2007**	**Change**
Provision for income taxes, net	1,355	$547	$808
As a percentage of net revenues	0.6%	0.2%	0.4%

	Six Months Ended June 30, 2008 and 2007 (dollars in thousands)		
	2008	**2007**	**Change**
Provision for (benefit from) income taxes, net	1,306	($2,821)	$4,127
As a percentage of net revenues	0.3%	(0.6%)	0.9%

Our effective tax rate, which represents our tax provision as a percentage of loss before income taxes, was (4%) for the six-month period ended June 30, 2008. Our effective tax rate, which represents our tax benefit as a percentage of loss before income taxes, was 32% for the six-month period ended June 30, 2007. The primary reasons for the change from a tax benefit to a tax provision were a discrete tax benefit of $3.0 million from the favorable settlement of a Canadian research and development credit audit and a discrete tax benefit of $1.0 million from the release of a deferred tax liability in our German entity, both occurring in the first quarter of 2007, and other net discrete tax provisions of $0.6 million for tax return provision differences identified in the second quarter of 2008. These amounts were partially offset by a discrete tax benefit of approximately $0.5 million from the favorable settlement of a United Kingdom tax audit occurring in the first quarter of 2008.

Excluding the impact of our valuation allowance, our effective tax rates would have been 35% and 61%, respectively, for the six-month periods ended June 30, 2008 and 2007. These rates may differ from the federal statutory rate of 35% due to the net benefits recorded for discrete tax items, the impact of permanent differences in

the United States and the mix of income and losses in foreign jurisdictions, which have tax rates that differ from the statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

Current Cash Flows and Commitments

We have funded our operations in recent years through cash flows from operations and stock option exercises. As of June 30, 2008, our principal sources of liquidity included cash, cash equivalents and marketable securities totaling $138.5 million.

Net cash provided by operating activities was $14.3 million for the six months ended June 30, 2008, compared to $22.6 million for the same period in 2007. For the six months ended June 30, 2008, net cash provided by operating activities primarily reflected our net loss adjusted for depreciation and amortization and stock-based compensation expense, as well as changes in working capital items, in particular a decrease in accounts receivable, partially offset by increases in inventories and prepaid assets and a decrease in accrued liabilities. For the six months ended June 30, 2007, net cash provided by operating activities primarily reflected our net loss adjusted for depreciation and amortization and stock-based compensation, as well as changes in working capital items, in particular a decrease in inventories and an increase in deferred revenues, partially offset by an increase in prepaid expenses and other current assets and a decrease in accrued liabilities.

Accounts receivable decreased by $24.6 million to $114.1 million at June 30, 2008 from $138.7 million at December 31, 2007. These balances are net of allowances for sales returns, bad debts and customer rebates, all of which we estimate and record based primarily on historical experience. Accounts receivable decreased as a result of a decrease in revenues, as well as improved collections in the second quarter of 2008, compared to the fourth quarter of 2007. Days sales outstanding in accounts receivable decreased from 48 days at December 31, 2007 to 46 days at June 30, 2008.

At June 30, 2008 and December 31, 2007, we held inventory in the amounts of $120.7 million and $117.3 million, respectively. These balances include stockroom, spares and demonstration equipment inventories at various locations, as well as inventory at customer sites related to shipments for which we had not yet recognized revenue. The increase of approximately $3.4 million primarily resulted from changes in product mix from those forecasted for the second quarter of 2008, as well as increased product inventories to support the release of new products in the second quarter of 2008. We review all inventory balances regularly for excess quantities or potential obsolescence and make appropriate adjustments as needed to write down the inventories to reflect their estimated realizable value. We source inventory products and components pursuant to purchase orders placed from time to time.

Net cash flow used in investing activities was $2.7 million for the six months ended June 30, 2008, compared to $17.2 million provided by investing activities for the same period in 2007. The net cash flow used in investing activities for the six months ended June 30, 2008 primarily reflected $8.5 million used for the purchase of property and equipment, partially offset by net proceeds of $6.8 million resulting from the timing of the sale and purchase of marketable securities. The net cash flow provided by investing activities for the six months ended June 30, 2007 primarily reflected net proceeds of $32.9 million resulting from the timing of the sale and purchase of marketable securities, partially offset by $14.7 million used for the purchase of property and equipment. Property and equipment purchases in both periods consisted primarily of computer hardware and software to support our research and development activities and information systems.

During the six months ended June 30, 2008, cash used in financing activities was $92.0 million, compared to $19.5 million for the same period in 2007. The cash used in financing activities in 2008 was the result of $93.2 million used for our stock repurchase program in the first quarter of 2008, partially offset by proceeds from the exercise of stock options and purchases under our employee stock purchase plan. During the six months ended June 30, 2007, the cash used in financing activities was the result of $23.7 million used for our stock repurchase program, partially offset by proceeds from the exercise of stock options and purchases under our employee stock purchase plan.

A stock repurchase program was approved by our board of directors and publicly announced on April 26, 2007. Under this program, we were authorized to repurchase up to $100 million of our common stock through transactions on the open market, in block trades or otherwise. The program has no expiration date. On February 27, 2008, we announced our board of directors' approval of a $100 million increase in authorized funds for the repurchase of our common stock under this program. During 2007, we repurchased 809,236 shares of our common stock under the program for a total purchase price, including commissions, of $26.6 million. During the three months ended March 31, 2008, we repurchased an additional 4,254,397 shares of our common stock for a total purchase price, including commissions, of $93.2 million, leaving $80.3 million authorized for future repurchases. There were no additional repurchases of our common stock during the three months ended June 30, 2008. The stock repurchase program is being funded through working capital.

In connection with non-acquisition-related restructuring activities during 2008 and prior periods, as of June 30, 2008, we had restructuring accruals of $2.3 million and $1.1 million related to lease and severance obligations, respectively. Our future cash obligations for leases for which we have vacated the underlying facilities total approximately $7.6 million. The lease accrual represents the excess of our lease commitments on the vacated space over expected payments to be received on subleases of such facilities. The lease payments will be made over the remaining terms of the leases, which have varying expiration dates through 2011, unless we are able to negotiate earlier terminations. The severance payments will be made during the next 12 months. All payments related to restructuring actions are expected to be funded through working capital. See Note 14 of the unaudited condensed consolidated financial statements in Item 1 of this report for the restructuring costs and accruals activity for the six months ended June 30, 2008.

In connection with our Pinnacle acquisition in 2005, we recorded restructuring accruals totaling $14.4 million related to severance ($10.0 million) and lease or other contract terminations ($4.4 million). In connection with our January 2006 Medea acquisition, we recorded $0.7 million for severance obligations and $0.5 million for lease termination costs. As of June 30, 2008, we had future cash obligations of approximately $0.8 million under leases for which we had vacated the underlying facilities and restructuring accruals of $1.4 million related to acquisition-related lease obligations. The lease payments will be made over the remaining terms of the leases, which have varying expiration dates through 2010.

Our cash requirements vary depending upon factors such as our growth, capital expenditures, acquisitions of businesses or technologies and obligations under restructuring plans. We believe that our existing cash, cash equivalents, marketable securities and funds generated from operations will be sufficient to meet our operating cash requirements for at least the next twelve months. In the event that we require additional financing, we believe that we will be able to obtain such financing; however, there can be no assurance that we would be successful in doing so or that we could do so on favorable terms.

Fair Value Inputs

We adopted SFAS No. 157, *Fair Value Measurements*, and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. We elected not to measure any additional financial instruments or other items at fair value.

We value our cash and investment instruments using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. See Note 3 to our unaudited condensed consolidated financial statements included in Item 1 of this report for disclosure of the fair values and the inputs used to determine the fair values of our financial assets and financial liabilities.

RECENT ACCOUNTING PRONOUNCEMENTS

See Notes 3 and 15 to our unaudited condensed consolidated financial statements included in Item 1 of this report for disclosure of the impact that recent accounting pronouncements have had or may have on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have significant international operations and, therefore, our revenues, earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated receivables, payables, sales transactions and net investments in foreign operations.

We 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 risks that changes in foreign currency could adversely impact our revenues, net income and cash flow. To hedge against the foreign exchange exposure of certain forecasted receivables, payables and cash balances, we enter into short-term foreign currency forward contracts. There are two objectives of our foreign currency forward-contract program: (1) to offset any foreign exchange currency risk associated with cash receipts expected to be received from our customers over the next 30-day period and (2) to offset the impact of foreign currency exchange on our net monetary assets denominated in currencies other than the functional currency of the legal entity. These forward contracts typically mature within 30 days of execution. We record gains and losses associated with currency rate changes on these contracts in results of operations, offsetting gains and losses on the related assets and liabilities. The success of this hedging program depends on forecasts of transaction activity in the various currencies and contract rates versus financial statement rates. To the extent these forecasts are overstated or understated during periods of currency volatility, we could experience unanticipated currency gains or losses.

At June 30, 2008, we had foreign currency forward contracts outstanding with an aggregate notional value of $51.7 million, denominated in the euro, British pound and Canadian dollar, as a hedge against actual and forecasted foreign currency denominated receivables, payables and cash balances. The mark-to-market effect associated with these contracts was a net unrealized loss of $48 thousand at June 30, 2008. For the six months ended June 30, 2008, net losses of $2.6 million resulting from forward contracts were included in results of operations, offset by $4.3 million of net transaction and remeasurement gains on the related assets and liabilities.

A hypothetical 10% change in foreign currency rates would not have a material impact on our results of operations, assuming the above-mentioned forecast of foreign currency exposure is accurate, because the impact on the forward contracts as a result of a 10% change would at least partially offset the impact on the asset and liability positions of our foreign subsidiaries.

Interest Rate Risk

At June 30, 2008, we held $138.5 million in cash, cash equivalents and marketable securities, including short-term corporate obligations, asset-backed securities and government-agency obligations. Marketable securities are classified as “available for sale” and are recorded on the balance sheet at market value, with any unrealized gain or loss recorded in other comprehensive income (loss). A hypothetical 10% increase or decrease in interest rates would not have a material impact on the fair market value of these instruments due to their short maturities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2008. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Security and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2008, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting occurred during the fiscal quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are 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 commercial, employment, piracy prosecution and other matters. We do not believe these matters will have a material adverse effect on our financial position or results of operations. However, our financial position or results of operations may be negatively impacted by the unfavorable resolution of one or more of these proceedings.

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, 2007 in addition to the other information included or incorporated by reference in this quarterly report 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.

During the three months ended June 30, 2008, there were no material changes to the risk factors that were disclosed in Part 1 - Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007.

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

We held our annual meeting of stockholders on May 21, 2008. At the meeting, Elizabeth M. Daley and Youngme E. Moon were re-elected as Class III Directors. The vote with respect to each nominee is set forth below:

	Total Vote For Each Director	Total Vote Withheld From Each Director
Ms. Daley	29,496,334	4,760,593
Dr. Moon	29,492,266	4,764,661

The additional directors whose terms of office continued after the meeting were George H. Billings, Gary G. Greenfield, Nancy Hawthorne, Louis Hernandez, Jr. and John H. Park.

At the meeting, the stockholders also approved an amendment to our Second Amended and Restated 1996 Employee Stock Purchase Plan to increase from 1,700,000 to 2,500,000 the number of shares of common stock authorized for issuance under the plan by a vote of 30,828,520 shares for, 113,829 shares against, 10,701 shares abstaining, and 3,303,877 broker non-votes. The stockholders also approved our Amended and Restated 2005 Stock Incentive Plan by a vote of 17,484,326 shares for, 13,457,020 shares against, 11,703 shares abstaining, and 3,303,878 broker non-votes.

In addition, the stockholders ratified the selection of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008 by a vote of 34,189,124 shares for, 49,447 shares against and 18,355 shares abstaining.

ITEM 6. EXHIBITS

The list of exhibits, which are filed or furnished with this report or which 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.

Date: August 7, 2008

By: /s/ Ken Sexton
Ken Sexton
Executive Vice President, Chief Financial Officer and
Chief Administrative Officer
(Principal 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	Amended and Restated 2005 Stock Incentive Plan	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			

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

Exhibit 10.1

Avid Technology, Inc.

Amended and Restated 2005 Stock Incentive Plan

1. Purpose

The purpose of this Amended and Restated 2005 Stock Incentive Plan (the "Plan") of Avid Technology, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align their interests with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code") and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the "Board").

2. Eligibility

All of the Company's employees, officers, directors, consultants and advisors are eligible to receive options, stock appreciation rights ("SARs"), restricted stock, restricted stock units and other stock-based awards (each, an "Award") under the Plan. Each person who receives an Award under the Plan is deemed a "Participant."

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). All references in the Plan to the "Board" shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Awards (subject to any limitations under the Plan) to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of the Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the officers may grant; provided further, however, that no officer shall be authorized to grant Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or to any "officer" of the Company (as defined by Rule 16a-1 under the Exchange Act). Notwithstanding the above, the Board may not delegate to one or more officers of the Company the power to grant restricted stock to employees of the Company or any of its present or future subsidiary corporations unless explicitly permitted by applicable law.

4. Stock Available for Awards

(a) Number of Shares; Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 10, Awards may be made under the Plan for up to (A) 8,000,000 shares of common stock, $.01 par value per share, of the Company (the "Common Stock") plus (B) such additional number of shares of Common Stock (up to 1,718,000 shares) as is equal to the sum of (x) the number of shares of Common Stock reserved for issuance under the Company's 1993 Director Stock Option Plan, 1998 Stock Option Plan, Amended and Restated 1999 Stock Option Plan and the 2002 Midiman Stock Option/Stock Issuance Plan, (the "Existing Plans") that remain available for grant under the Existing Plans immediately prior to the Effective Date (as defined in Section 12(c)) and (y) the number of shares of Common Stock subject to awards granted under the Existing Plans which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options (as defined in Section 5(b)) to any limitations of the Code). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan,

(i) all shares of Common Stock covered by independent SARs shall be counted against the number of shares available for the grant of Awards; provided, however, that independent SARs that may be settled in cash only shall not be so counted;

(ii) if any Award (A) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (B) results in any Common Stock not being issued (including as a result of an independent SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; provided, however, in the case of Incentive Stock Options, the foregoing shall be subject to applicable limitations under the Code; and

provided further, in the case of independent SARs, that the full number of shares subject to any stock-settled SAR shall be counted against the shares available under the Plan regardless of the number of shares actually used to settle such SAR upon exercise;

(iii) shares of Common Stock tendered to the Company by a Participant to (A) purchase shares of Common Stock upon the exercise of an Award or (B) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and

(iv) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Sub-limits.

(1) Section 162(m) Per-Participant Limit. Subject to adjustment under Section 10, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with a SAR (as each is hereafter defined) shall be treated as a single Award. The per-Participant limit described in this Section 4(b)(1) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ("Section 162(m)").

(2) Limits on Awards other than Options and SARS. The maximum number of shares with respect to which Awards other than Options and SARS may be granted shall be 2,000,000.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option that is not intended to be an Incentive Stock Option shall be designated a "Nonstatutory Stock Option."

(b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of Avid Technology, Inc., any of Avid Technology, Inc.'s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or for any action taken by the Board, including without limitation the conversion of an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify such exercise price in the applicable option agreement; provided, however, that the exercise price shall not be less than 100% of the Fair Market Value (as defined in Section 5(h)(3)) at the time the Option is granted. Should

the Board approve the grant of an Option with an exercise price to be determined on a future date, the exercise price shall not be less than 100% of the Fair Market Value on such future date.

(d) Limitation on Repricing. Unless such action is approved by the Company's stockholders: (1) no outstanding Option granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option (other than adjustments pursuant to Section 10) and (2) the Board may not cancel any outstanding option and grant in substitution therefore new Awards under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option.

(e) No Reload Rights. No Option granted under the Plan shall contain any provision entitling the optionee to the automatic grant of additional Options in connection with any exercise of the original Option.

(f) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; provided, however, that, following the Effective Date, no Option will be granted for a term in excess of seven years.

(g) Exercise of Option. Options may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board together with payment in full as specified in Section 5(h) for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company following exercise as soon as practicable.

(h) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may otherwise provide in an option agreement, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) when the Common Stock is registered under the Securities Exchange Act of 1934 (the "Exchange Act"), by delivery of shares of Common Stock owned by the Participant valued at their Fair Market Value (as defined in this subsection), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements. "Fair Market Value" of a share of Common Stock, as of any date, for purposes of the Plan will be determined as follows: (i) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of determination; (ii) if the Common Stock does not trade on any such exchange, the

average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) on the date of determination; or (iii) if the Common Stock is not publicly traded, the Board will determine the Fair Market Value for purposes of the Plan using any measure of value it determines to be appropriate (including relying on appraisals) in a manner consistent with the valuation principles under Code Section 409A, except as the Board or Committee may expressly determine otherwise. For any date that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day and with the timing in clauses (i) through (iii) above adjusted accordingly. The Board may substitute a particular time of day or other measure of "closing sale price" or "bid and asked prices" if appropriate because of exchange or market procedures or may, it its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A. The Board has sole discretion to determine the Fair Market Value for purposes of this Plan, and all Awards are conditioned on the Participant's agreement that the Board's determination is conclusive and binding even though others might make a different determination;

(4) to the extent permitted by applicable law and by the Board, by payment of such other lawful consideration as the Board may determine; or

(5) by any combination of the above permitted forms of payment.

(i) Substitute Options. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Options in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Options may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Options contained in the other sections of this Section 5 or in Section 2.

6. Director Awards

(a) Initial Grant. Upon the commencement of service on the Board by any individual who is an "Outside Director" (as defined in this subsection), the Company shall grant to such person (1) a Nonstatutory Stock Option to purchase up to 15,000 shares of Common Stock (subject to adjustment under Section 10), (2) a Restricted Stock Award (as defined in Section 8(a)) that entitles such member to receive up to 7,500 shares of Common Stock (subject to adjustment under Section 10) or (3) a combination of a Nonstatutory Stock Option and a Restricted Stock Award, provided that the sum of (i) the number of shares of Common Stock that such member is entitled to purchase pursuant to the Nonstatutory Stock Option plus (ii) two multiplied by the number of shares of Common Stock that such member is entitled to receive pursuant to the Restricted Stock Award does not exceed 15,000 (subject to adjustment under Section 10). An "Outside Director" is a member of the Board who is not then (i) an employee of the Company or any subsidiary of the Company, (ii) the beneficial owner of 10% or more of the outstanding Common Stock of the Company (a "Significant Stockholder") or (iii) a stockholder, member or partner of a Significant Stockholder.

(b) Annual Grant. On the date of each annual meeting of stockholders of the Company, the Company shall grant to each Outside Director who (1) has served as a director of the Company for at least six months prior to such annual meeting and (2) is serving as a director of the Company immediately following such annual

meeting, (i) a Nonstatutory Stock Option to purchase up to 15,000 shares of Common Stock (subject to adjustment under Section 10), (ii) a Restricted Stock Award that entitles such member to receive up to 7,500 shares of Common Stock (subject to adjustment under Section 10) or (iii) a combination of a Nonstatutory Stock Option and a Restricted Stock Award, provided that the sum of (A) the number of shares of Common Stock that such member is entitled to purchase pursuant to the Nonstatutory Stock Option plus (B) two multiplied by the number of shares of Common Stock that such member is entitled to receive pursuant to the Restricted Stock Award does not exceed 15,000 (subject to adjustment under Section 10).

(c) Terms of Director Options. Options granted under this Section 6 shall:

(1) have an exercise price equal to Fair Market Value on the date of grant;

(2) vest in full on the First Anniversary (as defined in Section 6(f)) of the date of grant provided that the individual is serving on the Board on such date, provided that no additional vesting shall take place after the Participant ceases to serve as a director and further provided that the Board may provide for accelerated vesting in the case of: (i) death or disability of the Participant; (ii) attainment of mandatory retirement age or retirement following at least seven years of service; (iii) a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company; or (iv) any other nonrecurring significant event affecting the Company, a Participant or the Plan;

(3) expire on the earlier of:

(i) ten years from the date of grant or three months following cessation of service on the Board, if such Option was granted on or before the Effective Date; or

(ii) seven years from the date of grant or twelve months following cessation of service on the Board, if such Option was granted after the Effective Date; and

(4) contain such other terms and conditions as the Board shall determine.

(d) Limitations on Restricted Stock Vesting.

(1) Except as set forth in Section 6(d)(2) below, Restricted Stock Awards (as defined in Section 8(a)) granted pursuant to this Section 6 shall not vest prior to the First Anniversary of the date of grant.

(2) The Board may, in its discretion, either at the time a Restricted Stock Award is made or at any time thereafter, waive its right to repurchase shares of Common Stock (or waive the forfeiture thereof) or remove or modify any part or all of the restrictions applicable to the Restricted Stock Award, provided that the Board may only exercise such rights in extraordinary circumstances which shall include, without limitation, death or disability of the Participant; attainment of mandatory retirement age or retirement following at least seven years of service; a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company; or any other nonrecurring significant event affecting the Company, a Participant or the Plan.

(e) Limitations on Awards to Outside Directors. Outside Directors may only be granted Awards under the Plan pursuant to, and subject to the limitations set forth in, this Section 6 of the Plan.

(f) Annual Meetings. For Awards granted on the date of an annual meeting of stockholders of the Company pursuant to this Section 6: the term "First Anniversary" shall mean the earlier of (1) the first anniversary of the date of grant or (2) the business day prior to the date of the next annual meeting of stockholders of the Company to be held after the date of grant.

7. Stock Appreciation Rights

(a) General. A SAR is an Award entitling the holder, upon exercise, to receive an amount in Common Stock determined in whole or in part by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock. SARs may be based solely on appreciation in the Fair Market Value of Common Stock or on a comparison of such appreciation with some other measure of market growth such as (but not limited to) appreciation in a recognized market index. The date as of which such appreciation or other measure is determined shall be the exercise date unless another date is specified by the Board in the SAR Award.

(b) Grants. SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) Tandem Awards. When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event) and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) Independent SARs. A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

(c) Exercise Price. The Board shall establish the exercise price of each SAR and specify such price in the applicable SAR agreement. The exercise price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; provided that if the Board approves the grant of a SAR with an exercise price to be determined on a future date, the exercise price shall not be less than 100% of the Fair Market Value on such future date.

(d) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; provided, however, that, following the Effective Date, no SAR will be granted for a term in excess of seven years.

(e) Exercise of SARs. SARs may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board, together with any other documents required by the Board.

(f) Limitation on Repricing. Unless such action is approved by the Company's stockholders: (1) no outstanding SAR granted under the Plan may be amended to provide a exercise price per share that is lower than the then-current exercise price per share of such outstanding SAR (other than adjustments pursuant to Section 10) and (2) the Board may not cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having a exercise price per share lower than the then-current exercise price per share of the cancelled SAR.

8. Restricted Stock; Restricted Stock Units

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ("Restricted Stock"), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. Instead of granting Awards for Restricted Stock, the Board may grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ("Restricted Stock Units") (Restricted Stock and Restricted Stock Units are each referred to herein as a "Restricted Stock Award").

(b) Limitations on Vesting.

(1) Restricted Stock Awards that vest solely based on the passage of time shall not vest prior to the first anniversary of the date of grant. This subsection (b)(1) shall not apply to Performance Awards granted pursuant to Section 11(i).

(2) Notwithstanding any other provision of this Plan, the Board may, in its discretion, either at the time a Restricted Stock Award is made or at any time thereafter, waive its right to repurchase shares of Common Stock (or waive the forfeiture thereof) or remove or modify any part or all of the restrictions applicable to the Restricted Stock Award, provided that the Board may only exercise such rights in extraordinary circumstances which shall include, without limitation, death or disability of the Participant; estate planning needs of the Participant; a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company; or any other nonrecurring significant event affecting the Company, a Participant or the Plan.

(c) Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any.

(d) Additional Provisions Relating to Restricted Stock.

(1) Stock Certificates. The Company may require that any stock certificates issued in respect of Restricted Stock shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, "Designated Beneficiary" shall mean the Participant's estate.

(2) Dividends. Participants holding shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such shares, unless otherwise provided by the Board. Unless otherwise provided by the Board, if any dividends or distributions are paid in shares, or consist of a dividend or distribution to holders of Common Stock other than an ordinary cash dividend, the shares, cash or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. Each dividend payment will be made no later than the end of the calendar year in which the dividends are paid to shareholders of that class of stock or, if later, the 15th day of the third month following the date the dividends are paid to shareholders of that class of stock.

(e) Additional Provisions Relating to Restricted Stock Units.

(1) Settlement. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant.

(2) Voting Rights. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) Dividend Equivalents. To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ("Dividend Equivalents"). Dividend Equivalents may be paid currently or credited to an account for the Participants, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, as determined by the Board in its sole discretion, subject in each case to such terms and conditions as the Board shall establish, in each case to be set forth in the applicable Award agreement.

9. Other Stock-Based Awards

(a) General. Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ("Other Stock-Based Awards"), including without limitation Awards entitling recipients to receive shares of Common Stock to be delivered in the future. Such Other Stock-Based Awards

shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine.

(b) Terms and Conditions. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Awards, including any purchase price applicable thereto.

(c) Limitations on Vesting.

(1) Other Stock-Based Awards shall not vest prior to the first anniversary of the date of grant. This subsection (c)(1) shall not apply to Other Stock-Based Awards granted pursuant to Section 11(i).

(2) Notwithstanding any other provision of this Plan, the Board may, in its discretion, either at the time an Other Stock-Based Award is made or at any time thereafter, remove or modify any part or all of the restrictions applicable to the Other Stock-Based Award, provided that the Board may only exercise such rights in extraordinary circumstances which shall include, without limitation, death or disability of the Participant;, estate planning needs of the Participant; a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company; or any other nonrecurring significant event affecting the Company, a Participant or the Plan.

10. Adjustments for Changes in Common Stock and Certain Other Events

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (1) the number and class of securities available under this Plan, (2) the sub-limits in Section 4(b) and share counting rules set forth in Section 4(a)(2), (3) each Award limit under Section 6, (4) the number and class of securities and exercise price per share of each outstanding Option, (5) the share- and per-share provisions and the exercise price of each SAR, (6) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (7) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A "Reorganization Event" shall mean: (i) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (ii) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (iii) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Awards of Restricted Stock. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Awards of Restricted Stock on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to a Participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant's Awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding Awards and any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 10(b), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) Consequences of a Reorganization Event on Awards of Restricted Stock . Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding Award of Restricted Stock shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Award of Restricted Stock. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Award of Restricted Stock or any other agreement between a Participant and the Company, all restrictions and conditions on all Awards of Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

11. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; provided, however, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such Award under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the Participant and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. Subject to any other limitations applicable to Awards contained herein, the Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. Each Participant must satisfy all applicable federal, state, and local or other income and employment withholding obligations before the Company will deliver stock certificates or otherwise

recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise or release from forfeiture of an Award or, if the Company so requires, at the time of payment of the exercise price. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, that except as otherwise provided by the Board, such withholding may not exceed the Company's minimum statutory withholding obligations (based on applicable minimum statutory withholding rates for federal and state tax purposes, including payroll taxes). Shares surrendered to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment of Award. Except as otherwise provided in Section 5(d) and 7(f) with respect to repricings, Sections 6(d), 8(b) and 9(c) with respect to the vesting of Restricted Stock Awards and other Stock-Based Awards, Section 11(i) with respect to Performance Awards or Section 12(d) with respect to actions requiring shareholder approval, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (1) the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant's rights under the Plan or (2) the change is permitted under Section 10 hereof.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (1) all conditions of the Award have been met or removed to the satisfaction of the Company, (2) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (3) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. Except as otherwise provided in Sections 6(c), 6(d), 8(b) and 9(c), the Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

(i) Performance Awards.

(1) Grants. Restricted Stock Awards and Other Stock-Based Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 11(i) ("Performance Awards"), subject to the limits in Section 4(b) on shares covered by such grants.

(2) Committee. Grants of Performance Awards to any Covered Employee (as defined in this subsection) intended to qualify as "performance-based compensation" under Section 162(m) ("Performance-Based Compensation") shall only be made by a Committee (or subcommittee of a Committee) comprised solely of two or more directors eligible to serve on a committee making Awards qualifying as "performance-based compensation" under Section 162(m). In the case of such Awards granted to Covered Employees, references to the Board or to a Committee shall be deemed to be references to such Committee or subcommittee. "Covered Employee" shall mean any person who is, or whom the Committee, in its discretion, determines may be, a covered employee under Section 162(m)(3) of the Code.

(3) Performance Measures. For any Award that is intended to qualify as Performance-Based Compensation, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more objective performance measures established by the Committee, which shall be based on the relative or absolute attainment of specified levels of one or any combination of the following: earnings (which may include earnings before interest and taxes, earnings before taxes, earnings before or after discontinued operations, and net earnings, and may be determined in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") or adjusted to exclude any or all non-GAAP items); earnings per share (on a GAAP or non-GAAP basis); operating profit before or after discontinued operations and/or taxes; operating expenses or operating expenses as a percentage of revenue; revenues (on an absolute basis or adjusted for currency effects); revenue growth; earnings growth; cash flow or cash position; gross margins; stock price; return on equity or average stockholders' equity; total stockholder return; growth in stockholder value relative to the moving average of the S&P 500 Index or another index; return on capital; return on assets or net assets; return on investment; market share; improvement of financial ratings; achievement of balance sheet or income statement objectives or total shareholder return (all of the foregoing measures may be absolute in their terms or measured against or in relationship to other companies or benchmarks); contract awards or backlog; overhead or other expense reduction; credit rating; customer indicators; new product invention or innovation; attainment of research and development milestones; improvements in productivity; attainment of objective operating goals and employee metrics. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the write-down of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (i) may vary by Participant and may be different for different Awards; (ii) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee; and (iii) shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Awards that are not intended to qualify as Performance-Based Compensation may be based on these or such other performance measures as the Board may determine.

(4) Adjustments. Notwithstanding any provision of the Plan, with respect to any Performance Award that is intended to qualify as Performance-Based Compensation, the Committee may adjust downwards, but not upwards, the cash or number of Shares payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance measures except in the case of the death or disability of the Participant or a change in control of the Company.

(5) Other. The Committee shall have the power to impose such other restrictions on Performance Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Performance-Based Compensation.

12. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the "Effective Date"). No Awards shall be granted under the Plan after the expiration of ten years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that (1) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until such amendment shall have been approved by the Company's stockholders if required by Section 162(m) (including the vote required under Section 162(m)); (2) no amendment that would require stockholder approval under the rules of the NASDAQ Stock Market ("NASDAQ") may be made effective unless and until such amendment shall have been approved by the Company's stockholders; and (3) if the NASDAQ amends its corporate governance rules so that such rules no longer require stockholder approval of NASDAQ "material amendments" to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 10), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless stockholder approval is obtained. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 12(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) Provisions for Foreign Participants. The Board may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters. The Board shall establish sub plans by adopting supplements to the Plan containing (1) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (2) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

(f) Compliance with Code Section 409A. No Award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A is not so exempt or compliant or for any action taken by the Board.

(g) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

Exhibit 31.1

CERTIFICATION

I, Gary G. Greenfield, 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 7, 2008

/s/ Gary G. Greenfield
Gary G. Greenfield
Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Ken Sexton, 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 7, 2008

/s/ Ken Sexton
Ken Sexton
Executive Vice President, Chief Financial Officer and Chief Administrative 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 period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gary G. Greenfield, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Ken Sexton, Executive Vice President, Chief Financial Officer and Chief Administrative 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 7, 2008

/s/ Gary G. Greenfield
Gary G. Greenfield
Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2008

/s/ Ken Sexton
Ken Sexton
Executive Vice President and Chief Financial
Officer and Chief Administrative Officer
(Principal Financial Officer)