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

May 12, 2000

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549

Re: Avid Technology, Inc.
File No. 0-21174
Quarterly Report on Form 10-Q

Ladies and Gentlemen:

Pursuant to regulations of the Securities and Exchange Commission, submitted herewith for filing on behalf of Avid Technology, Inc. is the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000.

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

Very truly yours,

/s/ Ethan E. Jacks

Ethan E. Jacks
General Counsel

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

FORM 10-Q

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

For the Quarterly period ended March 31, 2000

Commission File Number 0-21174

AVID TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2977748
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Avid Technology Park
One Park West
Tewksbury, MA 01876
(Address of principal executive offices)

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

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).

Yes X No _____

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days.

Yes X No _____

The number of shares outstanding of the registrant's Common Stock as of May 9, 2000 was 24,730,549.

AVID TECHNOLOGY, INC.

FORM 10-Q

For the Quarterly Period Ended March 31, 2000

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2000	1999
	(unaudited)	(unaudited)
Net revenues	$108,696	$111,283
Cost of revenues	53,258	44,420
Gross profit	55,438	66,863
Operating expenses:		
Research and development	19,445	24,248
Marketing and selling	28,539	32,563
General and administrative	6,912	6,741
Amortization of acquisition-related intangible assets	19,800	20,511
Total operating expenses	74,696	84,063
Operating loss	(19,258)	(17,200)
Interest and other income, net	1,044	600
Loss before income taxes	(18,214)	(16,600)
Provision for (benefit from) income taxes	1,250	(5,146)
Net loss	($19,464)	($11,454)
Net loss per common share - basic and diluted	($0.81)	($0.47)
Weighted average common shares outstanding - basic and diluted	24,065	24,391

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

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

	March 31, 2000	December 31, 1999
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$51,970	$46,072
Marketable securities	10,124	26,733
Accounts receivable, net of allowances of $9,268 and $8,954 at March 31, 2000 and December 31, 1999, respectively	80,244	76,172
Inventories	14,258	14,969
Deferred tax assets	2,083	2,114
Prepaid expenses	8,710	5,584
Other current assets	8,494	4,795
Total current assets	175,883	176,439
Property and equipment, net	32,968	32,748
Acquisition-related intangible assets	75,260	95,073
Other assets	5,940	7,764
Total assets	$290,051	$312,024
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$20,231	$23,998
Accrued compensation and benefits	14,556	16,955
Accrued expenses	27,189	36,022
Income taxes payable	8,488	5,073
Other current liabilities	2,389	3,789
Deferred revenues	26,330	20,258
Total current liabilities	99,183	106,095
Long-term debt and other liabilities, less current portion	15,142	14,220
Purchase consideration	13,458	23,786
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock		
Common stock	266	266
Additional paid-in capital	362,247	366,569
Accumulated deficit	(155,105)	(128,083)
Treasury stock	(40,891)	(66,489)
Deferred compensation	(1,405)	(1,853)
Accumulated other comprehensive loss	(2,844)	(2,487)
Total stockholders' equity	162,268	167,923
Total liabilities and stockholders' equity	$290,051	$312,024

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

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

	Three Months Ended March 31,	
	2000	1999
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	($19,464)	($11,454)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	24,303	25,283
Provision for doubtful accounts	1,793	471
Compensation from stock grants and options	683	332
Changes in deferred tax assets		(129)
Gain on disposal of equipment		(60)
Equity in (income) loss of joint venture	(616)	558
Changes in operating assets and liabilities:		
Accounts receivable	(7,803)	17,382
Inventories	796	3,042
Prepaid expenses and other current assets	(6,894)	126
Accounts payable	(3,608)	(3,151)
Income taxes payable	3,530	(7,471)
Accrued expenses, compensation and benefits	(8,793)	(16,169)
Deferred revenues	3,689	(1,064)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(12,384)	7,696
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,690)	(4,838)
Decrease (increase) in other long-term assets	801	(4,470)
Proceeds from disposal of assets		134
Investments in non-consolidated companies	(2,100)	(1,500)
Payments on note issued in connection with acquisition		(8,000)
Purchases of marketable securities	(4,481)	(23,235)
Proceeds from sales of marketable securities	21,100	24,327
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	13,630	(17,582)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt		(225)
Purchase of common stock for treasury	(149)	(531)
Proceeds from issuance of common stock	5,008	2,546
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,859	1,790
Effects of exchange rate changes on cash and cash equivalents	(207)	(1,088)
Net increase (decrease) in cash and cash equivalents	5,898	(9,184)
Cash and cash equivalents at beginning of period	46,072	62,904
Cash and cash equivalents at end of period	$51,970	$53,720

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

PART I. FINANCIAL INFORMATION
ITEM 1D. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Avid Technology, Inc. and its wholly owned subsidiaries (collectively, "Avid" or the "Company"). These financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of only normal, recurring adjustments, necessary for their fair presentation. Interim results are not necessarily indicative of results expected for a full year. The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and footnotes necessary for a complete presentation of operations, the financial position, and cash flows of the Company, in conformity with generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 1999 on Form 10-K, which included all information and footnotes necessary for such presentation.

The Company's preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates reflected in these financial statements include accounts receivable and sales allowances, inventory valuation, the recoverability of intangible assets including goodwill, and income tax valuation allowances. Actual results could differ from those estimates.

2. NET LOSS PER COMMON SHARE

Diluted net loss per share for the three-month periods ended March 31, 2000 and 1999 excluded options and warrants to purchase 6,696,998 and 5,611,041 weighted shares of common stock outstanding, respectively. Inclusion of these options and warrants would be anti-dilutive for each of these periods.

3. INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 2000	December 31, 1999
Raw materials	$8,147	$9,896
Work in process	1,956	1,946
Finished goods	4,155	3,127
	$14,258	$14,969

4. INVESTMENT IN JOINT VENTURE

In January 1999, Avid and Tektronix formally organized a 50/50 owned and funded newsroom computer system joint venture, Avstar Systems LLC ("Avstar"). The joint venture is dedicated to providing the next generation of newsroom computer systems products by combining both companies' newsroom computer systems technology and certain personnel. In September 1999, Tektronix transferred its interest in Avstar to a third party, Grass Valley Group, Inc. The Company's initial contribution to the joint venture was approximately $2.0 million, consisting of $1.5 million of cash and $0.5 million of fixed assets and inventory. During the fourth quarter of 1999, Avstar distributed $1.5 million to each joint venture partner, which was recorded by Avid as a return on investment during 1999. The Company's investment in the joint venture is being accounted for under the equity method of accounting. The pro rata share of earnings (losses) of the joint venture recorded by the Company during the quarters ended March 31, 2000 and 1999 was approximately $0.6 million and ($0.6) million, respectively.

5. LONG-TERM DEBT AND OTHER LIABILITIES

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

In connection with the acquisition of Softimage, the Company issued stock options to retained employees. As agreed with Microsoft, the value of the Note will be increased by $39.71 for each share underlying forfeited employee stock options. At the date of acquisition, the Company recorded these options as Purchase Consideration on the balance sheet at a value of $68.2 million. As these options become vested, additional paid-in capital is increased or, alternatively, as the options are forfeited, the Note is increased, with Purchase Consideration being reduced by a corresponding amount in either case. Through March 31, 2000, the Note has been increased by approximately $14.3 million for forfeited Avid stock options. The Company made cash payments of approximately $8.0 million for principal resulting in a note balance of $11.3 million. The Company made cash payments for interest of $0.2 million during each of the quarters ended March 31, 2000 and 1999.

6. CONTINGENCIES

On June 7, 1995, the Company filed a patent infringement complaint in the United States District Court for the District of Massachusetts against Data Translation, Inc., a Marlboro, Massachusetts-based company. Avid is seeking judgment against Data Translation that, among other things, Data Translation has willfully infringed Avid's patent number 5,045,940, entitled "Video/Audio Transmission System and Method." Avid is also seeking an award of treble damages together with prejudgment interest and costs, Avid's costs and reasonable attorneys' fees and an injunction to prohibit further infringement by Data Translation. The litigation has been dismissed without prejudice (with leave to refile) pending a decision by the U.S. Patent and Trademark Office on a reissue patent application based on the issued patent.

On March 11, 1996, the Company was named as defendant in a patent infringement suit filed in the United States District Court for the Western District of Texas by Combined Logic Company, a California partnership located in Beverly Hills, California. On May 16, 1996, the suit was transferred to the United States District Court for the Southern District of New York on motion by the Company. The complaint alleges infringement by Avid of U.S. patent number 4,258,385, issued in 1981, and seeks injunctive relief, treble damages and costs, and attorneys' fees. The Company believes that it has meritorious defenses to the complaint and intends to contest it vigorously. However, an adverse resolution of this litigation could have a material adverse effect on the Company's consolidated financial position or results of operations in the period in which the litigation is resolved. No costs have been accrued for this possible loss contingency.

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

7. COMPREHENSIVE LOSS

Total comprehensive loss, net of taxes, was approximately $19.8 million and $12.6 million for the three-month periods ended March 31, 2000 and 1999, respectively, which consists of net loss, the net changes in foreign currency translation adjustment and the net unrealized gains and losses on available-for-sale securities.

8. SEGMENT INFORMATION

The Company's organizational structure is based on strategic business units that offer various products to the principle markets in which the Company's products are sold. These business units equate to two reportable segments: Video and Film Editing and Effects, and Professional Audio. The following is a summary of the Company's operations by operating segment (in thousands):

	For the Three Months Ended March 31,	
	2000	1999
Video and Film Editing and Effects:		
Net revenues	$77,880	$86,025
Operating loss	($7,122)	($3,754)
Professional Audio:		
Net revenues	$30,816	$25,258
Operating income	$7,664	$7,065
Combined Segments:		
Net revenues	$108,696	$111,283
Operating income	$542	$3,311

The following table reconciles total segment operating income to total consolidated operating loss (in thousands):

	For the Three Months Ended March 31, 2000	1999
Total operating income for reportable segments	$542	$3,311
Unallocated amounts:		
Amortization of acquisition-related intangible assets	(19,800)	(20,511)
Consolidated operating loss	($19,258)	($17,200)

The unallocated amounts represent the amortization of acquired intangible assets, including goodwill, associated with the acquisition of Softimage.

9. RESTRUCTURING COSTS

In 1999, the Company announced and implemented a restructuring plan to strategically refocus the Company and bring operating expenses in line with net revenues. The major elements of the restructuring plan included the termination of certain employees, the vacating of certain facilities and a decision not to provide any future releases of a limited number of existing products, including stand-alone Marquee, Avid Cinema, Media Illusion and Matador. In connection with this plan, the Company recorded a restructuring charge of $9.6 million, of which $0.6 million represented non-cash charges relating to the disposition of certain fixed assets. The following table sets forth the activity in the restructuring accrual accounts for the three months ended March 31, 2000 (in thousands):

	Employee Related	Facilities Related	Fixed Assets	Total
Accrual balance at December 31, 1999	$4,421	$2,154	$541	$7,116
Cash payments	(2,243)	(217)		(2,460)
Non-cash disposals			(316)	(316)
Accrual balance at March 31, 2000	$2,178	$1,937	$225	$4,340

The Company expects that the majority of the remaining $4.3 million accrual balance will be expended over the next nine months and will be funded from working capital.

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

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

(in thousands, except per share data)

	For the Three Months Ended March 31,	
	2000	1999
Net loss	($19,464)	($11,454)
Adjustments:		
Amortization of acquisition-related intangible assets	19,800	20,511
Tax impact of adjustments		(6,359)
Tax-effected income excluding amortization of acquisition-related intangible assets	$336	$2,698
Tax-effected income per diluted share excluding amortization of acquisition-related intangible assets	$0.01	$0.10
Weighted average common shares outstanding - diluted - used for calculation	25,850	27,225

11. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133." SFAS 137 defers the implementation of SFAS 133 by one year. SFAS 133, as amended by SFAS 137, is effective for fiscal quarters beginning after January 1, 2001 for the Company, and its adoption is not expected to have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain views of the staff on applying generally accepted accounting principles to revenue recognition in financial statements. The staff believes that revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured. In March 2000, Staff Accounting Bulletin No. 101A, "Amendment: Revenue Recognition in Financial Statements," was released. This staff accounting bulletin delays the implementation of SAB 101 until the second quarter of 2000. The Company does not expect the application of SAB 101 to have a material impact on the Company's financial position or results of operations.

In March 2000, the Financial Accounting Standard Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of previously fixed stock options or awards, and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The Company does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

PART I. FINANCIAL INFORMATION

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

OVERVIEW

The text of this document may include forward-looking statements. Actual results may differ materially from those described herein, depending on such factors as are described herein, including under "Certain Factors That May Affect Future Results".

Avid Technology, Inc. ("Avid" or the "Company") develops, markets, sells and supports a wide range of software and systems for creating and manipulating digital media content. Digital media are media elements, whether video or audio or graphics, in which the image, sound or picture is recorded and stored as digital values, as opposed to analog signals. Avid's digital, nonlinear video and film editing systems are designed to improve the productivity of video and film editors by enabling them to edit moving pictures and sound in a faster, easier, more creative, and more cost-effective manner than by use of traditional analog tape-based systems. To complement these systems, Avid develops and sells a range of image manipulation products that allow users in the video and film post-production and broadcast markets to create graphics and special effects for use in feature films, television programs and advertising, and news programs. Additionally, Avid develops and sells digital audio systems for the professional audio market. Avid believes that the Internet is one of the most important new content distribution channels and is continuing to invest in this area. The Company's plans are to enable Internet publishing across its entire product line. Upcoming releases of the Company's core products are expected to include Internet video and audio streaming capabilities.

Avid's products are used worldwide in production and post-production facilities; film studios; network, affiliate, independent, and cable television stations; recording studios; advertising agencies; government and educational institutions; and corporate communication departments.

On April 26, 2000, the Company announced that David Krall, who was the Company's President and Chief Operating Officer, had been appointed President and Chief Executive Officer. The Company also announced that William L. Flaherty, the Company's Acting Chief Executive Officer and Chief Financial Officer had decided to leave the Company. Ethan E. Jacks, a Vice President and the Company's General Counsel, has been appointed Senior Vice President, and Acting Chief Financial Officer as the Company conducts a search for a Chief Financial Officer.

RESULTS OF OPERATIONS

Net Revenues

The Company's net revenues have been derived mainly from the sales of computer-based digital, nonlinear media editing systems and related peripherals, licensing of related software, and sales of software maintenance contracts. Net revenues decreased to $108.7 million in the quarter ended March 31, 2000 from $111.3 million in the same quarter of last year. The decrease in revenue was related to a number of factors. Revenue related to Media Composer, Symphony and storage peripheral products was lower due to promotions and discounting. There were decreased unit sales of Media Composer systems and Computer Graphics product, partially offset by increased unit sales in Media Composer upgrades.

Service revenue was lower compared to the first quarter of 1999 and there was a significant Broadcast server sale during the first quarter of 1999 with no comparable sale in the first quarter of 2000. These decreases were partially offset by the strong sales performance of Digidesign audio products and by sales of Avid Unity MediaNet products, which began shipping in June 1999. During the first quarter of 2000, the Company began shipping Avid Xpress DV on IBM IntelliStation for Windows NT. To date, returns of all products have been immaterial.

Net revenues derived through indirect channels were greater than 85% of net revenue for each of the three-month periods ended March 31, 2000 and 1999.

International sales (sales to customers outside the U.S. and Canada) accounted for approximately 55% and 54% of the Company's first quarter 2000 and 1999 net revenues, respectively. International sales decreased by approximately $1.0 million or 1.6% in the first quarter of 2000 compared to the same period in 1999. The decrease in international sales reflected a decrease in Europe partially offset by an increase in the Asia Pacific region.

Gross Profit

Cost of revenues consists primarily of costs associated with the procurement of components; the assembly, test and distribution of finished products; warehousing; post-sales customer support costs; and provisions for inventory obsolescence. The resulting gross profit fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware included in the systems sold by the Company, the 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 sales of aftermarket hardware products.

Gross margin decreased to 51.0% in the first quarter of 2000 compared to 60.1% in the same period of 1999. The decrease was primarily due to product mix, principally a shift to lower-end products and upgrades. Promotions, price reductions and discounting also had an effect on the current quarter margin compared to the same quarter in the prior year. These factors were partially offset by continued improvements in manufacturing efficiencies and material cost savings. The Company currently expects that gross margin for the remainder of 2000 will not differ materially from that of the most recent quarter.

Research and Development

Research and development expenses decreased by $4.8 million (19.8%) in the first quarter of 2000 compared to the same period in 1999. The decrease was primarily due to planned reductions in personnel-related expenditures resulting from the 1999 restructuring actions, reduced consulting costs and increased funding from third party partners for certain development projects. Research and development expenses decreased as a percentage of net revenues to 17.9% in the first quarter of 2000 from 21.8% for the same period in 1999. This percentage decrease was primarily due to the decrease in research and development expenses as noted above.

Marketing and Selling

Marketing and selling expenses decreased by approximately $4.0 million (12.4%) in the first quarter of 2000 compared to the same period in 1999 primarily due to planned reductions in personnel-related expenditures in the Company's video and film editing and effects business resulting from the 1999 restructuring actions, and in discretionary spending. These savings were partially offset by an increase in the Company's bad debt provision for the current quarter. Marketing and selling expenses decreased as a percentage of net revenues to 26.3% in the first quarter of 2000 from 29.3% for the same period in 1999. This percentage decrease was primarily due to the decrease in marketing and selling expenses as noted above. The Company expects the second quarter 2000 expenses for marketing and selling to be higher than that of the first quarter due to expenses associated with the National Association of Broadcasters trade show, which occurred in the second quarter.

General and Administrative

General and administrative expenses increased by $0.2 million (2.5%) in the first quarter of 2000 compared to the same period in 1999. The increase is primarily attributable to increased bonus and personnel retention expenses, and by legal expenses related to patent applications. These increases were partially offset by planned reductions in personnel resulting from the 1999 restructuring actions. General and administrative expenses increased as a percentage of net revenues to 6.4% in the first quarter of 2000 from 6.1% for the same period in 1999. This percentage increase was primarily due to the increase in general and administrative expenses noted above.

Amortization of Acquisition-related Assets

In connection with the August 1998 acquisition of the business of Softimage, the Company allocated $88.2 million of the total purchase price of $247.9 million to intangible assets, consisting of completed technologies, work force and trade name, and $127.8 million to goodwill. Results for the quarters ended March 31, 2000 and 1999 reflect amortization of $19.8 million and $20.5 million, respectively, associated with these acquisition-related intangible assets. The balance of the intangible assets, including goodwill, was $75.3 million at March 31, 2000. Approximately $46.7 million of additional amortization is expected during the last three quarters of 2000, with the remaining $28.6 million expected to be amortized through July 2001.

Interest and Other Income, Net

Interest and other income, net, consists primarily of interest income, other income and interest expense. Interest and other income, net, for the first quarter 2000 increased $0.4 million as compared to the same period in 1999. This increase was primarily due to the equity income related to the Company's 50% ownership in Avstar, partially offset by the reduced interest income as a result of lower cash and investment balances during the current quarter.

Provision for Income Taxes

The Company recorded a tax provision of $1.3 million for the first quarter of 2000. This provision was comprised of taxes payable by the Company's foreign subsidiaries and state taxes. No tax benefit was provided for the loss before income taxes incurred in the U.S. This provision compares to a tax benefit of

$5.1 million for the loss before income taxes of $16.6 million in the same period of last year, for an effective rate of 31%. This rate was different from the U.S. Federal statutory rate of 35% due primarily to the Company's foreign subsidiaries, which are taxed in the aggregate at a lower rate, and the U.S. Federal Research Tax Credit.

LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations to date through both private and public sales of equity securities as well as through cash flows from operations. As of March 31, 2000, the Company's principal sources of liquidity included cash, cash equivalents and marketable securities totaling approximately $62.1 million.

With respect to cash flow, net cash used in operating activities was $11.6 million for the period ended March 31, 2000 compared to $7.2 million provided by operating activities in 1999. During the quarter ended March 31, 2000, net cash used in operating activities primarily reflects the net loss adjusted for depreciation and amortization as well as increases in accounts receivable and other current assets, and decreases in accounts payable and accrued expenses. During 1999, net cash provided by operating activities primarily reflects the net loss adjusted for depreciation and amortization as well as a decrease in accounts receivable offset by decreases in taxes payable and accrued expenses.

The Company purchased $1.7 million of property and equipment during the first quarter of 2000, compared to $4.8 million in 1999. In both of these periods, the purchases were primarily of hardware and software to support research and development activities and for the Company's information systems. During the quarter ended March 31, 2000, the Company also made a cash investment of $2.1 million in Rocket Network, Inc., a provider of Internet recording studios which allows audio professionals to meet and collaborate on the Internet. During the quarter ended March 31, 1999, the Company made a payment of $8.0 million against the note issued to Microsoft Corporation in connection with the acquisition of Softimage. The remaining principal balance on the note issued to Microsoft is due and payable in June 2003.

In 1999, the Company announced and implemented a restructuring plan to strategically refocus the Company and bring operating expenses in line with net revenues, with the goal of restoring long-term profitability to the Company and supporting the Company's new strategic initiatives. The major elements of the resulting restructuring plan included the termination of certain employees and the vacating of certain facilities. The plan also provided for no further releases of a limited number of existing product offerings, including stand-alone Marquee, Avid Cinema, Media Illusion and Matador. In connection with this plan, the Company recorded a restructuring charge of $9.6 million. The charge included approximately $6.6 million for severance and related costs for 209 employees on a worldwide basis, $2.4 million for facility vacancy costs and approximately $600,000 of non-cash charges relating to the disposition of certain fixed assets. At the time of the charge, the Company expected that the 1999 restructuring actions would result in an expense reduction of approximately $18.0 million on an annualized basis. These savings will likely be largely offset by incremental costs associated with new strategic initiatives and the growth of the Company; however, there can be no assurance that such expected savings will be realized. During 1999 and the first quarter of 2000, the Company made cash payments of $2.5 million and $2.5 million, respectively, related to these restructuring activities. The majority of the remaining accrual balance at March 31, 2000 of $4.3 million is expected to be paid out during the remainder of 2000 and will be funded from working capital.

The Company believes existing cash, cash equivalents, marketable securities and internally generated funds will be sufficient to meet the Company's cash requirements, including capital expenditures, for at least the next twelve months. In the event the Company requires additional financing, the Company believes that it would be able to obtain such financing; however, there can be no assurance that it would be successful in doing so, or that it could do so on terms favorable to the Company.

On October 21, 1998, the Company announced that the Board of Directors had authorized the repurchase of up to 2.0 million shares of the Company's common stock. Purchases have been and will be made in the open market or in privately negotiated transactions. The Company has used and plans to continue to use any repurchased shares for its employee stock plans. During 1999, the Company repurchased a total of 1.2 million shares of common stock at a cost of $19.7 million, under the program announced in October 1998. As of March 31, 2000, there were approximately 300,000 shares remaining authorized for repurchase.

EUROPEAN MONETARY UNION

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their sovereign currencies and the euro. As of that date, the participating countries agreed to adopt the euro as their common legal currency. However, the legacy currencies will also remain legal tender in the participating countries for a transition period between January 1, 1999 and January 1, 2002. During this transition period, public and private parties may elect to pay or charge for goods and services using either the euro or the participating country's legacy currency.

The Company began conducting certain business transactions in the euro on January 1, 1999, and will change its functional currencies for the affected countries to the euro by the end of the three-year transition period. The conversion to the euro has not had and is not expected to have a significant operational impact or a material financial impact on the results of operations, financial position, or liquidity of its European businesses.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133." SFAS 137 defers the implementation of SFAS 133 by one year. SFAS 133, as amended by SFAS 137, is effective for fiscal quarters beginning after January 1, 2001 for the Company, and its adoption is not expected to have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain views of the staff on applying generally accepted accounting principles to revenue recognition in financial statements.

The staff believes that revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured. In March 2000, Staff Accounting Bulletin No. 101A, "Amendment: Revenue Recognition in Financial Statements" was released. This staff accounting bulletin delays the implementation of SAB 101 until the second quarter of 2000. The Company does not expect the application of SAB 101 to have a material impact on the Company's financial position or results of operations.

In March 2000, the Financial Accounting Standard Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25, the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards, and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The Company does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

A number of uncertainties exist that could affect the Company's future operating results, including, without limitation, the following:

The Company's core video editing market predominantly uses Avid products, and future growth in this market is limited. Accordingly, the Company has expanded its product line to address the digital media production needs of the television broadcast news market, online film and video finishing market and the emerging market for multimedia production tools, including the Internet broadcast market and the corporate market. A significant portion of the Company's future growth will depend on customer acceptance in these and other new markets. The Company has limited experience in serving these markets, and there can be no assurance that the Company will be able to develop such products successfully, that such products will achieve widespread customer acceptance, or that the Company will be able to develop distribution and support channels to serve these markets. Any failure of such products to achieve market acceptance, any additional costs and expenses incurred by the Company to improve market acceptance of such products and to develop new distribution and support channels, or the withdrawal from the market of such products or of the Company from such new markets could have a material adverse effect on the Company's business and results of operations.

The Company's plans for future growth in the Internet broadcast market depend on increased use of the Internet for the creation, use, manipulation and distribution of media content from corporate markets to the highest-end post-production. Such uses of the Internet are currently at an early stage of development and the future evolution of the Internet in the media broadcast market is not clear. Because a significant portion of the Company's business strategy depends on its Internet initiative, its business may suffer if commercial use of the Internet fails to grow in the future.

As another component of its Internet initiative, the Company recently launched the Avid Production Network site to provide interactive information and services to new media and post-production professionals. The Company's plans for the Avid Production Network include content-hosting, remote reviewing and stock footage availability. Because materials may be posted on, and/or downloaded and subsequently distributed to others from the Avid Production Network site, the Company may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury, or other theories based on the nature, content, publication and distribution of such materials.

As a result of the Internet's popularity and increasing use, new laws and regulations may be adopted. These laws and regulations may cover issues such as privacy, distribution and content. The enactment of any additional laws or regulations may impede the growth of the Internet, and the Company's Internet-related business and could place additional financial burdens on the Company's business.

The Company's gross margin fluctuates based on various factors. Such factors include the mix of products sold, the cost and the proportion of third-party hardware included in the systems sold by the Company, the distribution channels through which products are sold, the timing of new product introductions, the offering of product and platform upgrades, price discounts and other sales promotion programs, the volume of sales of aftermarket hardware products, the costs of swapping or fixing products released to the market with errors or flaws, provisions for inventory obsolescence, allocations of overhead costs to manufacturing and of customer support costs to cost of goods, sales of third-party computer hardware to distributors, and competitive pressure on selling prices of products. The Company's systems and software products typically have higher gross margins than storage devices and product upgrades.

Gross profit varies from product to product depending primarily on the proportion and cost of third-party hardware included in each product. The Company, from time to time, adds functionality and features to its systems. If such additions are accomplished through the use of more, or more costly, third-party hardware, and if the Company does not increase the price of such systems to offset these increased costs, the Company's gross margins on such systems would be adversely affected.

The Company sells most of its products and services through indirect channels such as distributors and resellers. Resellers and distributors typically purchase software and "kits" from the Company and other turnkey components from other vendor sources in order to produce complete systems for resale. As the majority of the Company's sales are through the indirect channel model, it has a significant dependence on its resellers and their third party component suppliers. Any disruption to its resellers or their suppliers may adversely affect the Company's revenue and gross margin.

The Company's operating expense levels are based, in part, on its expectations of future revenues. Further, in many cases, quarterly operating expense levels cannot be reduced rapidly in the event that quarterly revenue levels fail to meet internal expectations. Therefore, if quarterly revenue levels fail to meet internal expectations upon which expense levels are based, the Company's operating results may be adversely affected and there can be no assurance that the Company would be able to operate profitably.

The Company's success depends in large part upon the services of a number of key employees. The loss of the services of one or more of these key employees could have a material adverse effect on the Company. The Company's success will also depend in significant part upon its ability to continue to attract highly skilled personnel to fill a number of vacancies. On April 26, 2000, William L. Flaherty resigned as the Company's Chief Financial Officer and Acting Chief Executive Officer. David Krall, the Company's President, has been appointed the Company's Chief Executive Officer and Ethan E. Jacks, a Vice President and the Company's General Counsel, has been appointed Senior Vice President, and Acting Chief Financial Officer while the Company conducts a search for a new Chief Financial Officer. There can be no assurance that the Company will be successful in its search for a new Chief Financial Officer or in attracting and/or retaining key employees generally.

Certain of the Company's products operate only on specific computer platforms. The Company currently relies on Apple Computer, Inc., IBM and Intergraph as the sole manufacturers of such computer platforms. There can be no assurance that the respective manufacturers will continue to develop, manufacture, and support such computer platforms suitable for the Company's existing and future markets or that the Company will be able to secure an adequate supply of computers on the appropriate platforms, the occurrence of any of which could have a material adverse effect on the Company's business and results of operations.

The Company is dependent on a number of suppliers as sole source vendors of certain key components of its products and systems. Components purchased by the Company from sole source vendors include video compression chips manufactured by C-Cube Microsystems; a small computer systems interface ("SCSI") accelerator board from ATTO Technology; a 3D digital video effects board from Pinnacle Systems; application specific integrated circuits ("ASICS") from Chip Express and LSI Logic; digital signal processing integrated circuits from Motorola; a fibre channel adapter card from JNI; a fibre channel storage array from the Clariion division of EMC; and a PCI expansion chassis from Magma Inc. The Company purchases these sole source components pursuant to purchase orders placed from time to time. The Company also manufactures certain circuit boards under license from a subsidiary of Pinnacle Systems. The Company generally does not carry significant inventories of these sole source components and has no guaranteed supply arrangements. No assurance can be given that sole source suppliers will devote the resources necessary to support the enhancement or continued availability of such components or that any such supplier will not encounter technical, operating or financial difficulties that might imperil the Company's supply of such sole source components. While the Company believes that alternative sources of supply for sole source components could be developed, or systems redesigned to permit the use of alternative components, its business and results of operations could be materially affected if it were to encounter an untimely or extended interruption in its sources of supply.

The markets for digital media editing and production systems are intensely competitive and subject to rapid change. The Company encounters competition in the video and film editing and effects and professional audio markets. Many current and potential competitors of the Company have substantially greater financial, technical, distribution, support, and marketing resources than the Company. Such competitors may use these resources to lower their product costs and thus be able to lower prices to levels at which the Company could not operate profitably. Further, such competitors may be able to develop products comparable or superior to those of the Company or adapt more quickly than the Company to new technologies or evolving customer requirements. Accordingly, there can be no assurance that the Company will be able to compete effectively in its target markets or that future competition will not adversely affect its business and results of operations.

A significant portion of the Company's business is conducted in currencies other than the U.S. dollar. Changes in the value of major foreign currencies relative to the value of the U.S. dollar, therefore, could adversely affect future revenues and operating results. The Company attempts to reduce the impact of currency fluctuations on results through the use of forward exchange contracts that hedge foreign currency-denominated third-party and intercompany net receivables or payable balances and cash balances. The Company has generally not hedged specific transactions with external parties, although it periodically reevaluates its hedging practices.

The Company is involved in various legal proceedings, including patent litigation. An adverse resolution of any such proceedings could have a material adverse effect on the Company's business and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market Risk

The Company's primary exposures to market risk are the effect of fluctuations in interest rates earned on its cash equivalents and marketable securities and the effect of volatility in currencies on asset and liability positions of its international subsidiaries that are denominated in foreign currencies.

Foreign Exchange Risk

The Company derives greater than 50% of its revenues from customers outside the United States. This business is, for the most part, transacted through international subsidiaries and generally in the local currency. This circumstance exposes the Company to risks associated with changes in foreign currency that can impact revenues, net income (loss) and cash flow. The Company enters into foreign exchange forward contracts to hedge the foreign exchange exposure of certain forecasted receivables and payables of its foreign subsidiaries. Gains and losses associated with currency rate changes on the contracts are recorded in results of operations, offsetting losses and gains on the related assets and liabilities. The success of the hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are over- or understated during the periods of currency volatility, the Company could experience unanticipated currency gains or losses.

At March 31, 2000, the Company had $36.9 million of foreign exchange forward contracts outstanding, denominated in various European, Asian and Canadian currencies, as a hedge against forecasted foreign denominated receivables and payables. Net gains of $0.4 million resulting from forward exchange contracts were included in the results of operations in the first quarter of 2000, which partially offset net losses on the related asset and liabilities of $1.0 million. A hypothetical 10 percent change in foreign currency rates would not have a material impact on the Company's results of operations because the impact on the forward contracts as a result of a 10 percent change would offset the impact on the asset and liability positions of the Company's foreign subsidiaries.

Interest Rate Risk

At March 31, 2000, the Company held $47.9 million in cash equivalents and marketable securities, consisting of short-term government obligations, state and municipal bonds, and commercial paper. Cash equivalents and 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 comprehensive income (loss). A hypothetical 10 percent increase in interest rates would not have a material impact on the fair market value of these instruments due to their short maturity.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) REPORTS ON FORM 8-K. For the fiscal quarter ended March 31, 2000, the Company filed no current reports on Form 8-K.

Signatures

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

Avid Technology, Inc.

Date: May 12, 2000 By: /s/ Ethan E. Jacks

Ethan E. Jacks
Senior Vice President,
Acting Chief Financial Officer

Date: May 12, 2000 By: /s/ Carol L. Reid

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

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS ON THE FORM 10-Q FOR THE PERIOD ENDED March 31, 2000 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AS FILED ON FORM 10-Q FOR THE PERIOD ENDED March 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
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MAR-31-2000
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