FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2000-11-14** | Period of Report: **2000-09-30**
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FILER

BINDVIEW DEVELOPMENT CORP
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SIC: **7372** Prepackaged software

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

[ ] 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 000-24677

BINDVIEW DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)

TEXAS	76-0306721
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5151 SAN FELIPE, 21st FLOOR, HOUSTON, TX	77056
(Address of principal executive offices)	(Zip code)

(713) 561-4000
(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 [ ]

The number of shares of the registrant's Common Stock, no par value, outstanding as of September 30, 2000, 52,624,096

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BINDVIEW DEVELOPMENT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)
(IN THOUSANDS, EXCEPT PAR VALUE)

<TABLE>
<CAPTION>

ASSETS	SEPTEMBER 30, 2000	DECEMBER 31, 1999
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 65,636	$ 72,150
Short-term investments	2,506	4,834
Accounts receivable, net of allowance of $638 and $623	17,693	15,701
Deferred tax asset	11,610	3,069
Other current assets	1,162	1,142
Total current assets	98,607	96,896
Property and equipment, net	14,012	8,485
Long-term investments	6,879	6,120
Other assets	2,089	1,741
Total assets	$ 121,587	$ 113,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,142	$ 3,077

Accrued liabilities	2,581	2,721
Accrued compensation	3,751	3,757
Deferred revenue	9,876	10,311
Current maturities of indebtedness	--	176
Total current liabilities	18,350	20,042
Long-term liabilities:		
Deferred revenue	1,725	--
Indebtedness and other long-term liabilities	--	144
Total long-term liabilities	1,725	144
Shareholders' equity:		
Convertible preferred stock, $0.025 par value, 520 shares Authorized, 0 and 7 shares issued and outstanding, respectively	--	--
Series A convertible preferred stock, $0.0001 par value, 5,000 shares Authorized, 0 and 5,000 shares issued & outstanding, respectively	--	5
Series B convertible preferred stock, no par value, 8,000 shares Authorized, 0 and 7,689 shares issued & outstanding, respectively	--	8
Series C convertible preferred stock, no par value, 10,030 shares Authorized, 0 and 10,000 shares issued & outstanding	--	10
Common stock, no par value, 100,000 shares authorized, 52,624 and 47,535 shares issued and outstanding, respectively	1	1
Additional paid-in capital	122,376	109,471
Accumulated deficit	(20,337)	(15,975)
Notes receivable, shareholders	(144)	(202)
Accumulated other comprehensive loss	(384)	(262)
Total shareholders' equity	101,512	93,056
Total liabilities and shareholders' equity	$ 121,587	$ 113,242

</TABLE>

See notes to unaudited condensed consolidated financial statements.

BINDVIEW DEVELOPMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEMPTEMBER 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenues:				
Licenses	$ 16,546	$ 14,461	$ 40,083	$ 34,767
Services	6,987	5,142	19,825	13,079
Total revenues	23,533	19,603	59,908	47,846
Cost of revenues:				
Cost of licenses	487	427	1,615	1,047
Cost of services	1,002	651	2,632	1,753
Total cost of revenues	1,489	1,078	4,247	2,800
Gross profit	22,044	18,525	55,661	45,046
Costs and expenses:				
Sales and Marketing	11,977	9,101	31,320	23,207
Research and Development	6,479	5,220	19,310	13,631
General and Administrative	2,227	1,926	7,374	5,261
Transaction and Restructuring	0	0	5,581	2,524
Operating income (loss)	1,361	2,278	(7,924)	423
Other income, net	1,088	818	3,441	2,204

Income (loss) before income tax provision	2,449	3,096	(4,483)	2,627
Provision for income tax	662	1,720	(124)	3,814
Net income (loss)	1,787	1,376	(4,359)	(1,187)
Other comprehensive income, net of tax:				
Gain (loss) from foreign currency translation	93	(1)	(122)	(96)
Comprehensive income (loss)	$ 1,880	$ 1,375	$ (4,481)	$ (1,283)
Earnings (loss) per common share:				
Basic	$ 0.03	$ 0.03	$ (0.08)	$ (0.03)
Diluted	$ 0.03	$ 0.03	$ (0.08)	$ (0.03)
Shares used in computing earnings per common share:				
Basic	52,021	49,027	51,538	47,404
Diluted	55,027	53,489	51,538	47,404

</TABLE>

See notes to unaudited condensed consolidated financial statements.

BINDVIEW DEVELOPMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$ (4,359)	$ (1,187)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	3,693	2,250
Deferred income taxes	(201)	3,867
Changes in assets and liabilities:		
Increase in accounts receivable	(2,139)	(5,739)
Decrease (increase) in other assets	(86)	829
Decrease in accounts payable	(423)	(210)
Increase (decrease) in accrued liabilities	(129)	890
Increase in deferred revenues	1,350	1,913
Net cash provided (used) by operating activities	(2,294)	2,613
Cash flows from investing activities:		
Purchase of property and equipment	(9,146)	(4,382)
Purchase of investments, net	1,568	(11,742)
Other	(608)	180
Net cash used by investing activities	(8,186)	(15,944)
Cash flows from financing activities:		
Notes payable and long-term debt	(260)	(7,416)
Proceeds from issuance of stock for employee stock Purchase	462	11,863
Conversion of convertible debenture and preferred stock Into common stock	---	7,658
Proceeds from sale of Preferred Stock	---	8
Proceeds from exercise of stock options & warrants	4,078	2,354
Net cash provided by financing activities	4,280	14,467
Effect of exchange rate changes on cash	(314)	(265)
Net increase (decrease) in cash and cash equivalents	(6,514)	871

Cash and cash equivalents at beginning of period	72,150	51,718
	---------	---------
Cash and cash equivalents at end of period	$ 65,636	$ 52,589
	=========	=========
Non cash financing and investing activities:		
Issuance of 350 shares of common stock related to the acquisition of Curasoft	$ ---	$ 3,352
Tax benefit related to the exercise of employee stock options	$ 8,340	$ 5,177
Conversion of convertible debentures and preferred stock into common stock	$ 23	$ 7,658

</TABLE>

See notes to unaudited condensed consolidated financial statements.

BINDVIEW DEVELOPMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK		CONVERTIBLE PREFERRED SERIES A		CONVERTIBLE PREFERRED SERIES B		CONVERTIBLE PREFERRED SERIES C	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1999	47,535	$ 1	5,000	$ 5	7,689	$ 8	10,000	$ 10
Exercise of stock options and warrants	1,151	--	--	--	--	--	--	--
Payment on Note	--	--	--	--	--	--	--	--
Tax benefit related to exercise of employee stock options	--	--	--	--	--	--	--	--
ESPP	48	--	--	--	--	--	--	--
Conversion of preferred A, B & C stock into common stock	3,251	--	(5,000)	(5)	(7,689)	(8)	(10,000)	(10)
Foreign currency translation adjustment	--	--	--	--	--	--	--	--
Net loss for the nine months ended December 30, 2000	--	--	--	--	--	--	--	--
	-----	------	------	-------	------	-------	-------	------
Balance at September 30, 2000	51,985	$ 1	--	$ --	--	$ --	--	$ --
	======	======	======	=======	======	=======	=======	======

</TABLE>

<TABLE>
<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE SHAREHOLDERS	CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1999	$ 109,471	$ (15,975)	$ (202)	$ (262)	$ 93,056
Exercise of stock options and warrants	4,080	--	--	--	4,080
Payment on Note	--	--	58	--	58
Tax benefit related to exercise of employee stock options	8,340	--	--	--	8,340
ESPP	462	--	--	--	462
Conversion of preferred A, B & C stock into common stock	23	--	--	--	--
Foreign currency translation adjustment	--	--	--	(122)	(122)
Net loss for the nine months ended December 30, 2000	--	(4,362)	--	--	(4,362)
	---------	---------	------	------	----------
Balance at September 30, 2000	$ 122,376	$ (20,337)	$ (144)	$ (384)	$ 101,512
	=========	=========	======	======	==========

</TABLE>

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of BindView Development Corporation, a Texas corporation (the "Company" or "BindView"), reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These financial statements should be read in conjunction with Item 5 of this report and the Company's annual audited financial statements and the supplemental financial statements for the year ended December 31, 1999, which are included in the Annual Report on Form 10-K and Amendment No. 1 to the Company's Form 8-K dated April 21, 2000.

Operating results for the three month period and nine month period ended September 30, 2000 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2000 or for other periods.

NOTE 2 - DESCRIPTION OF BUSINESS

BindView Corporation, based in Houston Texas, was founded in 1990. The Company currently employs more than 750 people in offices throughout the United States as well as in Germany, France, Mexico, India, Australia, and Great Britain.

As a leading provider of administration and security management solutions, BindView offers comprehensive software to secure and simplify network operating systems, directories and related applications. These solutions enhance the customer's business performance by ensuring the integrity of the IT infrastructure. BindView's bv-Admin product suite provides a complete administration solution before, during and after Windows 2000 and Exchange 2000 migrations. The Company's bv-Control product suite dramatically reduces costs by pinpointing and correcting the security and configuration issues of the network and its associated business critical applications. When used in combination, the two product families can offer the highest level of integrity across the global enterprise.

By enabling corporate IT professionals to effectively leverage their existing technologies, BindView's award-winning products play a key role in achieving business goals. More than 10 million licenses of BindView's solutions have been shipped worldwide to more than 5,000 companies, including over 80 of the Fortune 100. To ensure the reliability of their IT infrastructure, 23 of the nation's largest banks look to BindView as their trusted security partner.

NOTE 3 - RECENT PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), Accounting for Derivative Instruments and Hedging Activities. In June 2000, the FASB issued Statement of Financial Accounting Standards No. 137 ("FAS 137"), Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement 133. FAS 137 delays the implementation of FAS 133 to fiscal years beginning after June 15, 2000. In June, 2000 the FASB issued FAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133." The Company will adopt FAS 133, FAS 137 and FAS 138 effective January 1, 2001 and is evaluating the effect that such adoption may have on its consolidated results of operations and financial position. The Company does not expect that these pronouncements will have a significant impact to the Company's consolidated results of operations and financial position.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition in Financial Statements. SAB 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. In June 2000, the SEC issued Staff Accounting Bulletin No. 101B ("SAB 101B"), Amendment: Revenue Recognition in Financial Statements. SAB 101B delays the implementation date of SAB 101 until no later than the fourth quarter fiscal quarter of fiscal years beginning after December 15, 1999. In October, 2000 the SEC issued additional guidance on its views regarding the application of SAB 101. The Company will adopt SAB 101 as required in the fourth quarter of 2000 and is evaluating the effect that such adoption may have on its consolidated results of operations and financial position.

NOTE 4 - EARNINGS PER SHARE

Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per common share is computed using the weighted average number of shares outstanding, adjusted for the incremental shares attributed to outstanding shares of convertible preferred stock, convertible debentures and outstanding stock options and warrants to purchase common stock unless such inclusion would be anti-dilutive. Incremental shares of 4,462 and 3,006 in the third quarter of 1999 and 2000, respectively, were used in the calculation of diluted earnings per common share. As the Company reported a net loss for the nine months ended September 30, 1999, and September 30, 2000, diluted earnings per common share does not differ from basic earnings per common share. In the third quarter of 1999 and 2000, options and warrants to acquire 426 and 5,563 shares of common

stock at a weighted average exercise price of $12.55 and $10.82, respectively, were not included in the computation of earnings per share as the options' exercise price is greater than the average market price of the common shares for the period. For the nine months ended September 30, 1999, and September 30, 2000, options to acquire 554 and 12 shares of common stock at a weighted average exercise price of $12.51 and $24.17, respectively, were not included in the computation of earnings per share as the options' exercise price is greater than the average market price of the common shares for the period.

NOTE 5 - SHORT-TERM AND LONG-TERM INVESTMENTS

The Company's short-term investments include commercial paper, corporate bonds or certificates of deposit that have original maturities of more than three months and a remaining maturity of less than one year. The Company's long-term investments include corporate bonds, certificates of deposit and an investment in redeemable preferred stock and have original maturities of more than twelve months. In April 2000 the Company established a partnership with an international software distribution and consulting firm and as a result invested in $5,000 of redeemable preferred stock in the firm. These investments are stated at cost, which approximates market, as it is the intent of the Company to hold these securities until maturity.

NOTE 6 - RECENT ACQUISITIONS/TRANSACTION AND RESTRUCTURING EXPENSES

Acquisition of Netect, Ltd

On March 1, 1999, the Company merged with Netect, Ltd. ("Netect") in a stock-for-stock transaction accounted for as a pooling of interests. Netect develops and markets corporate security solutions for Internet/Intranet networks. In connection with the merger, the Company issued 2,322 shares of common stock, based upon an exchange ratio of 0.800044202 shares of BindView common stock for each share of Netect common stock. As a result of this merger, all of the outstanding convertible preferred stock and convertible debentures of Netect were exchanged for the Company's common stock. Transaction costs of $1,533 and restructuring costs of $991 were incurred as a result of this merger. The historical financial data included herein has been restated to reflect the merger with Netect by combining the historical results for the Company and Netect for all periods presented. There were no material transactions between BindView and Netect during the periods prior to the merger.

At the time of the merger, management approved restructuring plans to eliminate duplicate senior management positions and to close the Israeli operations of Netect. The restructuring plans were based on management's best estimate of those costs based on the information available at that time. The restructuring expenses related to this plan include involuntary employee separation expenses for approximately 15 former Netect employees, the costs to close Netect's Israeli operations and other miscellaneous restructuring expenses. The restructuring expense adjustment was recognized in the second quarter of 1999 and relates to additional costs to close Netect's Israeli operations that exceeded management's initial estimate. The Company has completed the actions related to the restructuring plans. The transaction costs related to the acquisition include investment banking fees of $590, accounting and legal expenses of $565, transfer fees of $138, and other miscellaneous transaction expenses of $240.

The accrued restructuring expenses and amounts charged against the provision as of September 30, 2000, were as follows:

<TABLE>
<CAPTION>

	BEGINNING ACCRUAL	CASH EXPENDITURES	ADJUSTMENT	ACCRUED EXPENSES AT SEPTEMBER 30, 2000
<S>	<C>	<C>	<C>	<C>
Employee severance and				

related costs	$ 575	$ (813)	$ 238	$ --
Israeli office closing	119	(119)	--	--
Other restructuring costs	59	(59)	--	--
TOTAL	$ 753	$ (991)	$ 238	$ --

</TABLE>

Acquisition of Entevo Corporation

On February 9, 2000 the Company merged with Entevo Corporation ("Entevo") in a stock-for-stock transaction accounted for as a pooling of interests. Entevo provides directory management solutions that help organizations deploy, integrate, administer and maintain enterprise directory services, in Windows NT and Windows 2000 environments. In connection with the merger, the Company issued 4,181 shares of common stock, based upon an exchange ratio of 0.1205909 shares of BindView common stock for each share of Entevo common stock and 0.17210298 shares of BindView common stock for each share of Entevo Series C Preferred Stock. As a result of this merger, all of the outstanding convertible preferred stock of Entevo was exchanged for the Company's common stock. Transaction costs of $3,800 and restructuring costs of $1,781 were incurred as a result of this merger. The historical financial data included herein has been restated to reflect the merger with Entevo by combining the historical results for the Company

and Entevo for all periods presented. There were no material transactions between BindView and Entevo during the periods prior to the merger.

At the time of the merger, management approved restructuring plans to eliminate duplicate positions and integrate Entevo's and BindView's worldwide operations. The restructuring plans were based on management's best estimate of those costs based on the information available at that time. The restructuring expenses related to this plan include involuntary employee separation and relocation expenses, contract cancellation provisions, product reorganization, integration related expenses and other miscellaneous restructuring expenses. The transaction costs related to the acquisition include investment banking fees of $2,473, professional expenses of $929, product due diligence and transfer fees of $181, and other miscellaneous transaction expenses of $217. The Company believes the remaining reserve is sufficient to complete these remaining actions under the plan.

The accrued restructuring expenses and amounts charged against the provision as of September 30, 2000, were as follows:

<TABLE>
<CAPTION>

<S>	BEGINNING ACCRUAL <C>	CASH EXPENDITURES <C>	ACCRUED EXPENSES AT SEPTEMBER 30, 2000 <C>
Employee severance and relocation costs	$ 1,520	$ (1,504)	$ 16
Elimination of duplicative operating expense	93	(73)	20
Product reorganization	82	(37)	45
Integration and other restructuring costs	86	(86)	--
TOTAL	$ 1,781	$ (1,700)	$ 81

</TABLE>

NOTE 7 - INCOME TAX

The Company's effective tax rate was approximately 27% on the quarter ended September 30, 2000 income and was approximately 56% on the quarter ended September 30, 1999 income. The Company's generation of a research and development tax credit for federal income tax purposes during 2000 is the primary reason for the Company's effective tax rate approximating 27% for the current period. Valuation allowances booked on foreign net operating losses and Entevo's U.S. losses adversely impacted the quarter ended September 30, 1999 rate. A portion of the transaction and restructuring expenses related to the acquisition of Entevo in the first quarter of 2000 are non-deductible for income tax purposes. The non-deductibility of these expenses resulted in an effective tax rate of approximately 13% on the first quarter 2000 loss. The Company expects that its effective tax rate will approximate 27% for the remaining fiscal quarter of 2000.

The Company has net operating loss carryforwards at September 30, 2000 of approximately $58,296 available to offset future taxable income that expire between 2003 and 2020 resulting in a deferred tax asset of approximately $20,065. Based on the historical earnings generated by the Company and certain limitations that may limit the utilization of net operating loss carryforwards, management has provided a valuation allowance of $9,492 at September 30, 2000 against the net operating loss carryforwards. The valuation allowance is primarily related to pre-acquisition net operating losses of Netect and Entevo.

NOTE 8 - SEGMENT REPORTING

During 1999, the Company adopted Statement of Financial Accounting Standard No. 131 "Disclosures About Segments of an Enterprise and Related Information". The Company currently operates in one segment as defined by this standard. The adoption of this standard did not have a material impact on disclosures with respect to the Company's financial condition or results of operations.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements which involve risks and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in the "Risk Factors" set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and those discussed herein under the heading "Cautionary Statements". The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes.

The mergers with Netect on March 1, 1999, and with Entevo Corporation on February 9, 2000, have been accounted for as a pooling of interests. The historical financial data included herein has been restated to reflect these mergers.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of selected items in the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) to total revenues:

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(PERCENT OF TOTAL NET REVENUES)			
<S>	<C>	<C>	<C>	<C>
Revenues:				
Licenses	70.3	73.8	66.9	72.7
Services	29.7	26.2	33.1	27.3
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Cost of licenses	2.1	2.2	2.7	2.2
Cost of services	4.3	3.3	4.4	3.7
Total cost of revenues	6.3	5.5	7.1	5.9
Gross profit	93.7	94.5	92.9	94.1
Costs and expenses:				
Sales and Marketing	50.9	46.5	52.3	48.5
Research and Development	27.5	26.6	32.2	28.5
General and Administrative	9.5	9.8	12.3	11.0
Transaction and Restructuring (1)	0.0	0.0	9.3	5.2
Operating income (loss)	5.8	11.6	(13.2)	0.9
Other income, net	4.6	4.2	5.7	4.6
Income (loss) before income tax provision	10.4	15.8	(7.5)	5.5
Provision for income tax	2.8	8.8	(0.2)	8.0
Net income (loss)	7.6	7.0	(7.3)	(2.5)

</TABLE>

REVENUES

The Company's revenues are derived from the sale of software products and related services including subscription contracts. The Company's revenues increased $3.9 million or 20% in the third quarter of 2000 over the comparable quarter of the prior year and $12.1 million or 25% over the comparable nine months of the prior year.

The Company's license revenues increased $2.1 million or 14% in the third quarter of 2000 over the comparable quarter of the prior year and $5.3 million or 15% over the comparable nine months of the prior year. The increase in the Company's license revenues over these periods is a result of continued market acceptance of the BindView bv-Control product family and revenues generated from new product acquisitions and introductions. The results of the quarter may not be indicative of results for the full year. No assurances can be made that revenues will continue to increase at the rates reflected in quarter-to-quarter and year-to-year comparisons.

The Company's service revenues increased $1.8 million or 36% in the third quarter of 2000 over the comparable quarter of the prior year and $6.7 million or 52% over the comparable nine months of the prior year. The increase in the Company's service revenues over these periods is a result of an increase in purchases and renewals of subscription contracts by the Company's growing installed customer base as well as increased revenue from professional services activities. Because revenues from subscription contracts are recognized ratably over the contract term, this increase in these revenues as a percentage of total revenues results in greater deferred revenue recognition. The costs associated with these services, are recognized as they are incurred. This may negatively impact the Company's operating margins during periods in which the Company incurs infrastructure ramp-up costs in response to increases in purchases and renewals of subscription contacts. As revenues from professional services are recognized when the services have been completed, quarter to quarter service revenue could fluctuate materially as larger service contracts are completed.

COST OF REVENUES

Cost of licenses includes product manuals, packaging, distribution and media costs for the Company's software products. The Company's cost of licenses increased $60,000 or 14% in the third quarter of 2000 over the comparable quarter of the prior year and $568,000 or 54% over the comparable nine months of the prior year. The cost of licenses has increased primarily due to increases in product shipments and the cost of product packaging and documentation. The Company believes these costs will remain relatively constant as a percentage of total revenue, although there will continue to be quarterly fluctuations due to the timing of certain expenses.

Cost of services includes personnel and other costs related to technical support and professional services. The Company's cost of services increased $351,000 or 54% in the third quarter of 2000 over the comparable quarter of the prior year and $879,000 or 50%

over the comparable nine months of the prior year. The cost of services has increased primarily due to increases in the cost of technical support staff providing support to the Company's growing customer base and increases in the cost of professional services staff providing customer training and customization services.

COSTS AND EXPENSES

Sales and marketing expenses consist primarily of salaries, commissions and bonuses earned by sales and marketing personnel, general office expenses, travel and entertainment and promotional expenses. The Company's sales and marketing expenses increased $2.9 million or 32% in the third quarter of 2000 over the comparable quarter of the prior year and $8.1 million or 35% over the comparable nine months of the prior year. The increase in the sales and marketing expenses is related to the hiring of additional personnel in connection with the building of the Company's telesales and field sales force and the additional facilities and computer systems required by these additional personnel. Sales and marketing expenses increased to 51% of revenues in the third quarter of 2000 compared to 46% in the corresponding period of 1999 and increased to 52% of revenues from 49% of revenues for the nine months ended September 30, 2000 and 1999, respectively. The increase in sales and marketing expenses as a percentage of revenues is related to (1) the Company's efforts to recruit, train, and deploy sales representatives with a higher level of experience, and thus with a higher associated compensation level; (2) the Company's attempt to increase the ratio of sales related software engineers to sales representatives; and (3) the incurrence of more travel and remote deployment of sales representatives in an effort to secure larger orders. Due to the seasonal nature of revenues, the Company anticipates that for the remaining fiscal quarter of 2000, sales and marketing expenses will decrease as a percentage of revenues but increase in absolute dollars as the Company continues to invest in marketing campaigns relative to the sales growth and increase its expansion of domestic and international sales efforts.

Research and development expenses consist primarily of salaries and benefits for product development, product management and quality assurance personnel, payments to contract programmers and expendable equipment purchases. The Company's research and development expenses increased $1.3 million or 24% in the third quarter of 2000 over the comparable quarter of the prior year and $5.7 million or 42% over the comparable nine months of the prior year. The increase in the research and development expenses is related to increased personnel, additional facilities and an increase in the computer systems and software development tools required by the additional personnel. Research and development expenses increased to 28% of revenues in the third quarter of 2000 compared to 27% in the corresponding period of 1999 and increased to 32% of revenues from 29% of revenues for the nine months ended September 30, 2000 and 1999, respectively. This increase in research and development expenses as a percentage of revenue is related to the ramp up of research and development expenses for new product lines requiring additional research and development effort relative to the respective license revenue generated by these products in the periods. The Company believes that a significant research and development investment is essential for it to maintain and grow its market position and continue to expand its product line. Accordingly, the Company anticipates it will continue to devote substantial resources to product research and development for the foreseeable future, and that research and development expenses will increase in absolute dollars.

General and administrative expenses consist primarily of salaries, personnel and related costs for the Company's executive, administrative, finance and information services staff. The Company's general and administrative expenses increased $301,000 or 16% in the third quarter of 2000 over the comparable quarter of the prior year and $2.1 million or 40% over the comparable nine months of the prior year. The increase in the general and administrative expenses is related to the increase in the allowance for doubtful accounts over this period and increased staffing, facilities costs and associated expenses necessary to manage and support the Company's increased scale of operations. General and administrative expenses remained stable at 10% of revenues in the third quarter of 2000 and the corresponding period of 1999 and increased to 12% of revenues from 11% of revenues for the nine months ended September 30, 2000 and 1999, respectively. This increase in general and administrative expenses as a percentage of revenue is a result of duplicative staff associated with the Entevo acquisition and the increase in staff to support the Company's growing scale of worldwide operations. The Company expects the remainder of 2000 general and administrative expenses to decline as a percentage of total revenue.

TRANSACTION AND RESTRUCTURING EXPENSES

Acquisition of Netect, Ltd

On March 1, 1999, the Company merged with Netect, Ltd. ("Netect") in a stock-for-stock transaction accounted for as a pooling of interests. Netect develops and markets corporate security solutions for Internet/Intranet networks. In connection with the merger, the Company issued 2,322 shares of common stock, based upon an exchange ratio of 0.800044202 shares of BindView common stock for each share of Netect common stock. As a result of this merger, all of the outstanding convertible preferred stock and convertible debentures of Netect were exchanged for the Company's common stock. Transaction costs of $1,533 and restructuring cost of $991 were incurred as a result of this merger. The historical financial data included herein has been restated to reflect the merger with Netect by combining the historical results for the Company and Netect for all periods presented. There were no material transactions between BindView and Netect during the periods prior to the merger.

At the time of the merger, management approved restructuring plans to eliminate duplicate senior management positions and to close the Israeli operations of Netect. The restructuring plans were based on management's best estimate of those costs based on the information available at that time. The restructuring expenses related to this plan include involuntary employee separation expenses for approximately 15 former Netect employees, the costs to close Netect's Israeli operations and other miscellaneous restructuring expenses. The restructuring expense adjustment was recognized in the second quarter of 1999 and relates to additional costs to close Netect's Israeli operations that exceeded management's initial estimate. The Company has completed the actions related to the restructuring plans. The transaction costs related to the acquisition include investment banking fees of $590, accounting and legal expenses of $565, transfer fees of $138, and other miscellaneous transaction expenses of $240.

The accrued restructuring expenses and amounts charged against the provision as of September 30, 2000, were as follows:

<TABLE>
<CAPTION>

	BEGINNING ACCRUAL	CASH EXPENDITURES	ADJUSTMENT	ACCRUED EXPENSES AT SEPTEMBER 30, 2000
<S>	<C>	<C>	<C>	<C>
Employee severance and related costs	$ 575	$ (813)	$ 238	$ --
Israeli office closing	119	(119)	--	--
Other restructuring costs	59	(59)	--	--
TOTAL	$ 753	$ (991)	$ 238	$ --

</TABLE>

Acquisition of Entevo Corporation

On February 9, 2000 the Company merged with Entevo Corporation ("Entevo") in a stock-for-stock transaction accounted for as a pooling of interests. Entevo provides directory management solutions that help organizations deploy, integrate, administer and maintain enterprise directory services, in Windows NT and Windows 2000 environments. In connection with the merger, the Company issued 4,181 shares of common stock, based upon an exchange ratio of 0.1205909 shares of BindView common stock for each share of Entevo common stock and 0.17210298 shares of BindView common stock for each share of Entevo Series C Preferred Stock. As a result of this merger, all of the outstanding convertible preferred stock of Entevo was exchanged for the Company's common stock. Transaction costs of $3,800 and restructuring costs of $1,781 were incurred as a result of this merger. The historical financial data included herein has been restated to reflect the merger with Entevo by combining the historical results for the Company and Entevo for all periods presented. There were no material transactions between BindView and Entevo during the periods prior to the merger.

At the time of the merger, management approved restructuring plans to eliminate duplicate positions and integrate Entevo's and BindView's worldwide operations. The restructuring plans were based on management's best estimate of those costs based on the information available at that time. The restructuring expenses related to this plan include involuntary employee separation and relocation expenses, contract cancellation provisions, product reorganization, integration related expenses and other miscellaneous restructuring expenses. The transaction costs related to the acquisition include investment banking fees of $2,473, professional expenses of $929, product due diligence and transfer fees of $181, and other miscellaneous transaction expenses of $217. The Company believes the remaining reserve is sufficient to complete these remaining actions under the plan.

The accrued restructuring expenses and amounts charged against the provision as of September 30, 2000, were as follows:

<TABLE>
<CAPTION>

	BEGINNING ACCRUAL	CASH EXPENDITURES	ACCRUED EXPENSES AT SEPTEMBER 30, 2000
<S>	<C>	<C>	<C>
Employee severance and relocation costs	$ 1,520	$ (1,504)	$ 16
Elimination of duplicative operating expense	93	(73)	20
Product reorganization	82	(37)	45
Integration and other restructuring costs	86	(86)	--
TOTAL	$ 1,781	$ (1,700)	$ 81

</TABLE>

OTHER INCOME, NET

The Company had other income of $1.1 million in the third quarter of 2000 compared to $818,000 in the corresponding period of 1999. This increase is primarily due to an increase in interest income related to higher cash, cash equivalents and investment balances as a result of the proceeds from Company's initial public offering in July 1998, secondary offering in December 1998 and positive cash flow from operating activities.

PROVISION FOR INCOME TAXES

The effective tax rate was approximately 2.8% on the nine months ended September 30, 2000 loss and 145.2% on the nine months ended September 30, 1999 income. The Company's generation of a research and development tax credit positively impacted both periods' rates. Valuation allowances booked on foreign net operating losses and Entevo's U.S. losses adversely impacted the period ended September 30, 1999 effective tax rate. A portion of the transaction and restructuring expenses related to the acquisition of Entevo in the first quarter of 2000 are non-deductible for income tax purposes. The non-deductibility of the expenses resulted in an effective tax rate of approximately 13% on the first quarter 2000 loss. The Company expects that its effective tax rate will approximate 27% for the remaining fiscal quarter of 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital increased to $80.3 million at September 30, 2000 from $76.9 million at December 31, 1999. The Company's cash, cash equivalents, short-term and long-term investments balance decreased to $70.0 million at September 30, 2000 from $83.1 million at December 31, 1999. This decrease is related to the Company's purchase of $5.0 million of redeemable preferred stock in an international software distribution and consulting firm, the payment of transaction and restructuring costs and the company's continued investment in property and equipment during the period.

The Company believes that its existing cash, cash equivalents, short-term investments and cash flow from operations will be sufficient to meet its normal working capital requirements for at least the next 12 months. Thereafter, the Company may require additional funds to support its working capital requirements or for other purposes and may seek to raise such additional funds through public or private equity financing or from other sources. There can be no assurance that additional financing will be available at all or that, if available, such financing will be obtainable on terms favorable to the Company or that any additional financing would not be dilutive.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to a variety of risks, including foreign currency exchange rate fluctuations and changes in the market value of its investments.

Foreign Currency Exchange Rates

The Company operates globally and the functional currency for most of its non-U.S. enterprises is the local currency. For the fiscal years 1999, 1998 and 1997, approximately 17%, 10% and 13% of the Company's consolidated revenues were derived from customers outside of North America, substantially all of which were billed and collected in foreign currencies. Similarly, substantially all of the expenses of operating the Company's foreign subsidiaries are incurred in foreign currencies. As a result, the Company's U.S. dollar earnings and net cash flows from international operations may be adversely affected by changes in foreign currency exchange rates. Based on the Company's foreign currency exchange instruments outstanding at September 30, 2000, the Company estimates that a near-term change in foreign currency rates would not materially affect its financial position, results of operations or net cash flows for the year, quarter and nine months ended September 30, 2000. The Company used a value-at-risk (VAR) model to measure potential fair value losses due to foreign currency exchange rate fluctuations. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. The VAR model is a risk estimation tool, and as such, is not intended to represent actual losses in fair value that will be incurred by the Company.

Interest Rate Risk

The Company adheres to a conservative investment policy, whereby its principle concern is the preservation of liquid funds while maximizing its yield on such assets. Cash, cash equivalents, short-term investments and long-term investments approximated $70.0 million and $83.1 million at September 30, 2000 and December 31, 1999, respectively. Such amounts were invested in different types of investment-grade securities with the intent of holding these securities to maturity. Although the Company's portfolio is subject to fluctuations in interest rates and market conditions, no gain or loss on any security would actually be recognized in earnings unless the instrument was sold. The Company estimates that a near-term change in interest rates would not materially affect its financial position, results of operations or net cash flows for the quarter and nine months ended September 30, 2000. The Company used a value-at-risk ("VAR") model to measure potential market risk on its marketable securities due to interest rate fluctuations. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. The VAR model is a risk estimation tool, and as such, is not intended to represent actual losses in fair value that will be incurred by the Company.

PART II. OTHER INFORMATION

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

Not applicable.

ITEM 5. OTHER INFORMATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Report, including without limitation, statements regarding the Company's future financial position, business strategy, planned products, products under development, markets, budgets and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in statements set forth under "Cautionary Statements" and elsewhere in this Report, including, without limitation, in conjunction with the forward-looking statements included in this Report. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the Cautionary Statements and such other statements. For purposes of this Item 5, references to the "Company", "BindView", "we", "us" and "our" refer to BindView Development Corporation and its subsidiaries.

CAUTIONARY STATEMENTS

In addition to the other information in this Quarterly Report on Form 10-Q, the following factors should be considered carefully in evaluating the Company.

OUR QUARTERLY AND ANNUAL REVENUES, EXPENSES AND OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY. These fluctuations may be due to a number of factors, including:

- demand for our products;
- size and timing of significant orders and their fulfillment;
- our ability to develop and upgrade our technology;
- changes in our level of operating expenses;
- our ability to compete in a highly competitive market;
- undetected software errors and other product quality problems;
- changes in our sales incentive plans and staffing of sales territories; and
- changes in the mix of domestic and international revenues and the level of international expansion.

Generally, we do not operate with a backlog because we ship our products and recognize revenue shortly after orders are received. The Company recognizes revenue in accordance with the Statement of Position No. 97-2 "Software Revenue Recognition" (SOP 97-2) or Statement of Position No. 98-9 "Modification of SOP 97-2, Software Revenue Recognition, with respect to certain transactions" (SOP 98-9), as applicable. As the Company's sales transactions and product mix becomes more complex, revenue recognition under SOP 97-2 or SOP 98-9 could require the Company to defer a significant portion of the total contract and recognize this deferred revenue in future periods.

Orders booked throughout a quarter may substantially impact product revenues in that quarter. Our sales also fluctuate throughout the quarter as a result of customer buying patterns. We generally record a significant portion for our revenue in the later portion of each quarter. In addition, we base our expenses to a significant extent on our expectations of future revenues. Most of our expenses are fixed in the short term, and we may not be able to reduce spending quickly if our revenues are lower than we had projected. If our revenue levels do not meet our projections, we expect our operating results to be adversely and disproportionately affected.

Our quarterly operating results also are subject to certain seasonal fluctuations. Year-end customer buying patterns and compensation policies based on annual revenue quotas have caused our revenues to be strongest in the fourth quarter of the year and to decrease in the first quarter of the following year. In future periods, we expect that these seasonal trends may cause first quarter revenues to be significantly lower than the level achieved in the preceding fourth quarter. However, first quarter revenues in any given fiscal year are not necessarily indicative of, and should not be used as a basis for prediction of higher revenues in any future quarter.

Before January 1, 1998, we provided telephone support free of charge and sold product upgrades separately or through subscription contracts. We now require our customers to purchase a subscription to receive product upgrades and technical support. Unlike software license revenues, which we generally recognize upon shipment of the product, we recognize subscription contract revenues ratably over the life of the contract term. As a result, if we derive a larger percentage of our revenues from subscription contracts, we will experience an increase in deferred revenue that is likely to decrease our operating margins. Decreased operating margins may materially adversely affect our operating results and financial condition.

We believe quarter-to-quarter comparisons of our revenues, expenses and results of operations are not necessarily meaningful. You should not rely on our quarterly revenues, expenses and results of operations to predict our future performance.

WE HAVE A LIMITED OPERATING HISTORY IN CERTAIN RESPECTS. We have extensive experience in developing, marketing, and supporting our flagship products, bv-Control for Windows 2000/NT, bv-Control for NetWare, and bv-Control for NDS (formerly branded as NOSadmin for Windows NT and NOSadmin for NetWare). We have a more-limited operating history with certain new and acquired products. An investor in our Company must consider the risks and uncertainties frequently encountered by software companies working with early-stage products, particularly those faced by companies in the highly competitive and rapidly evolving systems management software market. To compete in this market, we believe that we must devote substantial resources to expanding our sales and marketing organization and to continue product development. As a result, we will need to recognize significant quarterly revenues to remain profitable. Our revenues have increased in recent years, and revenues for recent quarters have exceeded revenues for the same quarter for the prior year. However, we cannot be certain that we can sustain these growth rates or that we will remain profitable on a quarterly or annual basis in the future.

OUR MARKETS ARE HIGHLY COMPETITIVE AND RAPIDLY CHANGING. We face competition from small companies with niche offerings as well as public companies with a breadth of offerings. In addition, as discussed below under the heading, "Our Products are Subject to Rapid Technological Change," new competitors have arisen and can be expected to continue to arise in a rapidly-evolving market. Currently, our products compete with products from the following organizations:

- providers of security analysis and audit products, such as Axent Technologies, Inc., ODS Networks, Inc., ISS Group, Inc., PentaSafe, Inc., Network Associates Inc. and Symantec Corporation;

- providers of stand-alone inventory and asset management products, such as Tally Systems Corp.;

- providers of LAN desktop management suites, such as Intel Corporation, Hewlett-Packard Company and Microsoft Corporation;

- providers of event notification and response technology, such as Attention Software, Inc.;

- providers of Windows NT management and migration tools, such as NetIQ Corporation and Quest Software;

- certain management features included in our products compete with the native tools from Novell, Inc. and third-party tools from certain vendors, such as Computer Associates, Inc. and other companies;

- providers of enterprise resource planning application add-ons for SAP security administration and vulnerability assessment, such as CSI International and KPMG Consulting; and

- providers of network security scanning technology, such as Network Associates, ISS Group, Inc. and Axent Technologies.

In addition, companies such as Novell and Microsoft also offer native tools with their products that provide a basic set of management tools. While these tools provide help in certain administrative tasks for their own platform, they do not help large administrators cope with the day-to-day management tasks that they are challenged with. BindView solutions not only provide a easy to use interface, but scales to the largest of the heterogeneous environments. Moreover Novell and Microsoft do not have any incentive to make their platforms easier to use or deploy. BindView is in a unique position to help address the growing demand for cross-platform security and administration in such installations.

We expect competition in the network management software market to increase significantly as new companies enter the market and current competitors expand their product lines and services. In addition, we have noted what appears to be a recent trend of consolidation in that market through mergers and acquisitions. Three recent examples are Mission Critical Software's merger with NetIQ, Symantec's acquisition of Axent Technologies, Quest Software's acquisition of FastLane Technologies Inc., and Braintree Software's announced acquisition by PentaSafe. If such consolidation continues, it could result in the creation of new competitors and/or enhancement of the competitive capabilities of existing competitors. Many of these existing and potential competitors are likely to enjoy substantial competitive advantages, including:

- greater resources that can be devoted to the development, promotion and sale of their products;
- more established sales channels;
- greater software development experience; and
- greater name recognition.

Our competitors compete with us not only for sales, but also for employees. We have noted that from time to time, certain competitors seem to target our sales force, and (to a lesser extent) our software development staff, in their recruiting efforts. In some respects this is a consequence of our growth in headcount, because we have succeeded in building up a pool of talent that has become an attractive target for "raiding" by recruiters. We have taken steps that we deem appropriate to remind departing employees and certain competitors of our employees' confidentiality- and noncompetition obligations. If we continue to increase the size of our talent pool as we intend, we expect that we will become an even more attractive target for employee raiding.

We also believe that operating system software vendors, particularly Microsoft and Novell, could enhance their products to include functionality that we currently provide in our products. If these vendors include our software functionality as standard features of their operating system software, our products could become obsolete. Even if the functionality of the standard software features of these vendors is more limited than ours, there is a substantial risk that a significant number of customers would elect to keep this limited functionality rather than purchase additional software.

To be competitive, we must respond promptly and effectively to the challenges of technological change, evolving standards and our competitors' innovations by continuing to enhance our products, services and sales channels. In addition, we have and may continue to bundle and offer discounts to our customers. Bundling or discounting our products may result in reduced operating margins, reduced profitability and increase the complexity of revenue recognition. Any pricing pressures, reduced margins or loss of market share resulting from our failure to compete effectively could materially adversely affect our business.

OUR PRODUCTS ARE SUBJECT TO RAPID TECHNOLOGICAL CHANGE. The market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, uncertain product life cycles, changes in customer demands and evolving industry standards. Our products could be rendered obsolete if new products based on new technologies are introduced or new industry standards emerge. We rely heavily on our relationships with Microsoft and Novell and attempt to coordinate our product offerings with the future releases of their operating systems. These companies may not notify us of feature enhancements prior to new releases of their operating systems in the future. In that case, we may not be able to introduce products on a timely basis that capitalize on new operating system releases and feature enhancements.

CLIENT/SERVER COMPUTING ENVIRONMENTS ARE INHERENTLY COMPLEX. As a result, we cannot accurately estimate our software product life cycles. New products and product enhancements can require long development and testing periods, which depend significantly on our ability to hire and retain increasingly scarce and technically competent personnel. Significant delays in new product releases or significant problems in installing or implementing new product releases could seriously damage our business. We have, on occasion, experienced delays in the scheduled introduction of new and enhanced products and cannot be certain that such delays will not occur again.

Our future success will depend, in part, upon our ability to enhance existing products, develop and introduce new products, satisfy customer requirements and achieve market acceptance. We cannot be certain that we will successfully identify new product opportunities and develop and bring new products to market in a timely and cost-effective manner. Further, the products, capabilities or technologies developed by others may render our products or technologies obsolete or shorten their life cycles.

WE ARE DEPENDENT UPON CONTINUED GROWTH OF THE MARKET FOR WINDOWS NT AND NOVELL NETWARE OPERATING SYSTEMS. We depend upon the success of Microsoft's Windows NT and Novell's NetWare operating systems. In particular, market acceptance of our products depends on the increasing complexity of these operating systems and the lack of effective tools to simplify system administration and security management for these environments. Although demand for Windows NT and NetWare operating systems has grown in recent years, we cannot be certain that it will continue to grow. If the market does continue to grow, we cannot be certain that the market for our products will continue to develop or that our products will be widely accepted. If the markets for our products fail to develop or develop more slowly than we anticipate, our business could be materially adversely affected.

The percentages of our revenues attributable to software licenses for particular operating system platforms can change from time to time. A number of factors outside our control can cause these changes, including changing market acceptance and penetration of the various operating system platforms which we support and the relative mix of development and installation by value-added resellers ("VARs") of application software operating on such platforms.

WE ARE AFFECTED BY THE MIGRATION RATE TO WINDOWS 2000. Our ability to sell licenses for some of our bv-Admin migration products will depend in part on the rate at which customers and potential customers elect to migrate their networks to Microsoft's Windows 2000 operating system. Some observers have noted that this migration rate has been slower than expected. If the migration rate continues to remain comparatively slow, it could materially and adversely affect our revenues from such migration products.

PRODUCT CONCENTRATION. A majority of our revenues are from the sale of our bv-Control product. We anticipate that these products, along with product additions as a result of the Curasoft, Netect and Entevo acquisitions, will account for majority or all of all of our revenues for the foreseeable future. Our future operating results will depend on continued market acceptance of our bv-Control product family, introduction of new products from the Curasoft, Netect and Entevo acquisitions, enhancements to these products and the continued development of additional snap-in modules for our Enterprise Console product. Competition, technological change or other factors could reduce demand for, or market acceptance of any or all of our products and could substantially damage our business. Although we currently plan to broaden our product line, we cannot be certain that we will be able to reduce our product concentration or that we will be able to generate material revenues from products acquired as a result of the Curasoft, Netect and Entevo acquisitions.

RISKS ASSOCIATED WITH LENGTH OF SALES CYCLE. We have sold our products to customer workgroups and corporate divisions. As a result, our sales cycle has ranged from three to six months. Recently, we have increased our product offerings and have also focused more of our selling effort on products for the customer's entire enterprise and as a result, have found that our sales cycle to enterprises has ranged from six to beyond twelve months. In addition, we are currently transitioning our telesales force into a direct sales model. Our ability to effectively transition our sales force to this model can directly impact the length of our sales cycle. The sales cycle to enterprises is typically longer for a number of reasons, including:

- the significant resources committed to an evaluation of network management software by an enterprise require us to expend substantial time, effort and money educating them on the value of our products and services; and

- decisions to license and deploy enterprise-wide software generally involve an evaluation of our software by a significant number of personnel of the enterprise in various functional and geographic areas, each often having specific and conflicting requirements.

As a result, we cannot predict the timing and amount of specific sales. Our inability to complete one or more enterprise-wide sales in a particular quarter or calendar year could materially adversely affect our business and could cause our operating results to vary significantly from quarter to quarter.

NEED TO MANAGE CHANGING OPERATIONS. We have expanded our operations rapidly in recent years. We intend to continue to expand in the foreseeable future to pursue existing and potential market opportunities. This rapid growth places a significant demand on management and operational resources. In order to manage growth effectively, we must implement and improve our operational systems, procedures and controls on a timely basis. If we fail to implement and improve these systems, our business, operating results and financial condition will be materially adversely affected.

DEPENDENCE ON KEY PERSONNEL. Our success depends largely on the efforts of our senior executive officers, particularly Eric J. Pulaski, Chairman of the Board and Chief Technology Officer of BindView, Richard P. Gardner, President and Chief Executive Officer, Scott R. Plantowsky, Vice-President and Chief Financial Officer, and William D. Miller, Vice-President of Worldwide Sales at BindView. We do not maintain key man life insurance policies on any of our senior executive officers.

We believe that our future success will depend in large part upon our ability to attract and retain highly skilled research and development, technical support and sales and marketing personnel. We face intense competition for qualified personnel, and we cannot be certain that we will successfully attract and retain additional qualified personnel in the future. The loss of the services of one or more of our key individuals or the failure to attract and retain additional qualified personnel could substantially damage our business.

RISKS ASSOCIATED WITH INTERNATIONAL SALES AND OPERATIONS. During 1999, 1998 and 1997, we derived approximately 16%, 10% and 13% of our revenues, respectively, from sales outside North America. Over the last 24 months, we have opened direct telesales offices outside the United States. We have historically generated revenues outside North America through indirect channels, including VARs and other distributors. We are in the early stages of developing our indirect distribution channels in certain markets outside the United States. We cannot be certain that we will be able to attract third parties that will be able to market our products effectively or to provide timely and cost-effective customer support and service. Our reseller arrangements generally provide that resellers may carry competing product offerings. We cannot be certain that any distributor or reseller will continue to represent our products. The inability to recruit, or the loss of, important sales personnel, distributors or resellers could materially and adversely affect our business.

As we expand our sales and support operations internationally, we anticipate that international revenues will grow as a percentage of our total revenues. To successfully expand international sales, we must:

- establish additional international direct telesales offices;
- expand the management and support organizations for our international sales channel;
- hire additional personnel;
- customize our products for local markets;
- recruit additional international resellers where appropriate; and
- expand the use of our direct telesales model.

If we are unable to generate increased sales through a direct telesales model, we will incur higher personnel costs without corresponding increases in revenue, resulting in lower operating margins for our international operations. In addition, employment policies vary among countries outside the United States, which may reduce our flexibility in managing headcount and, in turn, managing personnel-related expenses. If we do not address the risks associated with international sales in a cost-effective and timely manner, our international sales growth will be limited, operating margins could be reduced and our business could be materially adversely affected. However, even if we are able to successfully expand our international operations, we cannot be certain that we will be able to maintain or increase international market demand for our products.

LIMITED PROTECTION OF PROPRIETARY TECHNOLOGY; RISKS OF INFRINGEMENT. Our success depends to a significant degree upon our software and other proprietary technology. The software industry has experienced widespread unauthorized reproduction of software products. We rely on a combination of trademark, trade secret, and copyright law and contractual restrictions to protect our technology. These legal protections provide only limited protection. The steps we have taken may deter competitors from misappropriating our proprietary information. However, we may not be able to detect unauthorized use or take appropriate steps to enforce our intellectual property rights. If we litigated to enforce our rights, litigation would be expensive, would divert management resources and may not be adequate to protect our business. We also could be subject to claims alleging infringement of third-party intellectual property rights. In addition, we may be required to indemnify our distribution partners and end-users for similar claims made against them. Any claims against us could require us to spend significant time and money in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to intellectual property that is the subject of the infringement claims. As a result, claims against us could materially adversely affect our business.

RISKS ASSOCIATED WITH COMPLETED AND POTENTIAL ACQUISITIONS. We have made and may continue to make investments in complementary companies, technologies, services or products if we find appropriate opportunities. If we buy a company, we could have difficulty assimilating the personnel and operations of the acquired company. If we make other types of acquisitions, assimilating the technology, services or products into our operations could be difficult. Acquisitions can disrupt our ongoing business, distract management and other resources and make it difficult to maintain our standards, controls and procedures. We may not succeed in overcoming these risks or in any other problems we might encounter in connection with any future acquisitions. We may be required to incur debt or issue equity securities to pay for any future acquisitions. In addition, there can be no assurance that we will be able to successfully integrate our recent acquisitions of Netect and Entevo or that we will be able to integrate the products and technology we acquired into our sales model or product offerings.

RISKS OF UNDETECTED SOFTWARE ERRORS. Our software products are complex and may contain certain undetected errors, particularly when first introduced or when new versions or enhancements are released. We have previously discovered software errors in certain of our new products after their introduction. We cannot be certain that, despite our testing, such errors will not be found in current versions, new versions or enhancements of our products after commencement of commercial shipments. Such undetected errors could result in adverse publicity, loss of revenues, delay in market acceptance or claims against us by customers, all of which could materially adversely affect our business.

RISK OF PRODUCT LIABILITY CLAIMS. Because our product design provides important network management services, we may receive significant liability claims. Our agreements with customers typically contain provisions intended to limit our exposure to liability claims. These limitations may not, however, preclude all potential claims. Liability claims could require us to spend significant time and money in litigation or to pay significant damages. As a result, any such claims, whether or not successful, could seriously damage our reputation and our business.

ANTI-TAKEOVER PROVISIONS. Incumbent management and our Board of Directors could use certain provisions of our certificate of incorporation to make it more difficult for a third party to acquire control of our company, even if the change in control might be beneficial to our stockholders. This could discourage potential takeover attempts and could adversely affect the market price of our common stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

The following exhibits are filed with this Quarterly Report.

11 -- Statement Regarding Computation of Earnings (Loss) Per Common Share

27 -- Financial Data Schedule.

(b) Reports on Form 8-K.

In a Report on Form 8-K dated April 3, 2000, under Item 5, the Company reported that it had issued a press release relating to its financial results for the quarter ended March 31, 2000.

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.

BINDVIEW DEVELOPMENT CORPORATION

By: /s/ RICHARD P. GARDNER

Richard P. Gardner
President and Chief Executive Officer
(duly authorized officer)

NOVEMBER 14, 2000

By: /s/ SCOTT R. PLANTOWSKY

Scott R. Plantowsky
Vice-President and Chief Financial Officer
(principal financial officer)

NOVEMBER 14, 2000

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
11	-- Statement Regarding Computation of Earnings (Loss) Per Common Share
27	-- Financial Data Schedule.

EXHIBIT 11

BINDVIEW DEVELOPMENT CORPORATION
STATEMENT REGARDING COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER ENDED SEPTEMBER 30, 2000	QUARTER ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Net income (loss)	$ 1,787	$ 1,376	$ (4,359)	$ (1,187)
Shares used in basic calculation				
Total basic shares	52,021	49,027	51,538	47,404
Additional shares for diluted computation:				
Effect of stock options	3,006	4,353	5,079	100
Effect of warrants	--	109	20	4,960
Exclusion of share equivalents that are anti-dilutive because a loss was incurred	--	--	(5,099)	(5,060)
Total diluted shares	55,027	53,489	51,538	47,404
Earnings (loss) per common share				
Basic	$ 0.03	$ 0.03	$ (0.08)	$ (0.03)
Diluted	$ 0.03	$ 0.03	$ (0.08)	$ (0.03)

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