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Securities And Exchange Commission
Washington, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-23999

Manhattan Associates, Inc.
(Exact Name of Registrant As Specified in Its Charter)

Georgia	58-2373424
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2300 Windy Ridge Parkway, Suite 700 Atlanta, Georgia	30339
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (770) 955-7070

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share

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
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

Form 10-K. Yes X No
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The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the average of the closing bid and ask quotations for the Common Stock on March 26, 1999 as reported by the Nasdaq Stock Market, was approximately $10.81. The shares of Common Stock held by each officer and director and by each person known to the Registrant who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of March 26, 1999, the Registrant had outstanding 24,013,137 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1998 are incorporated by reference in Parts II and IV of this Form 10-K to the extent stated herein. The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 15, 1999 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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Forward-Looking Statements

In addition to historical information, this Annual Report may contain "forward-looking statements" relating to Manhattan Associates, Inc. ("Manhattan" or the "Company"). Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are delays in product development, undetected software errors, competitive pressures, technical difficulties, market acceptance, availability of technical personnel, changes in customer requirements and general economic conditions. Additional factors are set forth in "Safe Harbor Compliance Statement for Forward-Looking Statements" included as Exhibit 99.1 to this Annual Report on Form 10-K. Manhattan Associates, Inc. undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results.

PART I

ITEM 1. BUSINESS.

Manhattan provides information technology solutions for distribution centers that are designed to enable the efficient movement of goods through the supply chain. Our solutions are designed to optimize the receipt, storage, assembly and distribution of inventory and the management of equipment and personnel within a distribution center, and to meet the increasingly complex information requirements of manufacturers, distributors and retailers. Our solutions consist of software, including PkMS, a comprehensive and modular software system; services, including design, configuration, implementation, training and support; maintenance, including scheduled software upgrades; and hardware. We currently provide solutions to manufacturers, distributors, retailers and transportation providers primarily in the apparel, consumer products, food service and grocery markets. As of December 31, 1998, our software was licensed for use by more than 375 customers including Abbott Laboratories, Calvin Klein, Dean Foods, Jockey International, Mikasa, Nordstrom, Patagonia, Playtex Apparel, SEIKO Corporation of America, Siemens Energy and Automations, The Sports Authority, Timberland, Warnaco and Venator Group.

Industry Background

Over the past two decades, the flow of goods through the supply chain from

manufacturers to consumers has undergone significant changes. These changes began in the United States textile industry, which, faced with increased global competition, implemented an industry-wide initiative in the 1980s to lower the cost of goods sold through more efficient inventory management. This initiative, which became known as "Quick Response," uses technology to improve the flow of information among manufacturers, distributors, retailers and transportation providers. Quick Response has allowed retailers to more rapidly advise manufacturers and distributors of their inventory replenishment needs and has allowed manufacturers and distributors to more efficiently restock retailers. As a result, textile product retailers have been able not only to reduce their idle inventory and cost of goods sold, but also to offer a broader range of products with fewer product shortages or stock-outs. The increase in direct-to-consumer, catalog and Internet distribution strategies represents an additional competitive threat to these retailers.

More recently, the consumer products industry experienced a similar supply chain re-engineering, driven primarily by the emergence of national superstore chains and category stores. The business model of these stores, which promotes wider product offerings, lower gross profit margins and a higher rate of inventory turnover than traditional stores, represented a competitive threat to retailers of similar products.

In order to remain competitive in this changing retail landscape, many retailers have demanded that manufacturers and distributors apply Quick Response principles to their supply chain operations to achieve lower costs and higher levels of service. These retailers impose financial penalties, or charge-backs, on providers who fail to comply with these services. Retailers' demands include more sophisticated distribution services, including:

- more frequent store-specific inventory replenishments;
- more customized packing of goods within each delivery to reduce in-store unpacking times;
- more sophisticated packaging and labeling of goods to meet merchandising strategies;
- compliance with unique, customer-specific shipping standards; and
- the exchange of trading information in compliance with electronic data interchange, or EDI, standards.

Demand for these more sophisticated distribution services requires significant modification of distribution center operations for manufacturers and distributors. For example, a manufacturer that previously may have made one bulk shipment to each of six customer distribution centers each month may now be required to ship more than 10,000 custom-packed and labeled orders per month directly to multiple customers' stores or to the customers' distribution centers for immediate reshipment to stores. This level of customization requires a continuous exchange of information among manufacturers, distributors, retailers and transportation providers.

As a result of these retailer demands, distribution centers have increased in size, complexity and cost. Distribution centers today can comprise one million square feet or more with thousands of stock keeping units, or "SKUs", and multi-million dollar investments in automated materials handling equipment. The efficient management of a distribution center operation now requires collecting information regarding:

- customer orders;
- inbound shipments of products;

. products available on-site;

. product storage locations;

. weights and sizes;

. outbound shipping data including customer- or store-specific shipping requirements, routing data and carrier requirements; and

. electronic communication with other participants in the supply chain.

This information must be analyzed dynamically to determine the most efficient use of the distribution center's labor, materials handling equipment, packaging equipment and shipping and receiving areas. Additionally, manufacturers, distributors and retailers must exchange information with other participants in the supply chain in order to effectively integrate the operation of their distribution centers with the entire supply chain.

In response to these new distribution center challenges, companies have implemented information technology systems designed to manage this new distribution environment. Gartner Group, an independent industry analysis and research firm, estimates that the distribution center management systems market totaled more than $900 million in revenue in 1997, and that the market is currently growing at 35% annually. Furthermore, Gartner Group projects that the majority of the current installed base of largely internally developed software will be replaced by 2001. An effective distribution center management system must have the ability to integrate with:

. enterprise resource planning, or ERP, systems;

. supply chain management, or SCM, systems such as transportation, order management and demand planning; and

. the existing distribution center equipment, including related radio frequency, or RF, equipment and automated materials handling equipment.

In addition, customers frequently require their distribution center management systems to incorporate customer-driven modifications to their packaging, information and transportation services, new technologies and newly-defined best practices in their industry. Distribution center management systems also must operate with high reliability and efficiency while supporting very high transaction volumes and multiple users, and therefore are almost exclusively deployed on UNIX or large-scale enterprise servers.

Traditionally, distribution center management systems have been highly customized, difficult to upgrade and have required costly and lengthy implementations. Furthermore, these systems have not readily supported the increased volumes and complexities associated with recent advances in supply chain re-engineering initiatives. Specifically, they have failed to quickly incorporate changing industry and customer-specific shipping standards. Most providers of these systems have not focused on specific vertical markets but rather have attempted to customize their solutions to differing vertical market demands with each implementation. As a result, many of these providers have been unable to effectively leverage industry-specific expertise for use in future implementations.

The Manhattan Solution

We provide information technology solutions for distribution centers that are designed to enable the efficient movement of goods through the supply chain. Our solutions are designed to optimize the receipt, storage and distribution of inventory and the management of equipment and personnel within a distribution center, and to meet the increasingly complex information requirements of manufacturers, distributors and retailers. Our solutions consist of software,

including PkMS, a comprehensive and modular software system; services, including design, configuration, implementation, training and support; maintenance, including software upgrades; and hardware. We currently provide solutions to manufacturers, distributors and retailers primarily in the apparel, consumer products, food service and grocery markets.

PkMS allows organizations to manage the receiving, storage, stock locating, stock picking, order verification, assembly, order packing and shipment of products in complex distribution centers. PkMS is designed to optimize the operation of a distribution center by:

- increasing inventory turnover;
- improving inventory accuracy;
- reducing response times;
- reducing inventory levels;
- complying with industry shipping standards;
- communicating with other participants in the supply chain; and
- increasing the productivity of labor, facilities and materials handling equipment.

We have developed robust, high volume systems for manufacturers, distributors and retailers of consumer products to support Quick Response and other industry and supply chain initiatives. PkMS employs leading database technology and can be easily integrated with third party software applications, including the ERP and SCM systems of our customers.

Our solutions feature PkMS, a modular software system that, together with our consulting, implementation and maintenance services, provides:

- Comprehensive Functionality--PkMS addresses a full range of requirements of modern, complex distribution centers with an existing product rather than custom-designed and developed applications. PkMS provides comprehensive functionality for specific vertical markets incorporating industry-wide initiatives.
- Ease of Implementation--PkMS' modular design, along with our knowledge of specific vertical markets and expertise in planning and installation, allows our solutions to be implemented more rapidly than highly-customized distribution center management systems. A typical implementation can often be completed within six months. Because of its modular design, PkMS can be implemented in phases to meet specific customer demands.
- Timely Response to Industry Initiatives--PkMS features a comprehensive maintenance program to provide our customers with timely software upgrades offering increased functionality and technological advances which address emerging supply chain and other industry initiatives.
- Flexibility and Configurability--PkMS is designed to be easily configured to meet a distribution center's specific requirements and reconfigured to meet changing customer requirements.
- Scaleability--PkMS is designed to facilitate the management of evolving distribution center systems to accommodate increases in the number of system users, complexity and distribution volume.

Strategy

Our objective is to be the leading provider of information technology solutions that enable distribution centers to more efficiently manage the movement of goods through the supply chain. We will continue to provide solutions to targeted vertical markets by offering advanced, highly functional, highly scaleable applications that allow customers to leverage their investment in distribution centers and meet frequently-changing customer requirements. Our strategy to achieve this objective includes the following key elements:

Enhance Core Product Functionality. We intend to continue to focus our product development resources on the development and enhancement of PkMS to extend its functionality within our targeted vertical markets. We also plan to continue to provide frequent upgrades to address evolving industry standards. We identify further enhancements to PkMS through on-going customer consulting engagements and implementations, interactions with our user groups and participation in industry standards and research committees.

Target New Vertical Markets. To date we have focused our marketing, sales and product development efforts on specific vertical markets, particularly in the apparel manufacturing industry. We are increasingly targeting additional vertical markets, including food service, grocery and other retailers. In addition, we plan to target other vertical markets that adopt Quick Response, Efficient Consumer Response and similar industry initiatives. We will also target industries employing direct-to-consumer, catalog and Internet distribution strategies.

Expand Sales, Services and Marketing Organizations. We currently sell and support our products primarily through our direct sales and services personnel. We plan to invest significantly in expanding our sales, services and marketing organizations and to pursue strategic marketing partnerships with systems integrators and third party software application providers.

Develop International Sales. We have historically focused our sales efforts on customers in the United States. We intend to add sales personnel and establish additional offices focused on international opportunities and pursue strategic marketing partnerships with international systems integrators and third party software application providers.

Expand Integration with Complementary Products. We believe that the ability to offer a software solution that can extend integration with leading third party software applications will continue to provide a significant competitive advantage. We intend to continue to develop PkMS to integrate with complementary ERP, SCM and other business applications.

Expand Supply Chain Information Offering. We plan to expand our current product offerings to include functions to help synchronize electronic information exchange among supply chain partners. Because of our large customer base and industry experience, we believe we are well-positioned to compile retail routing guides, shipping instructions and additional compliance requirements and incorporate this information on an ongoing basis into our software products.

Products and Services

Software. Our software products feature a modular design that permits customers to selectively implement specific functionality depending on the needs of each distribution facility or operation.

The following table describes the functions of the PkMS modules as well as additional software products:

MODULE	DESCRIPTION
Inventory Management System ("IMS")	Manages the receipt, put-away and movement of all inventory throughout the distribution center
Receiving	. Verifies the accuracy of incoming shipments against the advanced shipping notice . Designates incoming inventory for quality audit and immediate out-going shipment (cross-docking) . Manages receiving yard by scheduling time, dock location and priority of shipments
Stock Locator	. Enhances inventory movement efficiency by directing put-away, minimizing travel distances and optimizing storage capacity . Tracks movement of inventory by allowing real-time inquiries by location, SKU and other criteria
Cycle Count	. Enables more efficient inventory counts by permitting specific zones of a distribution center to be "frozen" without interrupting ongoing operations . Automatically generates cycle count tasks for specific SKUs, locations or other user-designated criteria
Work Order Management	. Directs the assembly of finished goods within a distribution center to match customer demands
Radio Frequency Functions for the IMS	. Allows the real-time collection of inventory product information and location with remote, hand-held mobile devices for integration with the IMS . Communicates real-time task assignments to workers in remote locations of the distribution center
Task Management System for the IMS	. Coordinates the sequence of distribution center tasks to optimize labor efficiency
Outbound Distribution System ("ODS")	Manages the picking, packing and shipping of orders in efficient release waves
Wave Management	. Selects, prioritizes and groups outgoing orders in manageable increments based upon user-defined criteria . Routes picktickets based upon retailer requirements and pre-determines carton contents to minimize the number of outgoing cartons . Facilitates stock replenishment for active picking and packing locations
Verification	. Provides automatic verification of orders and identifies order shortages and overages to maximize shipping accuracy at several different points within the order fulfillment process
Radio Frequency Functions for the ODS	. Allows the real-time collection of shipment information and location with remote, hand-held mobile devices . Communicates real-time task assignments to workers in remote locations of the distribution center
Freight Management System	. Sorts orders by specific freight carriers, calculates shipping charges and controls load sequencing based upon truck routes . Generates all documentation required for shipping such as bills of lading and retailer compliant required manifests
Parcel Shipping System	. Calculates all shipping charges for parcel shipments, generates tracking numbers and provides appropriate documentation for parcel carriers
Additional Software	Additional software available for an incremental purchase price
Order Allocation System	. Prioritizes and allocates orders based on current aggregate inventory levels for customers whose host system is unable to perform this function
Advance Ship Notice Enabler System	. Enables a customer's suppliers in remote locations to create advanced ship notices for the customer's receiving distribution center
SLOT-IT	. Optimizes inventory physical location within a distribution center based on volume, seasonal demands, location of products and size
Foreign Trade Zone	. Provides specialized reporting and output features for companies that operate distribution centers under the U.S. Customs Foreign Trade Zone Program
Performance Truck Routing System	. Manages transportation fleet scheduling based on delivery times, dates, volume, weight, trailer capacities and other transportation data
SmartSite	. Determines efficient locations for distributions centers based on transportation routing and estimated outbound load and service capacity

Consulting Services. Our consulting services provide our customers with expertise and assistance in planning and implementing our solutions. To ensure a successful product implementation, consultants assist customers with the initial installation of a system, the conversion and transfer of the customer's historical data onto our system, and ongoing training, education and upgrades. We believe that our consulting services enable the customer to implement our software rapidly, ensure the customer's success with our solution, strengthen the relationship with the customer, and add to our industry-specific knowledge base for use in future implementations and product development efforts.

Although our consulting services are optional, substantially all of our customers use these services for the implementation and ongoing support of our software products. Consulting services are billed on an hourly basis. We believe that increased sales of our software products will drive higher demand for our consulting services. Accordingly, we plan to continue to substantially increase the number of consultants to support anticipated growth in product implementations and upgrades. To the extent we are unable to attract, train and retain qualified consulting personnel, our operating results may be adversely affected.

Our consulting services group consists of business consultants, systems analysts and technical personnel devoted to assisting customers in all phases of systems implementation including planning and design, customer-specific configuring of modules, and on-site implementation or conversion from existing systems. Our consulting personnel undergo training on distribution center operations and our products. We believe that this training, together with the ease of implementation of our products, enables us to productively use newly-hired consulting personnel more rapidly than our competitors. We may increasingly use third party consultants, such as those from major systems integrators, to assist in certain implementations.

Maintenance. We offer a comprehensive maintenance program which provides our customers with timely software upgrades offering increased functionality and technological advances that incorporate emerging supply chain and other industry initiatives. As of December 31, 1998, a majority of our customers had subscribed to our comprehensive maintenance support program. We have the ability to remotely access the customer's system in order to perform diagnostics, on-line assistance and software upgrades. All of our annual maintenance agreements entitle customers to software product upgrades. We offer a standard annual maintenance option providing for customer telephone support during normal business hours for 15% of the current software license fee and 24 hour maintenance for 20% percent of the current software license fee.

Hardware. Our products operate on multiple hardware platforms utilizing various hardware systems and interoperate with many third party software applications and legacy systems. This open system capability enables customers to continue using their existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies.

In conjunction with the licensing of our software, we resell a variety of hardware products developed and manufactured by third parties in order to provide our customers with an integrated distribution center management solution. These products include computer hardware, radio frequency terminal networks, bar code printers and scanners, and other peripherals. We resell all third party hardware products pursuant to agreements with manufacturers or through distributor authorized reseller agreements pursuant to which we are entitled to purchase hardware products at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain any significant hardware inventory.

Sales and Marketing

To date, we have generated substantially all of our revenue through our direct sales force. We plan to continue to invest significantly in expanding our sales, support, services and marketing organizations within the United States and Europe, and to pursue strategic marketing partnerships. We conduct comprehensive marketing programs that include advertising, public relations, trade shows, joint programs with vendors and consultants and ongoing customer communication programs. The sales cycle typically begins with the generation of a sales lead or

the receipt of a request for proposal from a prospective customer. The sales lead or request for proposal is followed by the qualification of the lead or prospect, an assessment of the customer's requirements, a formal response to the request for proposal, presentations and product demonstrations, site visits to an existing customer using our distribution center management system and contract negotiation. The sales cycle can vary substantially from customer to customer but typically requires three to six months.

Customers

To date, our customers have been primarily manufacturers, distributors and retailers in the apparel, consumer products, food service and grocery market

segments. We plan to expand our presence in the retail, direct consumer, health and beauty products, and industrial products markets and among outsourcers of distribution center management services and third party logistics providers. As of December 31, 1998, we had licensed our software for use by more than 375 customers including Abbott Laboratories, Calvin Klein, Dean Foods, Jockey International, Mikasa, Nordstrom, Patagonia, Playtex Apparel, SEIKO Corporation of America, Siemens Energy and Automations, The Sports Authority, Timberland, Warnaco and Venator Group. The following table sets forth a representative list of our customers as of December 31, 1998, that have purchased at least $100,000 in products and services from us.

Apparel Manufacturers	Food Service and Distribution	Industrial Products
Aris Isotoner	Abbott Foods	AGFA/Bayer
ASICS Tiger	Alliant Atlantic Foodservice	American Tack & Hardware
Authentic Fitness	Arrow Industries	Delta International Machinery
Bugle Boy	Associated Grocers	Familian Pipe & Supply
Calvin Klein	Austin Quality Foods	Festo
Columbia Sportswear	Burns Philp Food/Tones Brothers	Liberty Hardware
Danskin	Canned Foods	Loctite
Duck Head Apparel	Dean Foods	PPG Architectural Finishes
Esprit	Federal Wholesale	Rain Bird Sales
Farah (U.S.A.)	Maines Paper and Food Service	Siemens Energy and Automations
Garan Manufacturing	Reser's Fine Foods	Motors and Armatures, Inc.
Great American Knitting Mills	Tanimura & Antle	
Hartmarx	Zacky Farms	Retailers
Hugo Boss		
Jockey International	Consumer Products	Casual Corner Group
Jones Apparel		Edison Brothers
London Fog	Alliance Entertainment	Mars Music
Oxford Industries	Brother International	Nordstrom
Playtex Apparel	Bulova	The Children's Place
Stride Rite	Conair Group	The Sports Authority
Timberland	Hunter Fan	Venator Group
The North Face	Mikasa	
Tropical Sportswear	Remington Products	Direct to Consumer
Warnaco	SEIKO Corp. of America	
	Tandy Brands Accessories	Coldwater Creek
Health and Beauty Products	Villeroy & Boch Tableware	Cornerstone Brands
		DM Management
Abbott Laboratories, Inc.	Third Party Logistics	Genesis Direct
Andrew Jergens		Lenox Collections
Beiersdorf USA	Burnham Service Corporation	Nordstrom--The Catalog
Bonne Bell	Skyway Freight Systems	Patagonia
Dana Perfume		Speigel
Ocular Sciences		

Our top five customers in aggregate accounted for 14%, 22% and 26% of total revenue for each of the years ended December 31, 1998, 1997 and 1996, respectively. No single customer accounted for 10% or more of our total revenue during any of the three years ended December 31, 1998.

Product Development

Our development efforts are focused on adding new functionality to existing products and enhancing the operability of our products across distributed and changing hardware platforms, operating systems and database systems. We believe that our future success depends in part upon our ability to continue to enhance existing products, respond to changing customer requirements and develop and introduce new or enhanced products that incorporate new technological developments and emerging industry standards. To that end, our development efforts frequently focus on base system enhancements incorporating new user requirements and potential features identified through customer interaction and systems implementations. As a result, we are able to continue to offer our customers a highly configurable product with increasing functionality rather than a custom-developed software program.

We are currently devoting a significant portion of our research and development efforts to the enhancement of the distributed N-Tier architecture

version of PkMS, which currently operates using Windows 95/98/NT and standard radio frequency device clients and the UNIX server operating environments. This distributed N-Tier version is designed to allow different software applications and systems and hardware platforms to operate together more efficiently. We are also currently developing new functionality for PkMS, such as features designed to enhance worker productivity, improve yard management and schedule inbound shipment receiving appointments. We also plan to focus development efforts on integrating the SLOT-IT application into future releases of PkMS. We plan to continue to conduct our development efforts internally in order to retain development knowledge and promote the continuity of programming standards.

Our research and development expenditures for the years ended December 31, 1998, 1997 and 1996 were $7.4 million, $3.0 million and $1.2 million, respectively. We intend to continue to increase our investment in product development in the future.

Competition

Our products are targeted at the distribution center management systems market, which is intensely competitive and characterized by rapid technological change. The principal competitive factors affecting the market for our products include:

- vendor and product reputation;
- compliance with industry standards;
- product architecture, functionality and features;
- ease and speed of implementation;
- return on investment;
- product quality, price and performance; and
- level of support.

We believe that we compete favorably with respect to each of these factors. Our competitors are diverse and offer a variety of solutions directed at various aspects of the supply chain, as well as the enterprise as a whole. Our existing competitors include:

- distribution center management software vendors including Catalyst International, Inc., EXE Technologies, Inc., Optum, Inc. and McHugh Software International, Inc.;
- ERP or SCM application vendors that offer warehouse management functionality or modules of their suite, such as JD Edwards or SAP;
- the corporate information technology departments of potential customers capable of internally developing solutions; and
- smaller independent companies that have developed or are attempting to develop distribution center management software that competes with our software solution.

We may face competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their product offerings by internally developing, or by acquiring or partnering with independent developers of, distribution center management software. To the extent such ERP and SCM vendors develop or acquire systems with functionality comparable or superior to our products, their significant installed customer bases, long-standing customer relationships and ability to offer a broad

solution could provide a significant competitive advantage over us. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share.

Many of our competitors and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition and a larger installed base of customers than we do. In order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations. There can be no assurance that our current or potential competitors will not develop products comparable or superior in terms of price and performance features to those developed by us. In addition, no assurance can be given that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Increased competition will result in reductions in market share, pressure for price reductions and related reductions in gross margins, any of which could materially and adversely affect our ability to achieve our financial and business goals. There can be no assurance that in the future we will be able to successfully compete against current and future competitors.

International Operations

During 1998, the Company commenced operations in the United Kingdom. Total revenues for the United Kingdom were approximately $130,000 for the year ended December 31, 1998, which represents less than 1% of the Company's total revenues.

Proprietary Rights

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have a registered trademark in "PkMS" and trademarks in "SLOT-IT" and the Manhattan logo. We have no registered copyrights. We generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license PkMS to our customers in source code format and restrict the customer's use for internal purposes without the right to sublicense the PkMS or SLOT-IT product. However, we believe that this provides us only limited protection. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot

assure that we will successfully deter misappropriation or independent third party development of our technology or to prevent an unauthorized third party from copying or obtaining and using our products or technology. In addition, policing unauthorized use of our products is difficult, and while we are unable to determine the extent to which piracy of our software products exist, software piracy could become a problem.

As the number of supply chain management applications in the industry increases and the functionality of these products further overlaps, companies that develop software may increasingly become subject to claims of infringement or misappropriation of intellectual property rights. Third parties may assert infringement or misappropriation claims against us in the future for current or future products. Any claims or litigation, with or without merit, could be time-consuming, result in costly litigation, divert management's attention and cause product shipment delays or require us to enter into royalty or licensing arrangements. Any royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all, which could have a material adverse effect on our business, financial condition and results of operations. Adverse determinations in such claims or litigation could also have a material

adverse effect on our business, financial condition and results of operations.

We may be subject to additional risks as we enter into transactions in countries where intellectual property laws are not well developed or are poorly enforced. Legal protections of our rights may be ineffective in such countries. Litigation to defend and enforce our intellectual property rights could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations, regardless of the final outcome of such litigation. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure that we will be successful in doing so, or that the steps taken by us in this regard will be adequate to deter misappropriation or independent third party development of our technology or to prevent an unauthorized third party from copying or otherwise obtaining and using our products or technology. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Employees

As of December 31, 1998, we had 517 full-time employees. None of our employees are covered by a collective bargaining agreement. We consider our relations with our employees to be good. As of December 31, 1998, certain of our employees were employed pursuant to the H-1(B), non-immigrant work-permitted visa classification.

Executive Officers

The executive officers of Manhattan and certain information about them are as follows:

Name	Age	Position
Alan J. Dabbiere.....	37	Chairman of the Board of Directors, Chief Executive Officer and President
Deepak Raghavan.....	32	Senior Vice President, Chief Technology Officer and Director
Robert Bearden.....	32	Senior Vice President--Global Sales
David K. Dabbiere.....	39	Senior Vice President, Chief Legal Officer and Secretary
Michael J. Casey.....	35	Senior Vice President, Chief Financial Officer and Treasurer
Neil Thall.....	52	Senior Vice President--Supply Chain Strategy

Alan J. Dabbiere, a founder of Manhattan, has served as Chief Executive Officer and President of Manhattan since its inception in 1990 and Chairman of the Board since February 1998. From 1986 until 1990, Mr. Dabbiere was employed by Kurt Salmon Associates, a management consulting firm specializing in consumer products manufacturing and retailing, where he specialized in consulting for the retail and consumer products manufacturing industries. At Kurt Salmon Associates, Mr. Dabbiere participated in Quick Response pilot projects focused on the value of an integrated supply chain initiative. Mr. Dabbiere serves on the American Apparel Manufacturer Association's Management Systems Committee.

Deepak Raghavan, a founder of Manhattan, has served as Senior Vice President of Manhattan since August 1998, Chief Technology Officer since its inception in 1990 and as a Director since February 1998. From 1987 until 1990, Mr. Raghavan was a Senior Software Engineer for Infosys Technologies Limited, a software development company, where he specialized in the design and implementation of information systems for the apparel manufacturing industry.

Robert Bearden has served as Senior Vice President--Global Sales of Manhattan since August 1998. From 1993 to July 1998, Mr. Bearden was employed by Oracle Corporation in several capacities in sales management, most recently as Group Vice President, Central/Western United States, where he was responsible for the sale of all products, including financial and manufacturing applications, database, decision support, development tools and professional

services.

David K. Dabbiere has served as Senior Vice President, Chief Legal Officer and Secretary of Manhattan since August 1998. From March 1998 to August 1998, Mr. Dabbiere served as Vice President, General Counsel and Secretary of Manhattan. From 1984 to 1998, Mr. Dabbiere was employed by The Procter & Gamble Company, most recently as Associate General Counsel. Mr. Dabbiere was responsible for, among other duties, the intellectual property matters for Procter & Gamble's Beauty Care & Cosmetic and Fragrances sectors.

Michael J. Casey has served as Senior Vice President of Manhattan since August 1998 and as Chief Financial Officer and Treasurer since November 1997. Prior to joining Manhattan, Mr. Casey served as Chief Financial Officer of Intellivoice Communications, Inc., a developer of voice recognition software applications from April 1997 until November 1997. From February 1996 to February 1997, Mr. Casey was Chief Financial Officer, Treasurer and Secretary of Colorocs Information Technologies, Inc., a publicly traded information technology company. From 1992 to 1996, Mr. Casey served as Vice President--Finance for IQ Software Corporation, a publicly traded software developer. Prior to 1992, Mr. Casey was employed by Arthur Andersen LLP, where he served the technology and communications industries. Mr. Casey is a member of the American Institute of Certified Public Accountants and is a Certified Public Accountant in the State of Georgia.

Neil Thall has served as Senior Vice President--Supply Chain Strategy of Manhattan since August 1998. From January 1998 to August 1998, Mr. Thall served as Vice President--Supply Chain Strategy of Manhattan. From 1992 to 1997, Mr. Thall served as President of Neil Thall Associates, a software development and management consulting subsidiary of HNC Software, Inc. that specialized in inventory management, Quick Response and vendor managed inventory initiatives. Prior to 1992, Mr. Thall was employed by Kurt Salmon Associates as National Service Director--Retail Consulting, where he specialized in the development and implementation of information systems for major department stores and specialty and mass merchant chains.

Other Key Employees

Deepak M.J. Rao, a founder of Manhattan, has served as a Vice President of Manhattan since its inception in 1990. From 1987 until 1990, Mr. Rao was an Assistant Project Manager for Infosys Technologies Limited, a software development company, where he specialized in the design and implementation of information systems for the banking industry.

Ponnambalam Muthiah, a founder of Manhattan, has served as a Vice President of Manhattan since its inception in 1990. From 1987 until 1990, Mr. Muthiah was a Senior Software Engineer for Infosys Technologies Limited, a software development company, where he specialized in the design and implementation of information systems for the apparel manufacturing industry.

Zachary Todaro has served as Vice President of Consulting Services since August 1998. From August 1997 to August 1998, he served as Director of Consulting Services of Manhattan. Prior to serving as Director of Consulting Services, Mr. Todaro served in several capacities with Manhattan including sales, product development and consulting, since April 1993.

Jeffry W. Baum joined Manhattan in February 1998 as Vice President--International Business Development. From January 1997 until February 1998, Mr. Baum served as Vice President--Sales and Marketing of Haushahn Systems & Engineers, a warehouse management systems and material handling automation provider. From March 1992 until December 1996, Mr. Baum served as Senior Account Manager at Haushahn. Prior to that, Mr. Baum served in a variety of business development, account management and marketing positions with Logisticon, Inc. and Hewlett-Packard.

Daniel Basmajian, Sr. has served as President of Performance Analysis

Corporation since 1987. Performance Analysis Corporation became a wholly-owned subsidiary of Manhattan in February 1998, when we acquired all of its issued and outstanding shares.

ITEM 2. PROPERTIES.

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 112,000 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through December 31, 2002. In addition, we expect in the future to expand into additional facilities.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any material legal proceeding. From time to time, the Company is involved in various routine legal proceedings incidental to the conduct of its business.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

The Company's Common Stock is traded on the Nasdaq National Market under the symbol "MANH". The price per share reflected in the table below represents the range of low and high closing sale prices for the Company's Common Stock as reported by The Nasdaq Stock Market for each of the quarters since our initial public offering:

Fiscal Period	High Price	Low Price
1998		
Second Quarter (from April 23, 1998).....	$26.50	$17.50
Third Quarter.....	28.13	10.00
Fourth Quarter.....	27.63	8.00

The closing sale price of our Common Stock as reported by the Nasdaq National Market on March 26, 1999 was $10.75. The number of shareholders of our Common Stock as of March 26, 1999 was approximately 24,013,137.

Prior to our initial public offering in April 1998, the predecessors of Manhattan historically made distributions to shareholders related to their limited liability company status and the resulting tax payment obligations imposed on its shareholders. We do not intend to declare or pay cash dividends in the foreseeable future. Our management anticipates that all of our earnings and other cash resources, if any, will be retained by us for investment in our business. We are prevented by our line of credit agreement from paying cash dividends without the consent of our commercial lender.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Form 10-K and the consolidated financial statements and notes thereto included in Item 8 of this Form 10-K. The statement of income data for the years ended December 31, 1996, 1997 and 1998, and the balance sheet data as of December 31, 1997, and 1998, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of income data for the year ended December 31, 1995, and the balance sheet data as of December 31, 1995, and

1996, are derived from the audited financial statements not included herein. The statement of income data for the year ended December 31, 1994, and the balance sheet data as of December 31, 1994 are derived from the Company's unaudited financial statements not included herein. In the opinion of management, the unaudited financial statements have been prepared on a basis consistent with the financial statements which appear elsewhere in the Form 10-K, and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the financial position and results of operations for this unaudited year. Historical and pro forma results are not necessarily indicative of results to be expected in the future.

	Year Ended December 31,				
	1994	1995	1996	1997	1998
	(In thousands, except per share data)				
Statement of Income Data:					
Revenue:					
Software license	$ 1,781	$ 2,463	$ 3,354	$ 7,160	$13,816
Services	1,587	3,503	6,236	14,411	32,358
Hardware	3,144	5,255	4,810	10,886	15,891
Total revenue	6,512	11,221	14,400	32,457	62,065
Cost of revenue:					
Software license	2	6	177	461	920
Services	1,293	1,740	2,026	6,147	15,286
Hardware	2,457	3,991	3,734	8,001	11,791
Total cost of revenue	3,752	5,737	5,937	14,609	27,997
Gross margin	2,760	5,484	8,463	17,848	34,068
Operating expenses:					
Research and development	328	1,138	1,236	3,025	7,429
Acquired research and development	--	--	--	--	1,602
Sales and marketing	526	1,147	1,900	3,570	9,045
General and administrative	414	1,058	1,454	2,975	6,731
Total operating expenses	1,268	3,343	4,590	9,570	24,807
Income from operations	1,492	2,141	3,873	8,278	9,261
Other income, net	5	40	103	56	1,070
Income before income taxes	1,497	2,181	3,976	8,334	10,331
Income tax expense (benefit):					
Tax provision as a "C" corporation	--	--	--	--	3,329
Deferred tax adjustment	--	--	--	--	(316)
Historical net income	$ 1,497	$ 2,181	$ 3,976	$ 8,334	$ 7,318
Historical diluted net income per share	$ 0.08	$ 0.11	$ 0.20	$ 0.40	$ 0.29
Shares used in computing historical diluted net income per share	20,000	20,010	20,308	20,761	25,651
Income before pro forma income taxes	$ 1,497	$ 2,181	$ 3,976	$ 8,334	$10,331
Pro forma income taxes (1)	564	800	1,486	3,023	4,244
Pro forma net income (1)	$ 933	$ 1,381	$ 2,490	$ 5,311	$ 6,087
Pro forma diluted net income per share (2)					$ 0.24
Shares used in computing pro forma diluted net income per share (2)					25,686

	December 31,				
	1994	1995	1996	1997	1998
	(In thousands)				
Balance Sheet Data:					
Working capital	$ 1,974	$ 3,199	$ 4,116	$ 6,268	$44,561
Total assets	2,949	5,332	7,276	15,006	67,775
Total shareholders' equity	1,997	3,755	4,882	8,454	55,635

(1) In connection with the conversion from limited liability company status on April 23, 1998, we became subject to federal and state corporate income taxes. Pro forma net income is presented as if we had been subject to corporate income taxes for all periods presented.

(2) See Note 1 of Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

All statements, trend analysis and other information contained in the following discussion relative to markets for our products and trends in revenue, gross margins and anticipated expense levels, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," and "intend" and other similar expressions constitute forward-looking statements. These forward-looking statements are subject to business and economic risks and uncertainties, and our actual results of operations may differ materially from those contained in the forward-looking statements.

Overview

Manhattan provides information technology solutions for distribution centers that are designed to enable the efficient movement of goods through the supply chain. Our solutions are designed to optimize the receipt, storage and distribution of inventory and the management of equipment and personnel within a distribution center, and to meet the increasingly complex information requirements of manufacturers, distributors, retailers and transportation providers. Our solutions consist of software, including PkMS, a comprehensive and modular software system; services, including design, configuration, implementation, training and support; maintenance, including software upgrades; and hardware. We currently provide solutions to manufacturers, distributors, retailers and transportation providers primarily in the apparel, consumer products, food service and grocery markets.

Manhattan's revenue consists of revenue from the licensing of PkMS, and beginning in February 1998, SLOT-IT; fees for consulting, implementation, training and maintenance services; and revenue from the resale of complementary radio frequency and computer equipment. In recent years, we have experienced an increase in services revenue and a decrease in hardware revenue as a percentage of total revenue. Services revenue generally provides us with greater profit margins than hardware revenue.

Effective January 1, 1998, we adopted Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), which supersedes Statement of Position No. 91-1, "Software Revenue Recognition." Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) shipment of the product has occurred; (3) the license fee is fixed and determinable; (4) collectibility is probable; and (5) remaining obligations under the license agreement are insignificant.

Manhattan's services revenue consists of revenue generated from services and maintenance related to our software solutions. Services revenue is derived from fees based on consulting, implementation and training services. Consulting, implementation and training services performed by Manhattan are generally billed on an hourly basis and revenue is recognized as the services are performed. Maintenance revenue represents amounts paid, generally in advance, by users for the support and enhancements to the software. Maintenance revenue is recognized ratably over the term of the maintenance agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, that are integrated with and complementary to our software solutions. As part of a complete distribution center management solution, our customers frequently purchase hardware from us in conjunction with the licensing of PkMS and other software. These products include computer hardware, radio frequency terminal networks, bar code printers and scanners and other peripherals. We recognize hardware revenue upon shipment. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain any significant hardware inventory.

During the fourth quarter of 1998, we invested substantially in new product development. In particular, we invested in a Third Party Logistics billing product and an Engineered Labor Standards product and made significant progress in the development of three new products: an integrated version of Slot-It for

windows, the Optimization suite of products and the Internet Transportation Guides. In conjunction with the development of these products we capitalized approximately $600,000 of research and development expenses in the fourth quarter. Those capitalized costs will be amortized over three years commencing upon the availability of the anticipated products. We anticipate capitalizing additional costs relating to these products as well as new products in the future.

Prior to April 23, 1998, we elected to report as a limited liability company that is treated as a partnership for income tax purposes, and, as a result, we were not subject to federal and state income taxes. Pro forma net income amounts discussed below include additional provisions for income taxes on a pro forma basis as if we were liable for federal and state income taxes as a taxable corporate entity throughout the periods presented. The pro forma tax provision is calculated by applying our statutory tax rate to pretax income, adjusted for permanent tax differences. Our status as a limited liability company terminated immediately prior to the effectiveness of our initial public offering in April 1998, and we have been taxed as a business corporation since that time.

On February 16, 1998, we purchased all of the outstanding stock of Performance Analysis Corporation, or PAC, for approximately $2.2 million in cash and 106,666 shares of our common stock valued at $10.00 per share. PAC is a developer of distribution center slotting software. The acquisition was accounted for as a purchase. The purchase price of approximately $3.3 million was allocated to the assets acquired and liabilities assumed, including acquired research and development of approximately $1.6 million, purchased software of $500,000, and other intangible assets of $765,000. Purchased software is being amortized over an estimated two-year useful life and other intangible assets are being amortized over a seven-year period. In connection with the PAC acquisition, we recorded a charge to income of $1.6 million in the first quarter of 1998 for acquired research and development. We have focused development efforts on integrating the SLOT-IT application into future products.

We determined the value of the acquired research and development of approximately $1.6 million based on the estimated costs to reproduce the efforts that PAC incurred to begin the development of the Windows NT version of SLOT-IT. We estimated the time to reproduce the product to be 20 man years. This estimate was based on the actual time incurred by PAC to develop the software and our years of experience developing and commercializing technologies on these platforms in this industry. Our management and the President and founder of PAC, Daniel Basmajian, Sr., estimated that PAC has put in 40 man years (based on an average of 4 developers over a period of 10 years) to develop both the DOS based version of SLOT-IT (which was being marketed at the time of the acquisition) and the Windows NT version of SLOT-IT (which was being developed at the time of the acquisition.). If we were to have recreated the Windows NT version of SLOT-IT with the benefit of an existing DOS based version, we believe we would have spent 20 man years to conceive, design and develop the Windows NT version that existed at the acquisition date. We estimated that this development would have taken 10 employees approximately 2 years to develop, or 20 man years. We estimated the cost per employee based on an estimated fully-loaded cost per development employee per year and applied that cost to the 20 man years. The fully-loaded cost of $77,000 per year per development employee was based on the actual average salary per development employee of $70,000 plus payroll taxes of 7% ($5,000) and employee benefits of 3% ($2,000). This fully-loaded cost per development employee was increased by 8% for the second year of development.

We used the cost-based approach to value acquired research and development in the acquisition of PAC. While the cost-based approach is not a widely used methodology, we believe this approach is acceptable based on our experience with similar transactions in the past and our experience in developing cost estimates for designing and developing technology in the industry. Many acquisitions in the software industry, however, are accounted for utilizing an income-based approach to the valuation of acquired research and development. Although we

believe that an income-based approach often provides a more precise valuation, because a market had not been established for the Windows NT product, and future cash flow projections were thus not available, we elected to use the cost-based approach.

We accounted for this $1.6 million amount as acquired research and development as we intend to continue completing the development and integration of the SLOT-IT Windows NT version into PkMS. We originally estimated the cost to complete the development of the Windows NT version of SLOT-IT and to fully integrate the product into PkMS to range from approximately $500,000 to $1,000,000. We originally expected to complete development and to begin to benefit from the acquired project in the last half of 1999. We currently expect to complete the Windows NT version of SLOT-IT in the first quarter of 1999. We are still in the process of integrating the SLOT-IT software into PkMS. We cannot assure a successful completion of this integration or that the resulting products, if completed, will achieve market acceptance. If such projects are unsuccessful, our business, financial condition and results of operations would likely be materially adversely affected.

In October 1998, we purchased certain assets of Kurt Salmon Associates, Inc., or KSA. The total purchase price for these assets was approximately $2.2 million consisting of $1.75 million in cash and assumed liabilities of approximately $450,000. The purchase price was allocated to the intangible assets acquired, including a customer list, assembled workforce, purchased software, trade names and goodwill. The assets are being amortized over periods ranging from one to ten years.

Recent Accounting Pronouncement

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 is effective for the Company's fiscal year ending December 31, 2000. The Company's management does not believe that the adoption of SFAS 133 will have a material impact on the Company's financial position or results of operations.

Results of Operations

The following table sets forth, for the periods indicated, the percentages of total revenues represented by certain items reflected in the Company's consolidated statements of income:

	Year Ended December 31,		
	1996	1997	1998
Statement of Income Data:			
Revenue:			
Software license	23.3%	22.1%	22.3%
Services	43.3	44.4	52.1
Hardware	33.4	33.5	25.6
Total revenue	100.0	100.0	100.0
Cost of revenue:			
Software license	1.2	1.4	1.5
Services	14.1	18.9	24.6
Hardware	25.9	24.7	19.0
Total cost of revenue	41.2	45.0	45.1
Gross margin	58.8	55.0	54.9
Operating expenses:			
Research and development	8.6	9.3	12.0
Acquired research and development	--	--	2.6
Sales and marketing	13.2	11.0	14.6
General and administrative	10.1	9.2	10.8
Total operating expenses	31.9	29.5	40.0
Income from operations	26.9	25.5	14.9
Other income, net	0.7	0.2	1.7

Income before income taxes	27.6	25.7	16.6
Income tax expense (benefit):			
Tax provision as a "C" corporation	--	--	5.3
Deferred tax adjustment	--	--	(0.5)
Historical net income	27.6%	25.7%	11.8%
Income before pro forma income taxes	27.6	25.7	16.6
Pro forma income taxes	10.3	9.3	6.8
Pro forma net income	17.3%	16.4%	9.8%

Years Ended December 31, 1996, 1997 and 1998

Revenue

Our revenue consists of software license revenue, revenue derived from consulting, maintenance and other services and revenue from the sale of hardware. Total revenue increased 125.4% from $14.4 million in 1996 to $32.5 million in 1997. Total revenue increased 91.2% from $32.5 million in 1997 to $62.1 million in 1998. The increase in total revenue was primarily due to an increase in revenue from services and an increase in revenue from software licenses.

Software License. Software license revenue increased 113.5% from $3.4 million in 1996 to $7.2 million in 1997. Software license revenue increased 93.0% from $7.2 million in 1997 to $13.8 million in 1998. The increase in revenue from software licenses was primarily due to an increase in the number of licenses of the Company's PkMS product and, to a lesser extent, new license revenue as a result of the acquisition of PAC. Additionally, there was an increase in the average price of software licenses. The increase in the average price of software licenses is primarily due to increased product functionality and market acceptance of PkMS.

Services. Services revenue increased 131.1% from $6.2 million in 1996 to $14.4 million in 1997 Services revenue increased 124.5% from $14.4 million in 1997 to $32.4 million in 1998. The increase in revenue from services was principally due to the increased demand for these services resulting from the increased demand for the Company's PkMS product.

Hardware. Hardware revenue increased 126.3% from $4.8 million in 1996 to $10.9 million in 1997. Hardware revenue increased 46.0% from $10.9 million in 1997 to $15.9 million in 1998. The increase in revenue from hardware was principally due to the increased demand for the Company's PkMS product.

Cost of Revenue

Cost of Software License. Cost of software license revenue consists of the costs of software reproduction and delivery, media, packaging, documentation and other related costs and the amortization of capitalized software. Cost of software license revenue increased from $177,000 or 5.3% of software license revenue, in 1996 to $461,000, or 6.4% of software license revenue, in 1997. Cost of software license revenue increased from $461,000, or 6.4% of software license revenue, in 1997 to $920,000, or 6.7% of software license revenue, in 1998. As a percentage of software license revenue, cost of software license revenue remained relatively constant from 1996 to 1998.

Cost of Services. Cost of services revenue consists primarily of consultant salaries and other personnel-related expenses incurred in system implementation projects and software support services. Cost of services revenue increased from $2.0 million, or 32.5% of services revenue, in 1996 to $6.1 million, or 42.7% of services revenue, in 1997. Cost of services revenue increased from $6.1 million, or 42.7% of services revenue, in 1997 to $15.3 million, or 47.2% of services revenue, in 1998. The increase in cost of services revenue was primarily due to increased personnel as a result of increased demand for services. The increase in cost of services revenue as a

percentage of services revenue in both 1997 and 1998 is principally due to increased training and other costs related to the increase in services personnel.

Cost of Hardware. Cost of hardware revenue increased from $3.7 million, or 77.6% of hardware revenue, in 1996 to $8.0 million, or 73.5% of hardware revenue, in 1997. Cost of hardware revenue increased from $8.0 million, or 73.5% of hardware revenue, in 1997 to $11.8 million, or 74.2% of hardware revenue, in 1998. The cost of hardware as a percentage of hardware revenue decreased in 1997 compared to 1996 principally due to an increase in the volume of sales of hardware products with higher gross margins. The increase in the cost of hardware revenue as a percentage of hardware revenue in 1998 as compared to 1997 was attributable to an increase in the volume of sales of hardware products with lower gross margins.

Operating Expenses

Research and Development. Research and development expenses principally consist of salaries and other personnel-related costs for personnel involved in the Company's product development efforts. The Company's research and development expenses increased by 144.7% from $1.2 million in 1996, or 8.6% of total revenue to $3.0 million in 1997, or 9.3% of total revenue. The Company's research and development expenses increased by 145.6% from $3.0 million in 1997, or 9.3% of total revenue to $7.4 million in 1998, or 12.0% of total revenue. The increases in research and development expenses were principally due to the addition of development personnel to enhance existing products and for new product development efforts. Significant product development efforts include the continued development of enhancements to PkMS and the development of a client/server version of PkMS. The Company believes that a continued commitment to product development will be required for the Company to remain competitive and expects the dollar amount of research and development expenses to increase in the near future.

Acquired Research and Development. In February 1998, the Company purchased all of the outstanding stock of PAC for approximately $2.2 million in cash and 106,666 shares of the Company's Common Stock valued at $10.00 per share. The acquisition has been accounted for as a purchase. In connection with this acquisition, approximately $1.6 million of the purchase price was allocated to acquired research and development and expensed during the first quarter of 1998.

Sales and Marketing. Sales and marketing expenses include salaries, commissions and other personnel-related costs, travel expenses, advertising programs and other promotional activities. Sales and marketing expenses increased by 87.9% from $1.9 million in 1996, or 13.2% of total revenue to $3.6 million in 1997, or 11.0% of total revenue. Sales and marketing expenses increased by 153.4% from $3.6 million in 1997, or 11.0% of total revenue to $9.0 million in 1998, or 14.6% of total revenue. The increase in sales and marketing expenses was the result of additional sales and marketing personnel, an increase in sales commissions and expanded marketing program activities.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial and human resources and administrative personnel, as well as facilities, legal, insurance, accounting and other administrative expenses. General and administrative expenses increased by 104.6% from $1.5 million in 1996, or 10.1% of total revenue to $3.0 million in 1997, or 9.2% of total revenue. General and administrative expenses increased by 126.3% from $3.0 million in 1997, or 9.2% of total revenue to $6.7 million in 1998, or 10.8% of total revenue. The increase in general and administrative expenses was principally due to increased staffing and other administrative expenses necessary to support the Company's growth.

Income Taxes

Provision for Income Taxes. Prior to the initial public offering in April 1998, the Company's predecessor, Manhattan Associates Software, LLC, was treated as a partnership and was not subject to federal income taxes. The income or loss of Manhattan Associates Software, LLC was included in the owners' individual federal and state tax returns, and as such, no provision for income taxes was recorded in the accompanying statements of income prior to April 23, 1998. The provision for income taxes in 1998 was $3.0 million, net of a one-time benefit of $316,000, and the Company's effective income tax rate was 36.0%.

In connection with the conversion of Manhattan Associates Software, LLC to Manhattan Associates, Inc., the Company recognized a one-time benefit of $316,000 by recording the asset related to the future reduction of income tax payments due to temporary differences between the recognition of income for financial statements and income tax regulations.

Pro Forma Provision for Income Taxes. The pro forma provision for income taxes was $1.5 million in 1996 as compared to $3.0 million in 1997, as a result of the Company's substantially increased income in 1997. The pro forma provision for income taxes was $3.0 million in 1997, as compared to $4.2 million in 1998, as a result of the Company's substantially increased income in 1998. The Company's effective pro forma income tax rates were 37.4%, 36.3% and 41.1% in 1996, 1997 and 1998. The increase in the effective pro forma income tax rate during 1998 was the result of the in-process research and development charge being non-deductible. Excluding the effect of the in-process research and development charge, the Company's effective pro forma tax rate was 35.6% in 1998.

Earnings per Share

Pro Forma Net Income per Share. Pro forma net income was $2.5 million, or $0.12 per diluted share, and $5.3 million, or $0.25 per diluted share, for the years ended December 31, 1996 and 1997, respectively. Excluding the effect of a one-time acquired research and development charge of $1.6 million, pro forma net income was $7.7 million, or $0.30 per diluted share, for the year ended December 31, 1998. Including the effect of the one-time acquired research and development charge, the Company's pro forma net income was $6.1 million, or $0.24 per diluted share, for the year ended December 31, 1998.

Quarterly Results of Operations

The following table presents certain unaudited quarterly statements of income data for each of the Company's last eight quarters in the period ended December 31, 1998, as well as the percentage of the Company's total revenue represented by each item. The information has been derived from the Company's audited Financial Statements. The unaudited quarterly Financial Statements have been prepared on substantially the same basis as the audited Financial Statements contained herein. In the opinion of management, the unaudited quarterly Financial Statements include all adjustments, consisting only of normal recurring adjustments that the Company considers to be necessary to present fairly this information when read in conjunction with the Company's Financial Statements and notes thereto appearing elsewhere herein. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

	Quarter Ended							
	Mar. 31, 1997	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998
	(In thousands, except per share data)							
Statement of Income Data:								
Revenue:								
Software license	$ 1,494	$ 1,833	$ 1,981	$ 1,852	$ 2,152	$ 2,849	$ 3,898	$ 4,917
Services	2,509	3,466	3,820	4,616	5,284	7,169	9,830	10,075
Hardware	2,241	2,469	3,081	3,095	3,934	4,076	2,860	5,021
Total revenue	6,244	7,768	8,882	9,563	11,370	14,094	16,588	20,013

Cost of revenue:								
Software license	89	105	122	145	69	171	372	308
Services	983	1,326	1,691	2,147	2,519	3,377	4,312	5,078
Hardware	1,644	1,953	2,230	2,174	3,080	2,924	2,038	3,749
Total cost of revenue	2,716	3,384	4,043	4,466	5,668	6,472	6,722	9,135
Gross margin	3,528	4,384	4,839	5,097	5,702	7,622	9,866	10,878
Operating expenses:								
Research and development	428	662	791	1,144	1,285	1,937	2,058	2,149
Acquired research and development	--	--	--	--	1,602	--	--	--
Sales and marketing	507	913	989	1,161	1,313	2,008	2,692	3,032
General and administrative	398	589	981	1,007	1,127	1,370	1,884	2,350
Total operating expenses	1,333	2,164	2,761	3,312	5,327	5,315	6,634	7,531
Income from operations	2,195	2,220	2,078	1,785	375	2,307	3,232	3,347
Other income, net	23	16	9	8	14	278	442	336
Income before pro forma income taxes	2,218	2,236	2,087	1,793	389	2,585	3,674	3,683
Pro forma income taxes	804	811	757	651	713	904	1,361	1,266
Pro forma net income	$ 1,414	$ 1,425	$ 1,330	$ 1,142	$ (324)	$ 1,681	$ 2,313	$ 2,417
Pro forma diluted net income per share	$ 0.07	$ 0.07	$ 0.06	$ 0.05	$ (0.02)	$ 0.07	$ 0.09	$ 0.09
Shares used in pro forma diluted net income per share	20,397	20,673	20,673	21,661	20,241	25,425	26,999	27,182

	As a Percentage of Total Revenue							
	Mar. 31, 1997	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998
Revenue:								
Software license	23.9%	23.6%	22.3%	19.4%	18.9%	20.2%	23.5%	24.6%
Services	40.2	44.6	43.0	48.3	46.5	50.9	59.3	50.3
Hardware	35.9	31.8	34.7	32.3	34.6	28.9	17.2	25.1
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenue:								
Software license	1.4	1.4	1.4	1.5	0.6	1.2	2.2	1.5
Services	15.7	17.1	19.0	22.4	22.2	24.0	26.0	25.4
Hardware	26.3	25.1	25.1	22.7	27.1	20.7	12.3	18.7
Total cost of revenue	43.4	43.6	45.5	46.6	49.9	45.9	40.5	45.6
Gross margin	56.6	56.4	54.5	53.4	50.1	54.1	59.5	54.4
Operating expenses:								
Research and development	6.9	8.5	8.9	12.0	11.3	13.7	12.4	10.7
Acquired research and development	--	--	--	--	14.1	--	--	--
Sales and marketing	8.1	11.7	11.1	12.1	11.5	14.3	16.2	15.2
General and administrative	6.4	7.6	11.0	10.5	9.9	9.7	11.4	11.7
Total operating expenses	21.4	27.8	31.0	34.6	46.8	37.7	40.0	37.6
Income from operations	35.2	28.6	23.5	18.8	3.3	16.4	19.5	16.8
Other income, net	0.3	0.2	0.1	0.1	0.1	2.0	2.6	1.7
Income before pro forma income taxes	35.5%	28.8%	23.6%	18.9%	3.4%	18.4%	22.1%	18.5%

Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. Factors which could cause variations in our quarterly revenue and operating results are:

- demand for our products;
- introductions of new products by our competitors;
- the level of price competition by our competitors;
- customers' budgeting and purchasing cycles;
- delays in our implementations at customer sites;
- timing of hiring new services employees and the rate at which such employees become productive;
- development and performance of our distribution channels;
- timing of any acquisitions and related costs; and
- identification of software quality problems.

Most of our expenses, such as employee compensation and rent, are relatively fixed. Moreover, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. You should not rely on our quarterly revenue and operating results to predict our future performance.

Our ability to undertake new projects and increase revenue is substantially dependent on the availability of our consulting services personnel to assist in the implementation of our software solution. We believe that supporting high growth in revenue requires us to rapidly hire additional skilled personnel for our consulting services group, and there can be no assurance that qualified personnel could be located, trained or retained in a timely and cost-effective manner.

As a result of the foregoing and other factors, we believe that quarter-to-quarter comparisons of results are not necessarily meaningful, and such comparisons should not be relied upon as indications of future performance. Fluctuations in operating results may also result in volatility in the price of the shares of our common stock.

Liquidity and Capital Resources

As of December 31, 1998, we had $32.8 million in cash, cash equivalents and short-term investments compared to $3.2 million at December 31, 1997. We maintain a line of credit of $8.0 million that can be used for working capital requirements on an as-needed basis.

Our operating activities provided cash of $2.9 million in 1998, $7.0 million in 1997 and $4.0 million in 1996. Cash from operating activities arose principally from our profitable operations and was used for working capital purposes, principally increases in accounts receivable. The increase in accounts receivable was primarily the result of our continued revenue growth.

Our investing activities used approximately $14.5 million, $1.8 million and $485,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Our use of cash for the year ended December 31, 1998 was primarily for the purchase of short term investments, the acquisition of PAC and certain assets of KSA, and the purchase of capital equipment, such as computer equipment and furniture and fixtures, to support our growth. Our use of cash for 1997 and 1996 was primarily for the purchase of capital equipment, such as computer equipment and furniture and fixtures, to support our growth.

Our financing activities provided approximately $36.1 million in 1998. The principal source of cash provided by financing activities for the year ended December 31, 1998 was additional borrowings under a Grid Promissory Note with the majority shareholder and proceeds from the issuance of common stock in our initial public offering, partially reduced by distributions to our shareholders prior to our initial public offering and the repayment of the note payable to the majority shareholder. Our financing activities used approximately $5.1 million in 1997 and $2.8 million in 1996. The principal use of cash was distributions to our shareholders, partially reduced by borrowings from our majority shareholder.

We entered into a line of credit with a commercial bank to fund our April 1998 distribution to Manhattan LLC shareholders and other working capital needs. The line of credit does not contain any conditions or restrictive covenants that would materially affect our business, financial condition or results of operations. No amounts were outstanding under this line of credit at December 31, 1998.

We believe that our existing balances of cash, cash equivalents and short-

term investments will be sufficient to meet our working capital and capital expenditure needs at least for the next twelve months. Thereafter, we may require additional sources of funds to continue to support our business.

Year 2000 Readiness Disclosure Statement

Many currently installed computer systems and software products are coded to accept only two digit entries in date code fields. Beginning in the year 2000, many of these systems will need to be modified to accept four digit entries or otherwise distinguish twenty-first century dates from twentieth century dates. As a result, over the next year, many companies will need to upgrade their computer systems and software products to comply with these "Year 2000" requirements.

In September 1998, we formed our Year 2000 Readiness Committee to oversee our Year 2000 Readiness Assessment Program, which includes the following tasks:

- establishing our standard for Year 2000 Readiness;
- designing test parameters for our products, information technology, or IT, and non-IT systems;
- overseeing our remediation program, including establishing priorities for remediation and allocating available resources;
- overseeing the communication of the status of our efforts to our customers; and
- establishing contingency plans in the event that we experience Year 2000 disruptions.

We describe our products as "Year 2000 Ready" when they have been successfully tested using the procedure prescribed in our Readiness Assessment Program. This procedure defines the criteria used to design tests that seek to determine the Year 2000 readiness of a product. Under our criteria, a software product is Year 2000 Ready if it:

- will completely and accurately address, present (in a two-digit format), produce, store and calculate data involving dates beginning January 1, 2000 and will not produce abnormally ending or incorrect results involving such dates as used in many forward or regression date based functions;
- will provide that all "date"-related functionalities and data fields include the indication of century and millennium, whether shown on-screen or internally noted; and
- will perform calculations that involve a four-digit year field, provided that the data input into our software from any other source has the same Year 2000 capabilities and is in a format that is compatible with our software.

Because the latest versions of our products are designed to be Year 2000 compliant, our Year 2000 remediation efforts with respect to our own products have focused on determining the compliance of our earlier software products as implemented in our installed customer base, as well as the impact of any non-compliance on us and our customers. We offer our customers the alternatives of implementing a modification to their non-compliant versions of our software or migrating to a later version of the software that is Year 2000 Ready. Because our software is often marketed as an integrated system that includes hardware and operating or interface software from third parties over which we can assert little control, the Year 2000 Readiness Committee is evaluating the Year 2000 Readiness of such systems and the risks associated with the failure of such

third parties to adequately address the Year 2000 issue.

Our Year 2000 Readiness Committee is also addressing our Year 2000 readiness with respect to both IT and non-IT systems on which our operations rely. As a result of our recent rapid growth, we have, or expect we will have by the end of 1999, replaced or significantly upgraded substantially all of our core IT systems, including those related to sales, customer service, human resources, finance and other enterprise resource planning functions. We believe that the upgraded systems are all Year 2000 Ready, and we have received assurances from the vendors of these systems to that effect. We are reviewing our remaining IT systems for Year 2000 Readiness and expect to modify, replace or discontinue the use of non-compliant systems before the end of 1999. In addition, we are in the process of evaluating our Year 2000 readiness with respect to non-IT systems, including systems embedded in our communications and office facilities. In many cases these facilities have been recently upgraded or are scheduled to be upgraded before year-end 1999 as a result of our recent growth. Finally, because we rely upon relationships with third parties, such as providers of telecommunications and similar infrastructure services, over which we can assert little control, the Year 2000 Readiness Committee is also assessing the risks associated with the failure of these third parties to adequately address Year 2000 issues.

We do not currently believe that the effects of any Year 2000 non-compliance in our installed base of software will result in a material adverse effect on our business, financial condition or results of operations. However, our investigation is in its preliminary stages, we may be exposed to potential claims resulting from system problems associated with the century change. There can also be no assurance that our software products that are designed to be Year 2000 compliant contain all necessary date code changes. In addition, Year 2000 non-compliance in our internal IT systems or certain non-IT systems on which our operations rely or by our business partners may have an adverse impact on our business, financial condition or results of operations.

The majority of the work performed for our Year 2000 Readiness Assessment Program has been completed by our staff. The total costs for completing the Year 2000 Readiness Assessment Program, including modifications to our software products, is estimated to be between $0.5 million and $1.0 million, funded through our internal operating cash flows. This cost does not include the cost of new software, or for modifications to existing software, or our core IT and non-IT systems, as these projects were not accelerated due to the Year 2000 issue.

Our evaluation of Year 2000 issues includes the development of contingency plans for business functions that are most susceptible to a substantive risk of disruption resulting from a Year 2000 related event. Because we have not yet identified any business function that is materially at risk of Year 2000 related disruption, we have not yet developed detailed contingency plans specific to Year 2000 events for any business function. We are prepared for the possibility, however, that we may identify risks in certain business functions, and we will develop contingency plans for these business functions when and if we identify them as being at risk.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign Exchange

During 1998, the Company commenced operations in the United Kingdom. Total revenues for the United Kingdom were less than 1% of the Company's total revenues for the year ended December 31, 1998.

The Company's international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, the Company's future results could be materially adversely impacted

by changes in these or other factors. The effect of foreign exchange rate fluctuations on the Company in 1998 was not material.

Interest Rates

The Company invests its cash in a variety of financial instruments, including taxable and tax-advantaged variable rate and fixed rate obligations of corporations, municipalities, and local, state and national governmental entities and agencies. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are operating balances.

Interest income on the Company's investments is carried in "Other income, net" on our Consolidated Financial Statements. The Company accounts for its investment instruments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). All of the cash equivalents and short-term investments are treated as available-for-sale under SFAS 115.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, the Company's future investment income may fall short of expectations due to changes in interest rates, or the Company may suffer losses in principal if forced to sell securities which have seen a decline in market value due to changes in interest rates. The weighted-average interest rate on investment securities at December 31, 1998 was approximately 4%. The fair value of securities held at December 31, 1998 was $26.0 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(a) 1. Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of Manhattan Associates, Inc.:

We have audited the accompanying consolidated balance sheets of MANHATTAN ASSOCIATES, INC. (a Georgia corporation) AND SUBSIDIARIES as of December 31, 1997 and 1998 and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Associates, Inc. and subsidiaries as of December 31, 1997 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 20, 1999

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31,	
	1997	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,194	$27,751
Short-term investments	--	5,012
Accounts receivable, net of a $970 and $1,600 allowance for doubtful accounts, in 1997 and 1998, respectively	9,242	20,806
Deferred income taxes	--	622
Refundable income taxes	--	342
Other current assets	384	1,328
Total current assets	12,820	55,861
Property and equipment:		
Property and equipment	2,605	9,185
Less accumulated depreciation	(662)	(1,754)
Property and equipment, net	1,943	7,431
Intangible assets, net of accumulated amortization of $266 and $673 in 1997 and 1998, respectively	133	4,204
Deferred taxes	--	155
Other assets	110	124
Total assets	$15,006	$67,775
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,479	$ 4,954
Accrued compensation and benefits	753	1,674
Accrued liabilities	455	1,568
Notes payable to shareholders	1,019	--
Current portion of capital lease obligations	--	126
Deferred revenue	1,846	2,978
Total current liabilities	6,552	11,300
Long-term portion of capital lease obligations	--	840
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 1997 or 1998	--	--
Common stock, $.01 par value; 100,000,000 shares authorized,		

20,000,008 shares issued and outstanding in 1997 and 23,937,874 shares issued and outstanding in 1998	200	239
Additional paid-in-capital	1,459	53,305
Retained earnings	7,458	3,056
Accumulated other comprehensive income	--	(7)
Deferred compensation	(663)	(958)
Total shareholders' equity	8,454	55,635
Total liabilities and shareholders' equity	$15,006	$67,775

The accompanying notes are an integral part of these consolidated balance sheets.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	1996	1997	1998
Revenue:			
Software license	$ 3,354	$ 7,160	$13,816
Services	6,236	14,411	32,358
Hardware	4,810	10,886	15,891
Total revenue	14,400	32,457	62,065
Cost of revenue:			
Software license	177	461	920
Services	2,026	6,147	15,286
Hardware	3,734	8,001	11,791
Total cost of revenue	5,937	14,609	27,997
Gross margin	8,463	17,848	34,068
Operating expenses:			
Research and development	1,236	3,025	7,429
Acquired research and development	--	--	1,602
Sales and marketing	1,900	3,570	9,045
General and administrative	1,454	2,975	6,731
Total operating expenses	4,590	9,570	24,807
Income from operations	3,873	8,278	9,261
Other income, net	103	56	1,070
Income before income taxes	3,976	8,334	10,331
Income tax expense (benefit):			
Tax provision as a "C" corporation	--	--	3,329
Deferred tax adjustment	--	--	(316)
Historical net income	$ 3,976	$ 8,334	$ 7,318
Historical basic net income per share	$0.20	$0.42	$0.32
Historical diluted net income per share	$0.20	$0.40	$0.29
Income before pro forma income taxes	$ 3,976	$ 8,334	$10,331
Pro forma income taxes	1,486	3,023	4,244
Pro forma net income	$ 2,490	$ 5,311	$ 6,087

Pro forma basic net income per share.....	$ 0.27
Pro forma diluted net income per share.....	$ 0.24

The accompanying notes are an integral part of these consolidated statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Compensation	Deferred	Total Shareholders
	Shares	Amount	Capital	Earnings	Income	Compensation	Equity
Balance, December 31, 1995.....	20,000,008	$200	$ 414	$ 3,141	$ --	$ --	$ 3,755
Distributions to shareholders.....	--	--	--	(2,849)	--	--	(2,849)
Historical net income.....	--	--	--	3,976	--	--	3,976
Balance, December 31, 1996.....	20,000,008	200	414	4,268	--	--	4,882
Issuance of stock options.....	--	--	970	--	--	(970)	--
Issuance of stock options to consultant (Note 7).....	--	--	75	--	--	--	75
Distributions to shareholders.....	--	--	--	(5,144)	--	--	(5,144)
Amortization of deferred compensation.....	--	--	--	--	--	307	307
Historical net income.....	--	--	--	8,334	--	--	8,334
Balance, December 31, 1997.....	20,000,008	200	1,459	7,458	--	(663)	8,454
Distribution to Manhattan LLC shareholders.....	--	--	--	(11,720)	--	--	(11,720)
Issuance of stock in connection with the purchase of Performance Analysis Corporation.....	106,666	1	1,066	--	--	--	1,067
Issuance of stock to minority holder (Note 7).....	100,000	1	999	--	--	--	1,000
Issuance of stock in connection with the initial public offering.....	3,500,000	35	47,223	--	--	--	47,258
Issuance of common stock options.....	--	--	580	--	--	(580)	--
Exercise of common stock options.....	231,200	2	647	--	--	--	649
Tax benefit from stock options exercised.....	--	--	1,331	--	--	--	1,331
Amortization of deferred compensation.....	--	--	--	--	--	285	285
Foreign currency translation adjustment.....	--	--	--	--	(7)	--	(7)
Historical net income.....	--	--	--	7,318	--	--	7,318
Balance, December 31, 1998.....	23,937,874	$239	$53,305	$ 3,056	$ (7)	$ (958)	$55,635

The accompanying notes are an integral part of these consolidated statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	1996	1997	1998

Net income	$3,976	$8,334	$7,318
Other comprehensive net income, net of tax:			
Foreign currency translation adjustment	--	--	(7)
Comprehensive net income	$3,976	$8,334	$7,311

The accompanying notes are an integral part of these consolidated statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	1996	1997	1998
Cash flows from operating activities:			
Pro forma net income	$ 2,490	$ 5,311	$ 6,087
Adjustments to reconcile pro forma net income to net cash provided by operating activities:			
Pro forma income taxes	1,486	3,023	899
Depreciation and amortization	276	483	1,702
Stock compensation	--	382	285
Gain on sale of equipment	--	--	(30)
Acquired research and development	--	--	1,602
Deferred income taxes	--	--	(403)
Accrued interest on note payable to shareholder	33	50	34
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,114)	(5,931)	(11,470)
Other assets	(1)	(474)	(1,691)
Accounts payable	26	2,057	2,399
Accrued liabilities	324	804	1,373
Income taxes payable	--	--	1,203
Deferred revenue	434	1,247	927
Net cash provided by operating activities	3,954	6,952	2,917
Cash flows from investing activities:			
Purchases of property and equipment	(485)	(1,813)	(6,036)
Proceeds from the sale of equipment	--	--	275
Capitalized software development costs	--	--	(614)
Purchase of short-term investments, net	--	--	(5,012)
Payments in connection with the purchase of certain assets of Kurt Salmon Associates, Inc.	--	--	(1,750)
Payments in connection with the acquisition of Performance Analysis Corporation, net of cash acquired	--	--	(1,351)
Net cash used in investing activities	(485)	(1,813)	(14,488)
Cash flows from financing activities:			
Distributions to shareholders	(2,849)	(5,144)	(11,720)
Borrowings under note payable to shareholder	--	--	900
Repayment of note payable to shareholder	--	--	(1,953)
Proceeds from issuance of common stock	--	--	48,907
Net cash provided by (used in) financing activities	(2,849)	(5,144)	36,134
Foreign currency impact on cash	--	--	(6)
Increase (decrease) in cash and cash equivalents	620	(5)	24,557
Cash and cash equivalents, beginning of period	2,579	3,199	3,194
Cash and cash equivalents, end of period	$ 3,199	$ 3,194	$ 27,751
Supplemental cash flow disclosures:			
Issuance of common stock in connection with the acquisition of Performance Analysis Corporation	$ --	$ --	$ 1,067
Assets acquired under capital lease	$ --	$ --	$ 965
Cash paid for income taxes	$ --	$ --	$ 2,845

The accompanying notes are an integral part of these consolidated statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1996, 1997 and 1998

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Manhattan Associates, Inc. ("Manhattan" or the "Company") develops, markets, and supports supply chain execution systems primarily focused on distribution center management. The Company's primary product, PkMS, is a comprehensive and modular designed software system that assists in the management of inventory, storage, distribution, equipment, and personnel within a distribution center. The Company also provides professional services including design, configuration, implementation, training, and support.

Completion of Initial Public Offering and Conversion

On April 23, 1998, the Company completed an initial public offering (the "Offering") of its $.01 par value per share common stock (the "Common Stock"). The Company sold 3,500,000 shares of common stock, excluding 525,000 shares sold by certain selling shareholders as part of the underwriters' over-allotment, for $52,500,000 less issuance costs of approximately $5,242,000.

In connection with the Company's initial public offering Manhattan Associates, Inc., a Georgia corporation, was formed. The attached consolidated financial statements include the accounts of Manhattan Associates, LLC ("Manhattan LLC") from January 1, 1996 to April 23, 1998 and include the accounts of Pegasys Systems Incorporated ("Pegasys") prior to January 1, 1996. Prior to December 31, 1995, Manhattan operated as Pegasys which was, at the time, 100% owned by Manhattan LLC's current majority shareholder ("Majority Holder"). As of the effective date of the Offering, Manhattan LLC contributed its assets and liabilities to the Company in exchange for common stock of the Company (the "Conversion"). Manhattan LLC then distributed the common stock of the Company received to its shareholders and Manhattan LLC was dissolved.

Prior to the completion of the initial public offering, Manhattan LLC distributed all undistributed earnings, calculated on a tax basis, to the shareholders of Manhattan LLC. The amount distributed subsequent to December 31, 1997 and prior to the completion of the initial public offering was approximately $11,720,000. These distributions were funded through a series of payments from available Company cash and from the proceeds of the Company's line of credit. The advances or balance on the line of credit incurred to fund these distributions was repaid using a portion of the net proceeds of the Offering.

All share and per share data in the accompanying consolidated financial statements have been adjusted to reflect the Conversion. Unless otherwise indicated, all references to the Company or Manhattan assume the completion of the Conversion and include Manhattan LLC and Pegasys.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash or cash equivalents.

Short-term Investments

The Company's short-term investments are categorized as available-for-sale securities, as defined by Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are reflected as a net amount in a separate component of shareholders' equity until realized. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. At December 31, 1998, unrealized gains and losses were not significant and have not been presented.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying values of cash, trade accounts receivable, trade accounts payable, and other financial instruments included in the accompanying balance sheets approximate their fair values principally due to the short-term maturities of these instruments.

Risks Associated with Single Product Line, Technological Advances, and Hardware Revenue

The Company currently derives substantially all its revenues from sales of its PkMS software and related services and hardware. Any factor adversely affecting the distribution management center market could have an adverse effect on the Company's business, financial condition, and results of operations.

The market for distribution center management systems is subject to rapid technological change, changing customer needs, frequent new product introductions, and evolving industry standards that may render existing products and services obsolete. As a result, the Company's position in this market could be eroded rapidly by unforeseen changes in customer requirements for application features, functions, and technologies. The Company's growth and future operating results will depend, in part, upon its ability to enhance existing applications and develop and introduce new applications that meet changing customer requirements, that respond to competitive products and that achieve market acceptance.

The Company resells a variety of hardware products developed and manufactured by third parties. Revenue from such hardware sales can amount to a significant portion of the Company's total revenue in any period. As the market for distribution of hardware products becomes more competitive, the Company's customers may find it attractive to purchase such hardware directly from the manufacturer of such products, with a resultant decrease in the Company's revenues from hardware.

Revenue Recognition

The Company's revenue consists of revenues from the licensing of software; fees from consulting, implementation, training, and maintenance services; and revenue from the sale of complementary radio frequency and computer equipment. For the years ended December 31, 1996 and 1997, the Company recognized software license revenue in accordance with the provisions of American Institute of Certified Public Accountants Statement of Position ("SOP") No. 91-1, "Software Revenue Recognition." Accordingly, software license revenue is recognized upon shipment of the software following execution of a contract, provided that no significant vendor obligations remain outstanding, amounts are due within one year, and collection is considered probable by management. If significant post-delivery obligations exist, the revenue from the sale of the software license, as well as other components of the contract, is recognized using percentage of completion accounting.

Effective January 1, 1998, the Company adopted SOP No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), that supersedes SOP No. 91-1, "Software Revenue Recognition." Under SOP 97-2, the Company recognizes software license revenue when the following criteria are met: (1) a signed and executed contract is obtained; (2) shipment of the product has occurred; (3) the license fee is fixed and determinable; (4) collectibility is probable; and (5) remaining obligations under the license agreement are insignificant.

The Company's services revenue consists of revenue generated from consulting and maintenance related to the Company's software product. Services revenue is derived from fees based on consulting, implementation, and training services contracted under separate service agreements. Revenue related to consulting, implementation, and training services performed by the Company are generally billed on an hourly basis and revenue is recognized as the services are performed. Maintenance revenue represents amounts paid, generally in advance, by users for the support and enhancements to the software. Maintenance revenue is recognized ratably over the term of the maintenance agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, that are integrated with and complementary to the Company's software solution. As part of a complete distribution center management system solution the Company's customers frequently purchase hardware from the Company in conjunction with the licensing of software. These products include computer hardware, radio frequency terminals networks, bar code printers and scanners, and other peripherals. Hardware revenue is recognized upon shipment The Company generally purchases hardware from its vendors only after receiving an order from a customer. As a result, the Company does not maintain significant hardware inventory.

Deferred Revenue

Deferred revenue primarily represents amounts collected prior to complete performance of maintenance services.

Returns and Allowances

The Company provides for the costs of returns and product warranty claims at the time of sale. The Company has not experienced significant returns or

warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 1997 or 1998.

Property and Equipment

Property and equipment consists of furniture, computers, other office equipment, purchased software, and leasehold improvements. The Company depreciates the cost of furniture, computers, other office equipment and purchased software on a straight-line basis over their estimated useful lives (three years for computer equipment and software, five years for office equipment, seven years for furniture). Leasehold improvements are depreciated over the term of the lease. Included in computer equipment and software is a capital lease of approximately $965,000 as of December 31, 1998. Depreciation and amortization expense for property and equipment for the years ended December 31, 1996, 1997, and 1998 was $143,000, $349,000 and $1,294,000, respectively.

Property and equipment, at cost, consist of the following:

	December 31,	
	1997	1998
Computer equipment and software	$1,547	$ 5,629
Furniture and office equipment	1,055	2,702
Leasehold improvements	3	854
	2,605	9,185
Less accumulated depreciation and amortization	(662)	(1,754)
	$1,943	$ 7,431

Intangible Assets

Intangible assets include purchased software, goodwill and capitalized development costs. The assets are being amortized on a straight-line basis over a period of 1 to 10 years. Total amortization expense was $133,000, $133,000 and $406,000 for the years ended December 31, 1996, 1997 and 1998, respectively, and is included in cost of software licenses and general and administrative expenses in the accompanying statements of income.

Income Taxes

Prior to April 23, 1998, Manhattan LLC was treated as a partnership, and Pegasys was an S Corporation under the provisions of the Internal Revenue Code of 1986, as amended; therefore, neither company was subject to federal income taxes. The income or loss of Manhattan LLC and Pegasys was included in the owners' individual federal and state tax returns, and as such, no provision for income taxes is recorded in the accompanying statements of income prior to April 23, 1998. The Company and Pegasys have historically made distributions on behalf of the owners to pay anticipated tax liability.

In connection with the Conversion, the Company recognized a one-time benefit in April 1998 of $316,000 by recording the asset related to the future reduction of income tax payments due to temporary differences between the recognition of income for financial statements and income tax regulations. Pro

forma net income amounts discussed herein include provisions for income taxes on a pro forma basis as if the Company were liable for federal and state income taxes as a taxable corporate entity throughout the periods presented. The pro forma income tax provision has been computed by applying the Company's anticipated statutory tax rate to pretax income, adjusted for permanent tax differences (Note 3).

Capitalized Software Development Costs

Research and development expenses are charged to expense as incurred. Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." The Company has defined technological feasibility as the point in time at which the Company has a detailed program design or a working model of the related product, depending on the type of development efforts. The Company concluded that the amount of development costs capitalizable under the provisions of SFAS No. 86 was not material to the financial statements for the years ended December 31, 1996 and 1997. Therefore, the Company expensed all internal software development costs as incurred for the years ended December 31, 1996, and 1997. For the year ended December 31, 1998, the Company capitalized $614,000 in development costs. Amounts capitalized include salaries and other payroll-related costs and other direct expenses.

Impairment of Long-Lived and Intangible Assets

The Company periodically reviews the values assigned to long-lived assets, including property and intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. Management believes the long-lived assets in the accompanying balance sheets are appropriately valued.

Segment Information

The Company operates in a single segment as defined by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of and Enterprise and Related Information" and does not have significant operations in foreign locations.

Basic and Diluted Net Income Per Share

Basic net income per share is computed using historical or pro forma net income divided by the weighted average number of shares of common stock outstanding ("Weighted Shares") for the period presented.

Diluted net income per share is computed using historical or pro forma net income divided by Weighted Shares, and the treasury stock method effect of common equivalent shares ("CES's") outstanding for each period presented. Pro forma basic and diluted net income per share also includes the number of shares pursuant to the Securities and Exchange Commission Staff Accounting Bulletin 1B.3, that at the assumed public offering price would yield proceeds in the amount necessary to pay the shareholder distribution that is not covered by the earnings for the year ("Distribution Shares").

No adjustment is necessary for historical and pro forma net income for net income per share presentation. The following is a reconciliation of the shares

used in the computation of net income per share for the years ended December 31, 1996, 1997 and 1998:

	1996		1997		1998	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Weighted shares.....	20,000,008	20,000,008	20,000,008	20,000,008	22,610,153	22,610,153
Effect of CES's.....	--	307,503	--	761,300	--	3,040,440
	20,000,008	20,307,511	20,000,008	20,761,308	22,610,153	25,650,593

	Pro Forma	
	Basic	Diluted
Weighted Shares.....	22,610,153	22,610,153
Shares sold to Minority Holder (Note 7).....	--	12,877
Distribution Shares.....	--	22,447
Effect of CES's.....	--	3,040,440
	22,610,153	25,685,917

Stock-Based Compensation Plan

The Company accounts for its stock-based compensation plan for stock issued to employees under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and, accordingly, records deferred compensation for options granted at an exercise price below the fair value of the underlying stock. The deferred compensation is presented as a component of equity in the accompanying balance sheets and is amortized over the periods to be benefited, generally the vesting period of the options. Effective in fiscal year 1996, the Company adopted the pro forma disclosure option for stock-based compensation issued to employees of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation."

New Accounting Pronouncement

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 is effective for the Company's fiscal year ending December 31, 2000. The Company does not expect that SFAS No. 133 will have a significant impact on the Company's financial position.

2. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1996, 1997 and 1998, the Company contracted with parties related to the Majority Holder for marketing and legal services for an aggregate amount of $289,000, $389,000 and $17,000, respectively. In the opinion of management, the rates, terms, and considerations of the transactions with related parties approximate those with unrelated entities. At December 31, 1996, 1997 and 1998, there were no fees outstanding for the services provided.

During the year ended December 31, 1998, the Company advanced approximately $105,000 to four shareholders. As of December 31, 1998, the amount is included

in other current assets in the accompanying balance sheet.

3. INCOME TAXES

After the Conversion, the Company is subject to future federal and state income taxes and has recorded net deferred tax assets. Deferred tax assets and liabilities are determined based on the difference between the financial accounting and the tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1998 are as follows:

Deferred tax assets:	
Accounts receivable	$607,000
Stock compensation expense	198,000
Accrued liabilities	53,000
Other	4,000
	862,000
Deferred tax liabilities:	
Depreciation	85,000
Net deferred tax assets	$777,000

The components of the pro forma income tax provision for the years ended December 31, 1996, 1997, and 1998 are as follows:

	1996	1997	1998
Current:			
Federal	$1,272,000	$2,565,000	$3,985,000
State	150,000	303,000	662,000
	1,422,000	2,868,000	4,647,000
Deferred:			
Federal	57,000	138,000	(339,000)
State	7,000	17,000	(64,000)
	64,000	155,000	(403,000)
Total	$1,486,000	$3,023,000	$4,244,000

The following is a summary of the items which resulted in recorded pro forma income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 1996, 1997, and 1998:

	1996	1997	1998
Statutory federal income tax rate.....	34.0%	34.0%	34.0%
Effect of:			
State income tax, net of federal benefit.....	3.9	3.9	4.0
Research and development credits.....	(0.9)	(1.9)	(4.6)
Other tax credits.....	--	--	(1.0)
Acquired research and development.....	--	--	5.9
Foreign operations.....	--	--	2.3
Tax exempt income.....	--	--	(1.0)
Other.....	0.4	0.3	1.5
Pro forma income taxes.....	37.4%	36.3%	41.1%

4. NOTE PAYABLE TO SHAREHOLDER

The Company's short-term debt as of December 31, 1997 consists of a note payable (the "Shareholder Note") to the Majority Holder, bearing interest at 5%. The Shareholder Note was due on demand and unpaid interest accrued to the principle balance. The balance of the Shareholder Note including accrued interest was $1,019,000 as of December 31, 1997. In February 1998, the Company borrowed an additional $900,000 under the Shareholder Note. The balance of the Shareholder Note was repaid using a portion of the net proceeds of the Offering.

5. LINE OF CREDIT

The Company has a revolving line of credit facility with a commercial bank secured by substantially all of the assets of the Company. Under the terms of the facility, the Company may request advances in an aggregate amount of up to $8,000,000. Borrowings under the facility bear interest at the prime rate plus one-half percent. The facility contains certain financial covenants that the Company believes are typical for a facility of this nature and amount, including a covenant not to pay cash dividends. This facility will expire in March 1999, unless renewed. There were no outstanding amounts under the credit facility at December 31, 1998.

6. STOCK OPTION PLANS

The Manhattan Associates LLC Option Plan (the "LLC Option Plan") became effective on January 1, 1997. The LLC Option Plan is administered by a committee appointed by the Board of Directors. The aggregate number of shares reserved for issuance under the LLC Option Plan was 5,000,000 shares. The options are granted at terms determined by the committee; however, the option cannot have a term exceeding ten years. Options granted under the LLC Option Plan have vesting periods ranging from immediately to six years. Subsequent to February 28, 1998, no additional options could be granted pursuant to the LLC Option Plan.

Prior to the establishment of the LLC Option Plan, the Company issued options to purchase 661,784 shares of common stock to certain employees. These grants contain provisions similar to options issued under the LLC Option Plan.

The Company's 1998 Stock Incentive Plan (the "Stock Incentive Plan") was adopted by the Board of Directors and approved by the shareholders in February 1998. The Stock Incentive Plan provides for the grant of incentive stock options. Optionees have the right to purchase a specified number of shares of common stock at a specified option price and subject to such terms and conditions as are specified in connection with the option grant. The Stock Incentive Plan is administered by the Compensation Committee of the Board of

Directors. The committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the Stock Incentive Plan generally and to interpret the provisions thereof. Options granted under the Stock Incentive Plan cannot have a term exceeding ten years and typically vest over a period of three to six years.

As adopted originally, up to 5,000,000 shares of common stock (subject to adjustment in the event of stock splits and other similar events), less the number of shares issued under the LLC Option Plan, could be issued pursuant to stock options and other stock incentives granted under the Stock Incentive Plan. In August 1998, the Board of Directors amended the Stock Incentive Plan to increase by 1,000,000 the number of shares which can be issued pursuant to stock options and other stock incentives granted under the Stock Incentive Plan.

A summary of changes in outstanding options is as follows:

	Options	Price	Weighted Average Exercise Price
December 31, 1995	533,326	$ 0.24	$ 0.24
Granted	128,458	0.56	0.56
Canceled	--	--	--
Exercised	--	--	--
December 31, 1996	661,784	0.24-0.56	0.30
Granted	2,495,166	2.50-7.50	2.99
Canceled	(127,000)	2.50	2.50
Exercised	--	--	--
December 31, 1997	3,029,950	0.24-7.50	2.42
Granted	3,719,520	7.50-23.50	12.06
Canceled	(549,300)	2.50-22.375	9.54
Exercised	(231,200)	0.24-7.50	3.08
December 31, 1998	5,968,970	$ 0.24-23.50	$ 7.71

Details of options outstanding at December 31, 1998 are as follows:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Prices	Options Exercisable	Average Exercise Price
$ 0.24-3.50	2,435,900	8.0	$ 2.05	1,020,067	$ 1.81
3.51-7.50	777,400	9.0	6.70	86,139	6.86
7.51-15.00	2,228,320	9.5	12.00	296,600	11.64
15.01-20.00	502,850	9.6	16.96	--	--
20.01-23.50	24,500	9.0	21.79	--	--

At December 31, 1998, 1,402,806 options outstanding are exercisable and 529,614 are available for future grant.

The Company recorded deferred compensation of $970,000 and $580,000 on options granted during 1997 and 1998, respectively, as the exercise price was less than the deemed fair value of the underlying common stock. The Company amortizes deferred compensation over a period not to exceed six years. The

Company recognized compensation expense of $307,000 and $285,000 for the year ended December 31, 1997 and 1998, respectively, and had deferred compensation expense of $958,000 at December 31, 1998.

Statement of Financial Accounting Standards No. 123

Pro forma information regarding net income and net income per share is required by SFAS No. 123, which also requires that the information be determined as if the Company had accounted for its employee stock option grants under the fair value method required by SFAS No. 123. The fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1996	1997	1998
Dividend yield	--	--	--
Expected volatility	65%	65%	88%
Risk-free interest rate at the date of grant	5.8%-6.3%	5.7%-6.3%	4.0%
Expected life	4-6 years	1-6 years	5 years

Using these assumptions, the fair values of the stock options granted during the years ended December 31, 1996, 1997 and 1998 are $35,000, $3,625,000 and $9,099,000, respectively, which would be amortized over the vesting period of the options.

The weighted average fair market values of options at the date of grant for the years ended December 31, 1996, 1997 and 1998 was $0.30, $1.67 and $8.48, respectively.

The following pro forma information adjusts the pro forma net income and pro forma net income per share of common stock for the impact of SFAS No. 123:

	1996	1997	1998
Pro forma net income:			
As reported	$2,490	$5,311	$ 6,087
Pro forma in accordance with SFAS No. 123	$2,474	$4,842	$(2,727)
Pro forma basic net income per share:			
As reported	$ 0.12	$ 0.26	$ 0.27
Pro forma in accordance with SFAS No. 123	$ 0.12	$ 0.24	$ (0.12)
Pro forma diluted net income per share:			
As reported	$ 0.12	$ 0.25	$ 0.24
Pro forma in accordance with SFAS No. 123	$ 0.12	$ 0.23	$ (0.12)

The following table summarizes the range of exercise price and the weighted average exercise price, for the options granted during the three years ending December 31, 1998:

	Number	Weight

Year of Grant	of Shares	Range of Exercise Price	Average Exercise Price
1996			
Options granted at fair market value.....	128,458	$ 0.56	$ 0.56
1997			
Options granted at fair market value.....	1,718,166	2.50-7.56	2.50
Options granted at less than fair market value..	650,000	3.50-4.25	3.85
1998			
Options granted at fair market value.....	3,134,320	10.00-23.50	12.85
Options granted at less than fair market value..	585,200	7.50	7.50

7. SHAREHOLDERS' EQUITY

Issuance of Stock

On May 5, 1997, the Majority Holder granted to two employees and a consultant, all of whom are related to the Majority Holder, options to purchase shares of the Company's stock from the Majority Holder. This grant did not result in additional shares being outstanding as the shares under option were currently outstanding and held by the Majority Holder. This grant included a grant of an option to purchase 80,000 and 50,000 shares of the Company's stock held by the Majority Holder to two employees of the Company and a grant of an option to purchase 50,000 shares of the Company's stock held by the Majority Holder to a consultant of the Company. The stock options were then exercised by the employees and the consultant of the Company for a nonrecourse, noninterest-bearing note to the Majority Holder with a term equal to the contractual term of the option. The exercise price was equal to the fair value of the Company's stock at the date of grant of $2.50 per share. The Company recorded the grant to the employees of the Company under APB Opinion No. 25 and recorded no compensation expense on the date of grant as the grant was issued at fair value and due to the nonvariable nature of the nonrecourse note. The Company recorded $75,000 of compensation expense in the year ended December 31, 1997 for the option granted to the consultant.

Sale of Stock to Shareholder

One of the Company's shareholders purchased 100,000 shares of the Company's common stock for $1,000,000 on February 16, 1998.

8. COMMITMENTS AND CONTINGENCIES

Leases

In September 1997, the Company entered into a 62-month lease for office space beginning on November 1, 1997. The lease requires monthly payments of $90,000 for the 14-month period ended December 31, 1998 subject to annual increases as defined. In addition, the Company is a party to a lease agreement ending in 2001. The agreement required monthly payments of approximately $20,000 subject to an increase of 3% in each 12 month period after the first year. Additionally, the Company received the first month's rent free. The 3% escalation and the first month's free rent were recognized on a straight-line basis over the life of the lease. Accordingly, as of December 31, 1997 and 1998, the Company has recorded a liability for deferred rent in the amount of $108,000 and $87,000, respectively, included in accrued liabilities in the accompanying balance sheets.

In November 1998, the Company entered into an 84-month capital lease for telephone equipment beginning on December 1, 1998. The lease requires monthly payments of approximately $17,000.

Rents charged to expense were approximately $257,000, $466,000 and $1,740,000 for the years ended December 31, 1996, 1997 and 1998, respectively. Aggregate future minimum lease payments under the capital lease and noncancellable operating leases as of December 31, 1998 are as follows (in thousands):

	Capital Lease	Operating Leases
Year Ended December 31,:		
1999	$ 223	$2,454
2000	206	2,357
2001	206	2,183
2002	206	2,033
2003 and thereafter	389	--
Total	$1,230	$9,027
Less amount representing interest	(265)	
Net present value of future minimum lease payments	965	
Less current portion of capital lease obligation	(125)	
Long-term portion of capital lease obligation	$ 840	

Legal Matters

Many of the Company's installations involve products that are critical to the operations of its clients' businesses. Any failure in a Company product could result in a claim for substantial damages against the Company, regardless of the Company's responsibility for such failure. Although the Company attempts to limit contractually its liability for damages arising from product failures or negligent acts or omissions, there can be no assurance the limitations of liability set forth in its contracts will be enforceable in all instances.

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of business. In the opinion of management, the amount of potential liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

9. COMPREHENSIVE INCOME

The Company adopted SFAS No. 130, "Reporting Comprehensive Income", which establishes standards for reporting and display of "comprehensive income" and its components, in the first quarter of 1998. Comprehensive income for the Company consists of net income and foreign currency translation adjustments. Total historical comprehensive income was $3,976,000, $8,334,000 and $7,311,000 for the years ended December 31, 1996, 1997 and 1998. The difference between net income and comprehensive income for the year ended December 31, 1998 was $7,000 related to the foreign currency translation adjustment.

10. ACQUISITIONS

On February 16, 1998, the Company purchased all of the outstanding stock of Performance Analysis Corporation ("PAC") for $2,200,000 in cash and 106,666 shares of the Company's common stock valued at $10.00 per share (the "PAC Acquisition"). PAC is a developer of distribution center slotting software. The PAC Acquisition was accounted for as a purchase. The purchase price of

approximately $3,300,000, has been allocated to the assets acquired and liabilities assumed of $464,000, including acquired research and development of $1,602,000, purchased software of $500,000, and other intangible assets of $765,000. Purchased software is being amortized over an estimated two-year useful life and other intangible assets are being amortized over a seven-year useful life.

In October 1998, the Company purchased certain assets of Kurt Salmon Associates, Inc., or KSA. The total purchase price for these assets was approximately $2,200,000 consisting of $1,750,000 in cash and assumed liabilities of approximately $450,000. The purchase price was allocated to the intangible assets acquired, including a customer list, assembled workforce, purchased software, trade names and goodwill. The assets are being amortized over periods ranging from one to ten years.

Unaudited pro forma operating results for the years ended December 31, 1997 and 1998, assuming that the acquisitions had occurred at the beginning of 1997 are as follows:

	Year ended December 31,	
	1997	1998
Revenues	$37,795	$66,249
Pro forma net income	5,375	6,195
Pro forma diluted net income per share	0.26	0.24

11. FOREIGN OPERATIONS

During 1998, the Company commenced operations in the United Kingdom. Total revenue, net losses and total assets for the United Kingdom were approximately $130,000, $609,000 and $283,000, respectively, for the year ended December 31, 1998.

12. EMPLOYEE BENEFIT PLAN

The Company sponsors the Manhattan Associates 401(k) Plan and Trust (the "401(k) Plan"), a qualified profit sharing plan with a 401(k) feature covering substantially all employees of the Company. Under the 401(k) Plan's deferred compensation arrangement, eligible employees who elect to participate in the 401(k) Plan may contribute up to 10% of eligible compensation, as defined, to the 401(k) Plan. The Company provides for a 50% matching contribution up to 6% of eligible compensation being contributed after the participant's first year of employment. During the years ended December 31, 1996, 1997 and 1998, the Company made matching contributions to the 401(k) Plan of $48,000, $53,000 and $159,000, respectively.

The Company also has a defined contribution pension plan (the "Pension Plan") covering substantially all employees of the Company. Through December 31, 1997, the Company provided up to 8% of the participant's yearly compensation after the participant's first year of employment. During the years ended December 31, 1996 and 1997, the Company made matching contributions to the Pension Plan of $162,000 and $224,000, respectively. The Plan was terminated in 1998.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Certain information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on April 7, 1999 under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance." Certain information regarding executive officers of the Company is included in Part I of this report on Form 10-K under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on April 7, 1999 under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on April 7, 1999 under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on April 7, 1999 under the caption "Certain Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements

The response to this item is submitted as a separate section of this Form 10-K. See item 8.

2. Financial Statement Schedule

The following financial statement schedule is filed as a part of this report:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Manhattan Associates, Inc.

We have audited in accordance with generally accepted auditing standards, the financial statements of Manhattan Associates, Inc. and subsidiaries included in

this Form 10-K and have issued our report thereon dated January 20, 1999. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The forgoing schedule is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 20, 1999

SCHEDULE II

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions Charged to Operations	Deductions	Balance at End of Period
Classification:				
Allowance for Doubtful Accounts				
Year Ended:				
December 31, 1996.....	$100,000	$ 225,000	$ --	$ 325,000
December 31, 1997.....	325,000	645,000	--	970,000
December 31, 1998.....	970,000	3,409,000	2,779,000	1,600,000

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

(b) Reports on Form 8-K.

None.

(c) Exhibits. The following exhibits are filed as part of, or are incorporated by reference into, this report on Form 10-K:

Exhibit Number	Description
3.1	Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
3.2	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
4.1	Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
4.2	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 filed to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.1	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the

Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.2 First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.3 Summary Plan Description of the Registrant's Money Purchase Plan & Trust, effective January 1, 1997 (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.4 Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.5 Form of Indemnification Agreement with certain directors and officers of the Registrant (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.6 Contribution Agreement between the Registrant and Daniel Basmajian, Sr. (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.7 Form of Tax Indemnification Agreement for direct and indirect shareholders of Manhattan Associates Software, LLC (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

Exhibit Number	Description
10.8	Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.9	Share Purchase Agreement between Deepak Raghavan and the Registrant effective as of February 16, 1998 (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.10	Manhattan Associates, Inc. Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.11	Manhattan Associates, LLC Option Plan (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.12	Grid Promissory Note of the Registrant in favor of Alan J. Dabbiere (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.13	Loan and Security Agreement by and between Silicon Valley Bank and the Registrant, dated March 30, 1998 (Incorporated by reference to Exhibit 10.13 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.14	Executive Employment Agreement executed by Neil Thall (Incorporated by reference to Exhibit 10.14 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.15	Executive Employment Agreement executed by Michael J. Casey (Incorporated by reference to Exhibit 10.15 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.16	Executive Employment Agreement executed by Gregory Cronin (Incorporated by reference to Exhibit 10.16 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.17	Executive Employment Agreement executed by Robert Bearden (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, filed on November 16, 1998).
10.18	Form of License Agreement, Software Maintenance Agreement and Consulting Agreement (Incorporated by reference to Exhibit 10.18 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.19	Sub-Sublease Agreement between Scientific Research Corporation, a Georgia corporation, and the Registrant, dated July 2, 1998.

Exhibit Number	Description
10.20	Sub-Sublease Agreement between The Profit Recovery Group International 1, Inc., a Georgia corporation, and the Registrant, dated August 19, 1998.
10.21	Form of Software License, Services and Maintenance Agreement.

10.22	First Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan.
10.23	Second Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan.
10.24	Third Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan.
21.1	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
23.1	Consent of Arthur Andersen LLP.
27.1	Financial Data Schedule.
99.1	Safe Harbor Compliance Statement for Forward-Looking Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MANHATTAN ASSOCIATES, INC.

By: /s/ Alan J. Dabbiere

Alan J. Dabbiere
Chairman of the Board of Directors,
Chief Executive Officer and President

Date: March 31, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Alan J. Dabbiere Alan J. Dabbiere	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	March 31, 1999
/s/ Michael J. Casey Michael J. Casey	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 31, 1999
/s/ Deepak Raghavan Deepak Raghavan	Director	March 31, 1999
/s/ Brian J. Cassidy Brian J. Cassidy	Director	March 31, 1999
/s/ John J. Huntz, Jr. John J. Huntz, Jr.	Director	March 31, 1999
/s/ Thomas E. Noonan Thomas E. Noonan	Director	March 31, 1999
/s/ Gregory Cronin Gregory Cronin	Director	March 31, 1999

EXHIBIT 10.19

SUB-SUBLEASE AGREEMENT

THIS AGREEMENT is made this 2nd day July, 1998, by and between Scientific Research Corporation, a Georgia Corporation, with an office at 2300 Windy Ridge Parkway, Suite 400 South, Atlanta, Georgia 30339, hereinafter called "SRC" and Manhattan Associates, Inc., a Georgia Corporation, with its principal place of business at 2300 Windy Ridge Parkway, Suite 700, Atlanta, Georgia 30339, hereinafter called "MA".

W I T N E S S E T H:

WHEREAS, by Agreement of Lease, dated July 31, 1987, as amended November 10, 1987, April 30, 1988, August 4, 1989, October 10, 1989, November 7, 1989, December 1, 1989, March 12, 1990, September 14, 1994, January 4, 1995, April 3, 1995, April 24, 1995, May 26, 1995, June 30, 1995, November 20, 1996, and November 10, 1997 and supplemented by that Supplemental Agreement, dated July 31, 1987 (herein collectively called the "Prime Lease" and attached as Exhibit "A"), International Business Machines Corporation ("Sublessor") leases from Wildwood Associates (the "Prime Lessor") the third (3rd) and fourth (4th) floor and certain additional space in the building known as 2300 Windy Ridge Parkway, (South Tower), Wildwood Office Park, Atlanta, Georgia (the "Building"); and

WHEREAS, by Sublease Agreement, dated December 22, 1993, as amended January 31, 1995, (herein collectively called "Sublease" and attached as Exhibit "B") SRC subleases from Sublessor the third (3rd) and fourth (4th) floors of the South Tower; and

WHEREAS, SRC desires to sub-sublease to MA and MA desires to sub-sublease from SRC a portion of the third (3rd) floor in the South Tower consisting of approximately 6,551 rentable square feet [5,623 usable square feet as measured per BOMA standards] (the "Premises") attached as Exhibit "C".

NOW, THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, SRC and MA stipulate, covenant and agree as follows:

1. PREMISES

SRC does hereby Sub-sublease to MA a portion of the Building consisting of approximately 6,551 square feet of rentable area on the third (3rd) floor (the "Premises") as outlined in red and crosshatched on Exhibit "A" attached hereto and made a part hereof. This Sub-sublease includes the right of MA to use the Common Building Facilities in common with other tenants in the Building and SRC's parking spaces, as provided in Section 14 of this Sub-sublease.

2. TERM

The term shall commence on the Commencement Date, as defined in Section 4 hereof, and shall expire on December 30, 2002.

3. USES

The Premises shall be used for office space in accordance with all applicable laws, ordinances, rules and regulations of governmental authorities and the Rules and Regulations attached to the Prime Lease. MA covenants and agrees to abide by the Rules and Regulations in all respects as

now set forth and as hereafter promulgated by Prime Lessor. Prime Lessor shall have the right at all times during the Lease Term to

publish and promulgate and thereafter enforce such rules and regulations or changes in the existing Rules and Regulations as it may reasonably deem.

4. RENT

Beginning on the Commencement Date, MA shall pay annual Base Rent of $20.00 per square foot, in the amount of one hundred thirty-one thousand and twenty dollars ($131,020) per year, to be paid each year while this Sub-sublease Agreement is in effect in twelve equal monthly installments of ten thousand nine hundred and eighteen and 33/100 dollars ($10,918.33). The Commencement Date shall be the earlier of (a) the date when MA has commenced doing business at the Premises or (b) August 1, 1998. There will not be any increase of the Base Rent throughout the entire term.

MA shall pay the Base Rent and Additional Rent, as described in Paragraph 5, (collectively the "Rent") provided for hereunder in advance on the first day of every month during the Term. Rent shall be a prorated rate for fractions of a month if this Sub-sublease commences or expires (as the case may be) for any reason on any day other than the lst or last day of the calendar month, respectively. MA shall make payment of Base Rent and any additional rent payable to SRC, to SRC at the address in Paragraph 9.

5. ADDITIONAL RENT

If MA shall procure any additional services from the Building, such as alterations or after-hour air-conditioning MA shall pay for same at the rates charged therefor by the Prime Lessor and shall make such payment to SRC or Prime Lessor, as SRC shall direct. Any Rent or other sums payable by MA under this Paragraph 5 shall be considered Additional Rent and collectible by SRC as such. If SRC shall receive any refund from Prime Lessor, MA shall be entitled to the return of so much thereof as shall be attributable to prior payments by MA. However, MA is not responsible for paying any pass through in operating expenses above the base year amount of $6.50 per rentable square foot per annum.

6. PREPARATION FOR OCCUPANCY

On or before July 17, 1998, SRC shall at its own expense construct a demising wall between the Premises and SRC's other space in the Building. SRC shall pay for all costs associated with the demising of the space including any permits or plans required to demise the space. On or before July 17, 1998, SRC shall deliver possession of the Premises to MA for the purpose of constructing tenant improvements, if any. The Premises shall then be vacant and in broom clean condition. MA will at its sole expense, perform or cause to be performed, construction of the Premises as it desires, provided that prior to the commencement of construction MA shall have obtained the written consent of SRC, which consent shall not be unreasonably withheld or delayed, to MA's construction plans. MA shall be responsible for obtaining a certificate of occupancy for the Premises following the completion of construction, if any.

7. INCORPORATION OF PRIME LEASE

(a) This Sub-sublease is subject to all of the terms of the Prime Lease and the Sublease with the same force and effect as if fully set forth herein at length, excepting only as otherwise

specifically provided herein. All of the terms with which Sublessor is bound to comply under the Prime Lease shall, to the extent only that they apply to the Premises and except as otherwise provided herein, be binding upon MA, and all of the obligations of Prime Lessor set forth in the Prime Lease shall, to the extent only that they apply to the

Premises and except as otherwise provided herein, inure to the benefit of MA. It is the intention of the parties that, except as otherwise provided in this Sub-sublease, the relationship between SRC and MA shall be governed by the language of the various articles of the Prime Lease as if they were typed out in this Sub-sublease in full, and the words "Landlord," "Tenant" and "Lease" as used in the Prime Lease, shall read, respectively "SRC," "MA" and "Sub-sublease".

(b) For the purpose of this Sub-sublease, the following provisions of the Prime Lease are hereby deleted in their entirety:

Section 1.01(b); Section 2.01; Section 2.02; Section 2.03; Section 3.01; Section 3.02; Section 3.03; Section 3.04; Section 3.05; Section 3.06; Section 3.07; Section 3.08; Article 4, titled "Preparation for Occupancy, Term Commencement Date"; Section 10.02(d); Section 10.02(e); Section 10.02(g); Article 21, titled "Option for Additional Space"; Article 22; Article 23, titled "First Refusal Sale"; Article 25, titled "Holdover"; Article 26, Article 27, titled "Assignment and Subletting"; Article 36, Article 37, titled "Broker"; and Section 39.07.

8. QUIET ENJOYMENT

(a) SRC covenants and agrees with MA that upon MA paying the rent and additional rent reserved in this Sub-sublease and materially observing and performing all of the other obligations, terms, covenants and conditions of this Sub-sublease on MA's part to be observed and performed, MA may peaceably and quietly enjoy the Premises and Common Building Facilities (in common with other tenants) during the term; provided, however, that this Sub-sublease shall automatically terminate upon termination of the Prime Lease and MA shall have no claim against SRC unless such termination was caused by the default of SRC in the performance of those obligations (under the Prime Lease) which have not been assumed by MA hereunder. SRC will indemnify and hold harmless MA from and defend MA against all claims, liabilities, losses and damages (excepting special and consequential damages) that MA may incur by reason of, resulting from or arising out of any such termination of the Sub-sublease due to SRC's default. SRC covenants and agrees that (i) SRC will not enter into a consensual agreement with Sublessor to terminate the Sublease, and (ii) SRC will not terminate the Sublease as it pertains to the Premises unless SRC is entitled to do so by reason of Sublessor's default or by the condemnation and casualty provisions of the Sublease.

(b) MA covenants and agrees that MA shall not do or suffer or permit anything to be done (within its control) which would constitute a default under the Prime Lease or the Sublease or would cause the Prime Lease or Sublease to be canceled, terminated or forfeited by virtue of any rights of cancellation, termination, or forfeiture reserved or vested in Prime Lessor under the Prime Lease and Sublessor under the Sublease, and that MA will indemnify and hold harmless SRC from and defend SRC against all claims, liabilities, losses and damages of any kind whatsoever (excepting special and consequential damages) that SRC may incur by reason of, resulting from or arising out of any such cancellation, termination or forfeiture.

9. NOTICES

Any notice, demand, or request under this Sub-sublease shall be in writing and shall be considered properly delivered when addressed as hereinafter provided and delivered by hand or by nationally recognized overnight courier service to the addressee set forth in the preamble of this Agreement. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. Address for notice may be changed by either party by giving 30 days written notice to the current address of record.

10. ASSIGNMENT AND SUBLETTING

MA agrees that it shall not assign, mortgage, transfer, pledge or encumber its interest in this Sub-sublease, in whole or in part, or sublet or permit the subletting of the Premises, or permit the Premises or any part thereof to be occupied or used by any person or entity other than MA, in each case without first obtaining the prior written consent of SRC, which consent SRC will not unreasonably withhold or delay. Notwithstanding the foregoing, MA may Sub-sublease or assign its interest in the Premises to an "Affiliate," as hereinafter defined, without Sublessor's consent, but MA shall notify SRC in advance of such proposed assignment or Sub-sublease to an Affiliate and shall promptly deliver to SRC copies of all documentation related to such assignment or Sub-sublease. No such assignment or Sub-sublease shall operate to release MA from its obligations under this Sub-sublease. Failure of SRC to obtain the consent of Prime Lessor or submission by MA of a proposed assignee or subtenant who, in the option of SRC reasonably exercised, is a competitor of SRC shall in each case be a reasonable and conclusive basis for withholding consent. The term "Affiliate" as used herein shall mean any parent corporation or any subsidiary which controls or is controlled by MA or any corporation in which or with which MA is merged or consolidated, provided that by operation of law or by effective provisions contained in the instruments of merger or consolidation the liabilities of the corporations participating in such merger or consolidation are assumed by the corporation surviving such merger or created by such consolidation. The term "control" shall mean ownership of not less than fifty-one percent (51%) of the voting rights attributable to the shares of the controlled corporation.

11. PRIME LESSOR'S RESPONSIBILITIES

MA recognizes that SRC is not in a position to furnish the services set forth in the Prime Lease, obtain an agreement of nondisturbance, or to perform certain other obligations which are not within the control of SRC, such as, without limitation, maintenance, repairs and replacements to the Building and Premises, compliance with laws and restoration of the Premises and Building after casualty or condemnation. Therefore, notwithstanding anything to the contrary contained in this Sub-sublease, MA agrees that MA will look solely to the Prime Lessor, to furnish all services and to perform all obligations which are applicable to MA as agreed upon by Prime Lessor under the Lease to furnish and perform. Except as specifically set forth in this Section 11, SRC shall not be liable to MA or be deemed in default hereunder for failure of Prime Lessor to furnish or perform the same. However, whenever under the terms of the Prime Lease, Prime Lessor shall fail to perform any of its Prime Lease obligations pertaining to the Premises. MA may, at its option, enforce performance thereof if and to the extent authorized by the terms of the Prime Lease, and SRC shall cooperate with MA in such enforcement. In addition, SRC agrees to use reasonable good faith efforts to enforce Prime Lessor's obligations under the Prime Lease.

12. FAILURE TO PROVIDE SERVICES

Provided MA is not in default hereunder, in the event that there is a failure to furnish the janitorial, water, electricity, elevator or HVAC services specified in the Prime Lease, and if the loss of such service is of a material nature so as to render the Premises substantially unusable for the purposes contemplated by this Sub-sublease, after written notice thereof by MA to SRC and Prime Lessor, and if Prime Lessor does not promptly commence action to restore same or if so commenced, does not continue such action with reasonable diligence until the same are restored, then, in such event, and upon the giving of written notice to SRC and Prime Lessor, and if such default continues to remain uncured for more than five (5) consecutive business days after such written notice, MA's Rent shall abate, based upon the portion or portions of the Premises affected by such interruption of service and the degree of adverse affect of the interruption upon the normal conduct of MA's business at the Premises, until such interruption is remedied. Notwithstanding the forgoing, SRC may prevent or stop any such abatement of Base Rental by providing

substantially the same service by temporary or alternative means until the cause of loss of service can be corrected, and provided further, abatement under this stipulation shall be MA's sole remedy for failure to provide services. In the event that such services are not substantially restored within thirty (30) consecutive days after such written notice, then MA shall have the right, upon written notice to SRC given within forty-five (45) days after such written notice, to terminate this Sub-sublease.

13. CASUALTY AND CONDEMNATION

Article 10.01, titled "Damage or Destruction," and Article 12, titled "Condemnation," of the Prime Lease are modified to provide that if by operation of either of these two Articles the Prime Lease is not terminated and continues in full force and effect, this Sub-sublease shall not be terminated but shall also continue in full force and effect, except that until the Premises are restored in accordance with these two Articles there shall be a proportionate abatement of annual rent and additional rent payable hereunder to the extent of damage to the Premises; provided, however, that such abatement shall in no event exceed the abatement granted to SRC under the Prime Lease for the Premises and, provided further, that no compensation or claim or reduction will be allowed or paid by SRC by reason of inconvenience, annoyance or injury to MA's business arising from the necessity of affecting repairs to the Premises or any portion of the Building, whether such repairs are required by operation of these two Articles or any other provision of the Prime Lease. Notwithstanding the foregoing, if the Premises cannot be restored within one hundred twenty (120) days after damage, destruction or condemnation (in the reasonable opinion of SRC, then MA may elect to terminate this Sub-sublease by written notice (to SRC) given within thirty (30) days after MA's receipt of Sublessor's estimate of the time required to restore the Premises.

14. PARKING

SRC, through Prime Lessor, shall make available to MA twenty-four (24) hours per day, seven (7) days per week, throughout the term of the Sub-sublease, without additional charge, on-site, non-reserved deck parking for 3.5 cars per 1,000 square feet of rentable area subleased, for the use of MA, its employees and invitees, in the garage attached to the Building in the area delineated as Exhibit "C" in the Sublease Agreement attached as Exhibit "B".

15. INSURANCE

(a) MA shall maintain comprehensive general liability insurance covering the legal liability of SRC and MA against all claims for any bodily injury or death of persons and for damage to or destruction to property occurring on, in or about the Premises and arising out of the use or occupation of the Premises by MA in the minimum amount of $2,000,000.00 in connection with any single occurrence of bodily injury or death and $500,000.00 in connection with claims for property damage. Such policy shall provide that it may not be canceled or materially changed without at least thirty (30) days prior written notice to each name insured.

(b) SRC and MA shall each have included in all policies of commercial property insurance and other insurance (required under the Prime Lease or this Sub-sublease) obtained by them covering the Premises, the Building and the contents therein, a waiver by the insurer of all right or subrogation against the other in connection with any loss or damage thereby insured against. Any additional premium for such waiver shall be paid by the primary insured. To the full extent permitted by law, SRC and MA each waive all right to recovery against the other for, and agrees to release the other from liability for, loss or damage to the extent such loss or damage is covered by valid and collectible insurance in effect at the time of such loss or damage or would be covered by the insurance required to be maintained under this Sub-sublease by the party seeking recovery.

(c) The Introductory clauses in Sections 11.01 and 11.02 of the Prime Lease which read "Subject to the provisions of Section 10.20(d)" shall be deemed to refer to the provisions of the foregoing Subsection 14(b).

16. BROKERAGE

Carter & Associates, LLC has acted as agent for SRC in this transaction and CB Richard Ellis has acted as agent for MA in this transaction. SRC shall pay a fee to CB Richard Ellis equal to one full month's rent in addition to four percent (4%) of the remaining aggregate rental payments. This amount shall be payable one-half upon execution of this document and one-half upon MA's occupancy of the premises. MA represents and warrants to SRC that, except as stated herein, no broker, agent or other person has represented MA in the negotiations for and procurement of the Sub-sublease and that, except as set forth herein no commissions, fees or compensation of any kind are due and payable in connection herewith to any broker, agent, or other person as a result of any act or agreement of MA. MA agrees to indemnify and hold SRC harmless from all loss, liability, damage, claim, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred by SRC as a result of a breach by MA of the representations and warranties contained in the immediately preceding sentence. SRC represents and warrants to MA that no broker, agent, or other person has represented SRC in the negotiations for and procurement of the Sub-sublease and that except as set forth herein, no commissions, fees or compensation of any kind are due and payable in connection herewith to any broker, agent, or other person as a result of any act or agreement of SRC. SRC agrees to indemnify and hold MA harmless from all loss, liability, damage, claim, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred by MA as a result of a breach by SRC of the representations and warranties contained in the immediately preceding sentence.

17. BINDING AND ENTIRE AGREEMENT

This Sub-sublease shall be binding on MA and its heirs and executors, and on the respective legal representatives, successors and assigns of the parties. This Sub-sublease contains the entire agreement of the parties with respect to the subject matter herein and may not be modified except by instrument in writing which is signed by both parties.

18. CONSENT OF PRIME LESSOR

Anything hereinabove to the contrary notwithstanding, it is understood and agreed that this Sub-sublease shall not become effective unless and until SRC has obtained the written consent of Prime Lessor and Sublessor to the subletting herein. SRC agrees to provide MA with a copy of the fully executed Consent to Sublease document within ten (10) days of receipt from Prime Lessor.

IN WITNESS WHEREOF, duly authorized representatives of the parties hereto have executed this Sub-sublease as of the day and year first above written.

WITNESS: SCIENTIFIC RESEARCH CORPORATION

/s/ Kelly McBride By: /s/ S. Watt
- ---------- ----------

Title: VP Administrator

(CORPORATE SEAL)

WITNESS: MANHATTAN ASSOCIATES, INC.

/s/ Maureen I. Vara By: : /s/ Michael J. Casey
- ---------- ----------

Title: Chief Financial Officer

(CORPORATE SEAL)

SUBLEASE AGREEMENT

THIS AGREEMENT, made the 22nd of December, 1993, between INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Sublessor" and SCIENTIFIC RESEARCH CORPORATION, a Georgia corporation, with an office at 280 Interstate North Parkway, Suite 430, Atlanta, Georgia 30339, hereinafter called "Sublessee."

W I T N E S S E T H:

WHEREAS, by Agreement of lease, dated July 31, 1987, as amended November 10, 1987, April 30, 1988, August 4, 1989, October 10, 1989, November 7, 1989, December 1, 1989, and March 12, 1990, and supplemented by that Supplemental Agreement, dated July 31, 1987 (herein collectively called the "Prime Lease"), Sublessor leases from Wildwood Associates (the "Prime Lessor") the third (3rd) and fourth (4th) floor and certain additional space in the building known as 2300 Windy Ridge Parkway (South Tower), Wildwood Office Park (the "Building"); and

WHEREAS, Sublessee desires to sublease the entire third (3rd) and fourth (4th) floor(s) of the South Tower from Sublessor.

NOW, THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, Sublessor and Sublessee stipulate, covenant and agree as follows:

1. Premises. Sublessor does hereby sublease to Sublessee a portion of the
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Building consisting of approximately 51,474 square feet of rentable area on the third (3rd) and fourth (4th) floor(s) (the "Premises") as outlined in red and crosshatched on Exhibit "A" attached hereto and made a part hereof. This Sublease includes the right of Sublessee to use the Common Building Facilities in common with other tenants in the Building and Sublessee's parking spaces, as provided in Section 12 of this Sublease.

2. Term. The term shall commence as of the date of this Agreement and shall
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expire on December 30, 2002.

3. Uses. The Premises shall be used for executive, general administrative and
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office space purposes, for scientific and computer research, and no other purposes, and in accordance with all applicable laws, ordinances, rules and regulations of governmental authorities and the Rules and Regulations attached to the Prime Lease. Sublessee covenants and agrees to abide by the Rules and Regulations in all respects as now set forth and as hereafter promulgated by Prime Lessor. Prime Lessor shall have the right at all times during the Lease Term to publish and promulgate and thereafter enforce such rules and regulations or changes in the existing Rules and Regulations as it may reasonably deem necessary to protect the tenantability, safety, operation, and welfare of the Premises, the Project and Wildwood Office Park; provided, however, any such changes shall not have a material adverse effect on Sublessee's ability to maintain a security area in accordance with Special Stipulation No. 7 of this Sublease.

4. Rents and Additional Rent. Sublessee shall pay base annual rental in
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accordance with the following schedule:

Calendar Year	Rental Rate Per Square Foot Annual Rental	Monthly Rental
5/1/94 thru 12/31/94		
1/1/95 thru 12/31/95		
1/1/96 thru 12/31/96		
1/1/97 thru 12/31/97		
1/1/98 thru 12/31/98		
1/1/99 thru 12/31/99		
1/1/00 thru 12/31/00		
1/1/01 thru 12/31/01		
1/1/02 thru 12/31/02		

Sublessor acknowledges and agrees that no rent shall be due under this Sublease for the time period prior to May 1, 1994.

All Rents are due in advance on the first day of each month during the term of this Sublease without deduction, set off or demand, except as specifically set forth in Special Stipulation No. 6. Rents shall be delivered to Sublessor's office located at Scribcor, Inc., As Agent for IBM Lease Administration, Suite 1200, 400 North Michigan Avenue, Chicago, IL 60611, or such other place as Sublessor may designate.

Sublessee shall pay as Additional Rental its prorata share of increases in operating expenses, as that term is defined in Section 3.04 of the Prime Lease, incurred over $6.50 per square foot of Rentable Floor Area per annum as outlined under Section 3.04 of the Prime Lease. Sublessor's prorata share is 8.32%, which is the ratio that 51,474 square feet of rentable area of the Premises bears to 618,540 square feet of rentable area in the building. Sublessor shall furnish Sublessee with a true copy of the statement of operating expenses, delivered by Prime Lessor to Sublessor pursuant to the Prime Lease and include thereon a detailed statement of Sublessee's prorata share of any increase in operating expenses. Sublessee shall reimburse Sublessor within thirty (30) days after the operating expense statement is furnished to Sublessee.

5. Preparation for Occupancy. Sublessor shall deliver the Premises to Sublessee on or before fifteen (15) days after full Sublease execution for the purpose of allowing Sublessee to make certain improvements thereto pursuant to Special Stipulation No. 2. At such time, Sublessee shall accept the Premises in its then "as is" condition (which shall not be materially different from its current condition), "broom clean," and all of Sublessor's furniture, fixtures, equipment and other personal property shall be removed therefrom at Sublessor's expense prior to such date. Sublessor shall not be required to perform work of any kind or nature, and all work performed by Sublessee or any other party shall be subject to provisions of this Sublease and the Prime Lease. Sublessor shall not remove any cabling and shall leave all labeling of communication wiring, path devices and patch panel. In addition, any whiteboards and screens for visual images shall remain with the Premises.

6. Incorporation of Prime Lease. (a) This Sublease is subject to all of the terms of the Prime Lease with the same force and effect as if fully set forth herein at length, excepting only as otherwise specifically provided herein. All of the terms with which Sublessor is bound to comply under the

Prime Lease shall, to the extent only that they apply to the Premises and except as otherwise

provided herein, be binding upon Sublessee, and all of the obligations of Prime Lessor set forth in the Prime Lease shall, to the extent only that they apply to the Premises and except as otherwise provided herein, inure to the Sublessee's benefit. It is the intention of the parties that, except as otherwise provided in this Sublease, the relationship between Sublessor and Sublessee shall be governed by the language of the various articles of the Prime Lease as if they were typed out in this Sublease in full, and the words "Landlord," "Tenant" and "Lease" as used in the Prime Lease, shall read, respectively, "Sublessor," "Sublessee" and "Sublease."

(b) For the purposes of this Sublease, the following provisions of the Prime Lease are hereby deleted in their entirety:

Section 1.01(b); Section 2.01; Section 2.02; Section 3.01; Section 3.02; Article 4, titled "Preparation for Occupancy, Term Commencement Date"; Section 10.02(d); Section 10.02(e); Section 10.02(g); Article 23, titled "First Refusal Sale"; Article 25, titled, "Holdover"; Article 21, titled "Option for Additional Space"; Article 27, titled "Assignment and Subletting"; Article 37, titled "Broker"; and Section 39.07.

7. Quiet Enjoyment. (a) Sublessor covenants and agrees with Sublessee that upon Sublessee paying the rent and additional rent reserved in this Sublease and observing and performing all of the other obligations, terms, covenants and conditions of this Sublease on Sublessee's part to be observed and performed, Sublessee may peaceably and quietly enjoy the Premises and Common Building Facilities (in common with other tenants) during the term; provided, however, that this Sublease shall automatically terminate upon termination of the Prime Lease and Sublessee shall have no claim against Sublessor unless such termination was caused by the default of Sublessor in the performance of those obligations (under the Prime Lease) which have not been assumed by Sublessee hereunder. Sublessor will indemnify and hold harmless Sublessee from and defend Sublessee against all claims, liabilities, losses and damages (excepting special and consequential damages) that Sublessee may incur by reason of, resulting from or arising out of any such termination of the Prime Lease, due to Sublessor's default. Sublessor covenants and agrees that (i) Sublessor will not enter into a consensual agreement with Prime lessor to terminate the Prime Lease, and (ii) Sublessor will not terminate the Prime Lease as it pertains to the Premises unless Sublessor is entitled to do so by reason of Prime Lessor's default or by the condemnation and casualty provisions of the Prime Lease.

(b) Sublessee covenants and agrees that Sublessee shall not do or suffer or permit anything to be done (within its control) which would constitute a default under the Prime Lease or would cause the Prime Lease to be canceled, terminated or forfeited by virtue of any rights of cancellation, termination, or forfeiture reserved or vested in Prime Lessor under the Prime Lease, and that Sublessee will indemnify and hold harmless Sublessor from and defend Sublessor against all claims, liabilities, losses and damages of any kind whatsoever (excepting special and consequential damages) that Sublessor may incur by reason of, resulting from or arising out of any such cancellation, termination or forfeiture.

8. Notices. Any notice, demand or request under this Sublease shall be in writing and shall be considered properly delivered when addressed as hereinafter provided and delivered by hand or by nationally recognized overnight courier service. After May 1, 1994, any notice, demand or

request by Sublessor to Sublessee shall be addressed to Sublessee at 2300 Windy Ridge Parkway, Suite 400 South Tower, Marietta, Georgia 30067, to the attention of James Huffman until otherwise directed in writing by Sublessee. Prior to said date, all such notices shall be sent to Sublessee at 280 Interstate North Parkway, Suite 430, Atlanta, Georgia 30339. Any notice, demand or request by Sublessee to Sublessor shall be addressed to Sublessor, attention of the Regional Manager, Trex Morris, IBM Corporation, 3200 Windy Hill Road WG08C, Marietta, Georgia 30067, with a copy sent simultaneously to Sublessor, attention of IBM Counsel, IBM Corporation, 208 Harbor Drive, Stamford, CT 06904, until otherwise directed in writing by Sublessor. Either party may change its notice address by notice to the other party given in accordance with the provisions of this Article 8.

Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent.

9. Assignment and Subletting. Sublessee agrees that it shall not assign, mortgage, transfer, pledge or encumber its interest in this Sublease, in whole or in part, or sublet or permit the subletting of the Premises, or permit the Premises or any part thereof to be occupied or used by any person or entity other than Sublessee, in each case without first obtaining the prior written consent of Sublessor, which consent Sublessor will not unreasonably withhold or delay. Notwithstanding the foregoing, Sublessee may sublease or assign its interest in the Premises to an "Affiliate," as hereinafter defined, without Sublessor's consent, but Sublessee shall notify Sublessor in advance of such proposed assignment or sublease to an Affiliate and shall promptly deliver to Sublessor copies of all documentation related to such assignment or sublease. No such assignment or sublease shall operate to release Sublessee from its obligations under this Sublease. Failure of Sublessor to obtain the consent of Prime Lessor or submission by Sublessee of a proposed assignee or subtenant who, in the opinion of Sublessor reasonably exercised, is a competitor of Sublessor shall in each case be a reasonable and conclusive basis for withholding consent. The term "Affiliate" as used herein shall mean any parent corporation or any subsidiary which controls or is controlled by Sublessee, or any corporation in which or with which Sublessee is merged or consolidated, provided that by operation of law or by effective provisions contained in the instruments of merger or consolidation the liabilities of the corporations participating in such merger or consolidation are assumed by the corporation surviving such merger or created by such consolidation. The term "control" shall mean ownership of not less than fifty-one percent (51%) of the voting rights attributable to the shares of the controlled corporation.

10. Prime Lessor's Responsibility. Sublessee recognizes that Sublessor is not in a position to furnish the services set forth in the Prime Lease, obtain an agreement of nondisturbance, or to perform certain other obligations which are not within the control of Sublessor, such as, without limitation, maintenance, repairs and replacements to the Building and Premises, compliance with laws, and restoration of the Premises and Building after casualty or condemnation. Therefore, notwithstanding anything to the contrary contained in this Sublease, Sublessee agrees that Sublessee shall look solely to Prime Lessor to furnish an services and to perform all obligations agreed upon by Prime Lessor under the Lease to furnish and perform. Except as specifically set forth in this Section 10 and Special Stipulation No. 6, Sublessor shall not be liable to Sublessee or be deemed in default hereunder for failure of Prime Lessor to furnish or perform the same. However, whenever under the terms of the Prime Lease, Prime Lessor shall fail to perform any of its Prime Lease obligations pertaining to the Premises, Sublessee may, at its option, enforce performance thereof if and to the extent authorized by the terms of the Prime Lease, and

Sublessor shall cooperate with Sublessee in such enforcement. In addition, Sublessor agrees to use reasonable good faith efforts to enforce Prime Lessor's obligations under the Prime Lease.

11. Casualty and Condemnation. Article 10.01, titled "Damage or Destruction," and Article 12, titled "Condemnation," of the Prime Lease are modified to provide that if by operation of either of these two Articles the Prime Lease is not terminated and continues in full force and effect, this Sublease shall not be terminated but shall also continue in full force and effect, except that until the Premises are restored in accordance with these two Articles there shall be a proportionate abatement of annual rent and additional rent payable hereunder to the extent of damage to the Premises; provided, however, that such abatement shall in no event exceed the abatement granted to Sublessor under the Prime Lease for the Premises and, provided further, that no compensation or claim or reduction will be allowed or paid by Sublessor by reason of inconvenience, annoyance or injury to Sublessee's business arising from the necessity of affecting repairs to the Premises or any portion of the Building, whether such repairs are required by operation of these two Articles or any other provision of the Prime Lease. Notwithstanding the foregoing, if the Premises cannot be restored within one hundred twenty (120) days after damage, destruction or condemnation (in the reasonable opinion of Sublessor), then Sublessee may elect to terminate this Sublease by written notice (to Sublessor) given within thirty (30) days after Sublessee's receipt of Sublessor's estimate of the time required to restore the Premises.

12. Parking. Sublessor, through Prime Lessor, shall make available to Sublessee twenty-four (24) hours per day, seven (7) days per week, throughout the term of the Sublease, without additional charge, on-site, non-reserved deck parking for 3.05 cars per 1,000 square feet of rentable area subleased, for the use of Sublessee, its employees and invitees, in the garage attached to the Building in the area delineated on Exhibit "C" attached hereto and made a part hereof. As a portion of the aforesaid parking allowance, Sublessor, through Prime Lessor, shall make available to Sublessee throughout the term of the Sublease ten (10) reserved spaces on Level 6 (being space nos. 31-35 and 50-54).

13. Insurance. (a) Sublessee shall maintain comprehensive general liability insurance covering the legal liability of Sublessor and Sublessee against all claims for any bodily injury or death of persons and for damage to or destruction to property occurring on, in or about the Premises and arising out of the use or occupation of the Premises by Sublessee in the minimum amount of $2,000,000.00 in connection with any single occurrence of bodily injury or death and $500,000.00 in connection with claims for property damage. Such policy shall provide that it may not be canceled or materially changed without at least thirty (30) days prior written notice to each named insured.

(b) Sublessor and Sublessee shall each have included in all policies of commercial property insurance and other insurance (required under the Prime Lease or this Sublease) obtained by them covering the Premises, the Building and the contents therein, a waiver by the insurer of all right of subrogation against the other in connection with any loss or damage thereby insured against. Any additional premium for such waiver shall be paid by the primary insured. To the full extent permitted by law, Sublessor and Sublessee each waive all right of recovery against the other for, and agrees to release the other from liability for, loss or damage to the extent such loss or damage is covered by valid and collectible insurance in effect at the time of such loss or damage or would be covered by the insurance required to be maintained under this Sublease by the party seeking recovery.

(c) The introductory clauses in Sections 11.01 and 11.02 of the Prime Lease which read "Subject to the provisions of Section 10.02(d)" shall be deemed to refer to the provisions of the foregoing Subsection 13(b).

14. Brokerage. Cousins Real Estate Corporation and Carter (referred to collectively as "Broker") are entitled to a lease commission from Sublessor by virtue of this Sublease, which commission shall be paid by Sublessor to Broker in accordance with the terms of a separate agreement between Sublessor and Broker. Cousins Real Estate Corporation has acted as agent for Sublessor in this transaction, and Carter has acted as agent for Sublessee in this transaction. Sublessee represents and warrants to Sublessor that, except as stated herein, no broker, agent, or other person has represented Sublessee in the negotiations for and procurement of the Sublease and that, except as set forth herein, no commissions, fees or compensation of any kind are due and payable in connection herewith to any broker, agent, or other person as a result of any act or agreement of Sublessee. Sublessee agrees to indemnify and hold Sublessor harmless from all loss, liability, damage, claim, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred by Sublessor as a result of a breach by Sublessee of the representations and warranties contained in the immediately preceding sentence. Sublessor represents and warrants to Sublessee that, except as stated herein, no broker, agent, or other person has represented Sublessor in the negotiations for and procurement of the Sublease and that, except as set forth herein, no commissions, fees or compensation of any kind are due and payable in connection herewith to any broker, agent, or other person as a result of any act or agreement of Sublessor. Sublessor agrees to indemnify and hold Sublessee harmless from all loss, liability, damage, claim, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred by Sublessee as a result of a breach by Sublessor of the representations and warranties contained in the immediately preceding sentence.

15. Binding and Entire Agreement. This Sublease shall be binding on Sublessee and its heirs and executors, and on the respective legal representatives, successors and assigns of the parties. This Sublease contains the entire agreement of the parties with respect to the subject matter herein and may not be modified except by instrument in writing which is signed by both parties.

16. Consent of Prime Lessor. Anything hereinabove to the contrary notwithstanding, it is understood and agreed that this Sublease shall not become effective unless and until Sublessor has obtained and delivered to Sublessee the written consent of Prime Lessor to the subletting herein on or before December 30, 1993, failing which either party may, at its option exercised by giving the other notice on or before January 15, 1994, terminate this Sublease. If this Sublease is terminated as aforesaid, neither party hereto shall have any further claim against the other hereunder.

17. The terms and conditions contained in Exhibit "B" titled "Special Stipulations," attached hereto, are hereby incorporated into and agreed to be a party of this Sublease.

IN WITNESS WHEREOF, duly authorized representatives of the parties hereto have executed this Sublease as of the day and year first above written.

WITNESS:

/s/ Tom Duley [sp]
- ----------

INTERNATIONAL BUSINESS MACHINES CORPORATION

By: /s/ G. T. Morris

Title: Proj. Manager

[CORPORATE SEAL]

WITNESS:

/s/ J. Wright
- ----------

SCIENTIFIC RESEARCH CORPORATION

By: /s/ Charles K. Watt

Title: President

[CORPORATE SEAL]

FIRST SUBLEASE AMENDMENT

THIS AGREEMENT, made the 31st of January, 1995, between INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called the "Sublessor" and SCIENTIFIC RESEARCH CORPORATION, a Georgia corporation, with an office at 2300 Windy Ridge Parkway, Suite 400, South Tower, Atlanta, Georgia 30339, hereinafter called "Sublessee".

WITNESSETH:

WHEREAS, the Sublessor and the Sublessee entered into a written agreement of Sublease dated December 22, 1993 (herein collectively called the "Sublease") whereby Sublessor subleased to the Sublessee approximately 51,474 square feet of rentable area on the 3rd and 4th floors (the "Subleased Premises") in the building known as 2300 Windy Ridge Parkway (South Tower), Wildwood Office Park (the "Building"); and

WHEREAS, Sublessee desires to sublease additional office space on the second (2nd) floor of the South Tower from Sublessor.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, it is hereby mutually agreed as follows:

1. The Sublessee hereby subleases from the Sublessor approximately 2,928 square feet of rentable floor area (the "Additional Sublease Space"), as more particularly shown (cross-hatched) on the floor plan attached and marked Exhibit A, thereby increasing the square feet of rentable area comprising the Subleased Premises to 54,402.

2. Effective February 1, 1995, the annual rent due for the Additional Sublease Space on the second floor shall be Forty-six Thousand Eight Hundred Forty-eight and no/100 Dollars ($46,848.00) annually to be paid in equal monthly installments of Three Thousand Nine Hundred Four and no/100 Dollars ($3,904.00)

3. The term for the Additional Sublease Space shall commence on February 1, 1995 and expire on December 31, 1998.

4. Sublessor shall accept the Additional Sublease Space in its then "as is" condition. Sublessor shall not be required to perform work of any kind or nature and all such work and performance hereof shall be subject to the provisions of this Sublease and the Prime Lease.

5. The Tenant's share of operating expenses and real estate taxes under Section 4 are hereby increased from 8.32% to 8.80%.

6. Sublessor shall provide a used ten ton Liebert unit to Sublessee. Sublessee shall accept the unit in its then "as is" condition. The unit is currently located on the 6th/7th floor of the Building. Sublessee shall be responsible for relocating the unit to the Additional Sublease Space by March 1, 1995 and will assume responsibility and liability for this relocation.

7. Extension Option. Provided that this Sublease is then in effect and no event of default under this Sublease then exists, and subject to the terms and conditions herein set forth Sublessee shall have the option to extend the Term for the Additional Sublease Space for one (1) consecutive extended

term of (4) years (such period being herein referred to as the "Extended Term"). Such option shall be exercised by irrevocable written notice to Sublessor given on or before December 31, 1997, and such notice shall be irrevocable. The Extended Term shall be upon the same covenants, agreements, term, provisions and conditions that are contained in the Sublease dated December 22, 1993, except that the annual Base Rental amount shall be Forty Thousand and Nine Hundred and Ninety-two and no/100 Dollars ($40,992.00), to be paid in equal monthly installments of Three Thousand Four Hundred and Sixteen and no/100 Dollars ($3,416.00).

Sublessee shall continue to pay as Additional Rental its prorata share of increase in operating expenses, as that term is defined in Section 3.04 of the Prime Lease, incurred over $6.50 per square feet of rentable floor area.

8. Except as herein modified, the Sublease shall continue in full force and effect without change.

IN WITNESS WHEREOF, this instrument has been executed by the duly authorized representatives of the parties as of the day and year first above written.

WITNESS:

/s/ S. Watt
- ----------

SCIENTIFIC RESEARCH CORPORATION

By: /s/ James D. Huffman

Name: James D. Huffman
Title: Treasurer

WITNESS:

/s/ James N. Monet [sp]
- ----------

INTERNATIONAL BUSINESS MACHINES CORPORATION

By: /s/ G. T. Morris

Name: G.T. Morris
Title: Proj. Manager

EXHIBIT 10.20

SUB-SUBLEASE AGREEMENT

THIS AGREEMENT is made this day of 19th day of August, 1998, by and between The Profit Recovery Group International 1, Inc., a Georgia corporation with its principal place of business at 2300 Windy Ridge Parkway, Suite 100 North, Atlanta, Georgia 30339-8426 (hereinafter called "PRG") and Manhattan Associates, Inc., a Georgia corporation with its principal place of business at 2300 Windy Ridge Parkway, Suite 700 North, Atlanta, Georgia 30339 (hereinafter called "Manhattan").

WITNESSETH:

WHEREAS, pursuant to a Lease, dated July 31, 1987, as subsequently amended on November 10, 1987, April 30, 1988, August 4, 1989, October 10, 1989, November 7, 1989, December 1, 1989 and March 12, 1990 (herein collectively called the "Prime Lease" and attached as Exhibit "A"), International Business Machine Corporation, a New York corporation (hereinafter called the "Prime Sublessor") leased from Wildwood Associates, a Georgia general partnership (hereinafter called the "Prime Lessor") certain portions of the building known as 2300 Windy Ridge Parkway, Wildwood Office Park, Atlanta Georgia (the "Building"), including but not limited to the third (3rd) floor thereof; and

WHEREAS, pursuant to a Sublease, dated October 29, 1993, (herein called the "Prime Sublease" and attached as Exhibit "B"), PRG's predecessor in interest sublet from the Prime Sublessor the third (3rd) floor of the Building; and

WHEREAS, PRG desires to Sub-Sublease to Manhattan and Manhattan desires to SubSublease from PRG the third (3rd) floor consisting of approximately 23,776 rentable square feet (the "Premises").

NOW THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, PRG and Manhattan stipulate, covenant and agree as follows:

1. PREMISES

PRG does hereby Sub-Sublease to Manhattan a portion of the Building consisting of approximately 23,776 square feet of rentable area on the third (3rd) floor of the North Tower thereof (the "Premises") as outlined in red and crosshatched on Exhibit "C" attached hereto and made a part hereof.

2. DELIVERY OF PREMISES

On or before September 15, 1998, PRG shall make available to Manhattan that portion of the Premises consisting of approximately 7,998 square feet of rentable area as identified on Exhibit "C". On or before March 1, 1999, PRG shall make available to Manhattan the remaining portion of the Premises.

3. TERM

The term shall commence on the date of delivery specified in Section 4 hereof, and except as provided herein, shall expire on December 30, 2002.

4. USES

The Premises shall be used for office space in accordance with all applicable laws, ordinances, rules and regulations of governmental authorities and the Rules and Regulations attached to the Prime Lease, as same may have been

modified or amended by virtue of the Prime Sublease. Manhattan covenants and agrees to abide by the Rules and Regulations in all respects as now set forth and as hereafter promulgated by Prime Lessor. Prime Lessor shall have the right at all times during the Lease Term to publish and promulgate and thereafter enforce such rules and regulations or changes in the existing Rules and Regulations as it may reasonably deem.

5. RENT

Commencing on the date the Premises, or the applicable portion thereof, shall be delivered to Manhattan, Manhattan shall pay to PRG Annual Base Rent equal to (a) $20.76 per rentable square foot for portions of the Premises which it occupies, plus (b) $20.76 per rentable square foot for its pro-rata portion of the "common area" described in Paragraph 7, and computed by multiplying the Annual Base Rent by a fraction, the numerator of which shall be the number of rentable square feet of the Premises occupied by Manhattan, and the denominator of which shall be the number of square feet of the Premises occupied by Manhattan plus the number of square feet of the Premises occupied by PRG (exclusive of any portion of the Premises designated as "common area").

In addition to Annual Base Rent, Manhattan shall pay Additional Rental as described in Paragraph 6, (collectively the "Rent") provided for hereunder in advance on the first day of every month during the Term. Rent shall be a prorated rate for fractions of a month if this Sub-Sublease commences or expires (as the case may be) for any reason on any day other than the first or last day of the calendar month, respectively. Manhattan shall make payment of Rent to PRG, at the address specified the preamble of this Agreement and directed to the attention of the Controller.

6. ADDITIONAL RENTAL

(a) In addition to Annual Rent, Manhattan shall pay as Additional Rental its pro-rata share of increases in operating expenses over and above $6.50 per rentable square foot of the Premises, as defined in Article 3.04 of the Prime Lease. PRG shall furnish Manhattan with a true copy of the statement of operating expenses delivered by Prime Lessor to PRG pursuant to the Prime Lease and the Prime Sublease. Manhattan shall reimburse PRG within twenty (20) days after the operating expense statement is furnished to Manhattan.

For purposes of this Sub-Sublease, Manhattan shall pay Additional Rent on the Premises and its pro-rata portion of the "common area" described in Paragraph 7 hereof. Manhattan's share of said "common area" shall be equal to a fraction having as its numerator the number of rentable square feet of the Premises actually occupied by Manhattan, and as its denominator, the number of square feet of the Premises occupied by Manhattan plus the number of square feet of the Premises occupied by PRG; both the numerator and denominator shall exclude any portion of the Premises designated as "common area."

(b) In addition to the foregoing, if Manhattan shall procure any services from the Building beyond the Building standard services specified in the Prime Lease, (such as alterations or after-hour air-conditioning) Manhattan shall pay for same at the rates charged therefor by the Prime Lessor and shall make such payment to PRG or Prime Lessor, as PRG shall direct.

(c) Any Additional Rent or other sums payable by Manhattan under this Paragraph 6 shall be considered rent and collectible by PRG as such. If PRG shall receive any refund from either the Prime Sublessor or the Prime Lessor, Manhattan shall be entitled to the return of so much thereof as shall be attributable to prior payments by Manhattan.

7. PREPARATION FOR OCCUPANCY

Prior to delivery of the first portion of the Premises, as described in Paragraph 2, PRG shall arrange for the construction of certain demising walls, corridors and doorways, as are indicated on Exhibit "C" to create a "common

area" within the Premises, consisting of approximately 1,491 rentable square feet and identified on Exhibit "C". The cost of such construction shall be evenly divided by PRG and Manhattan, and Manhattan shall reimburse PRG for its share of such construction costs within thirty (30) days of an invoice therefor.

Manhattan shall at its sole expense, perform or cause to be performed, such construction of the Premises as it desires; provided, however, that prior to the commencement of construction, Manhattan shall obtain the written consent of PRG, the Prime Sublessor and the Prime Lessor, as same may be required under the Prime Lease or the Prime Sublease, which consent shall not be unreasonably withheld or delayed by PRG, to Manhattan's construction plans.

8. INCORPORATION OF PRIME LEASE

(a) This Sublease is subject to all of the terms of the Prime Lease and the Prime Sublease with the same force and effect as if fully set forth herein at length, excepting only those provisions specified herein. All of the terms with which PRG is bound to comply under the Prime Lease or the Prime Sublease shall, to the extent they apply to the Premises and except as otherwise provided herein, be binding upon Manhattan, and all of the obligations of Prime Lessor set forth in the Prime Lease shall and all of the obligations of IBM set forth in the Prime Sublease, to the extent only that they apply to the Premises and except as otherwise provided herein, inure to the benefit of Manhattan. It is the intention of the parties that, except as otherwise provided in this Sub-Sublease, the relationship between PRG and Manhattan shall be governed by the language of the various articles of the Prime Lease and the Prime Sublease as if they were typed out in this Sub-Sublease in full, and the words "Lessor" "Lessee" and "Prime Lease" as used in the Prime Lease, and the words "Sublessor" "Sublessee" and "Sublease", shall read, respectively "PRG" "Manhattan" and "Sub-Sublease".

(b) For the purpose of this Sub-Sublease, the following provisions of the Prime Sublease are hereby deleted in their entirety:

> Sections 4, 12, and 15 of the Sublease dated October 29, 1993; Sections 1, 2, 3, 4, 5, 11 and 12 of Exhibit "B" to the Sublease dated October 29, 1993; and all provisions of the First Sublease Amendment dated as of February 12, 1996.

9. PARKING

PRG shall provide Manhattan with a total of seven (7) of PRG's reserved parking spaces, in the area designated for reserved parking by the Prime Lessor, and as subject to change by the Prime Lessor. Subject to the rights of the Prime Lessor or Prime Sublessor, PRG shall have the sole authority to designate which of its reserved parking spaces shall be provided to Manhattan hereunder. Two (2) reserved parking spaces shall be provided to Manhattan upon commencement of its occupancy of the

first portion of the Premises, and the remaining five (5) spaces shall be made available to Manhattan on or before March 1, 1999.

10. QUIET ENJOYMENT

(a) PRG covenants and agrees with Manhattan that upon Manhattan paying the Rent and Additional Rent reserved in this Sub-Sublease and observing and performing all of the other obligations, terms, covenants and conditions of this Sub-Sublease on Manhattan's part to be observed and performed, Manhattan may peaceably and quietly enjoy the Premises and Common Building Facilities (in common with other tenants) during the Term; provided, however, that this Sub-Sublease shall automatically terminate upon termination of either the Prime Lease or the Prime Sublease, and Manhattan shall have no claim against PRG unless such termination was caused by the default of PRG in the performance of those material obligations (under either the Prime Lease or the Prime Sublease) which have not been assumed by Manhattan hereunder. PRG will indemnify and hold

harmless Manhattan from and defend Manhattan against all claims, liabilities losses and damages that Manhattan may incur by reason of, resulting from or arising out of any such termination of the Prime Lease or the Prime Sublease due to PRG's default thereunder. PRG covenants and agrees that (i) PRG will not enter into a consensual agreement with the Prime Lessor under the Prime Lease or with the Prime Sublessor under the Prime Sublease to terminate either the Prime Lease or the Prime Sublease, as the case may be, (ii) PRG will not terminate this Sub-Sublease as it pertains to the Premises unless PRG is entitled to do so under the Sublease or under this Sub-Sublease or by the condemnation and casualty provisions of this Sublease.

(b) Manhattan covenants and agrees that Manhattan shall not do or suffer or permit anything to be done (within its reasonable and direct control) which would constitute a default under the Prime Lease or the Prime Sublease, or would cause the Prime Lease or the Prime Sublease to be canceled, terminated or forfeited by virtue of any rights of cancellation, termination, or forfeiture reserved or vested in Prime Lessor under the Prime Lease or the Prime Sublessor under the Prime Sublease, Manhattan will indemnify and hold harmless PRG from and defend PRG against all claims, liabilities, losses and damages of any kind whatsoever that PRG may incur by reason of, resulting from or arising out of the cancellation, termination or forfeiture of the Prime Lease or the Prime Sublease, which is caused by any act or omission of Manhattan.

11. NOTICES

Any notice, demand, or request under this Sublease shall be in writing and shall be considered properly delivered when addressed as hereinafter provided and delivered by hand or by nationally recognized overnight courier service to the addressee set forth in the preamble of this Agreement with all notices to PRG being directed to the attention of Clinton McKellar, Jr., Esq. and all notices to Manhattan being directed to the attention its President. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. Address for notice may be changed by either party by giving 30 days written notice to the current address of record.

PRG agrees to provide, in a timely manner, copies of any notices it receives from the Prime Lessor or the Prime Sublessor with respect to the Premises.

12. ASSIGNMENT AND SUBLETTING

Except as permitted by Paragraph 9 of the Prime Sublease, Manhattan shall not assign, mortgage, transfer, pledge or encumber its interest in this Sub-Sublease, in whole or in part, or sublet or permit the subletting of the Premises, or permit the Premises or any part thereof to be occupied or used by any person or entity other than Manhattan, without in each case having first obtained the written consent of (a) PRG, which consent shall not be unreasonably withheld, delayed or conditioned, and (b) the Prime Sublessor. Failure of any party to obtain the consent of the Prime Lessor shall in each case constitute a reasonable and conclusive basis for withholding consent.

13. PRIME LESSOR'S RESPONSIBILITIES

Notwithstanding anything to the contrary contained in this Sub-Sublease, Manhattan agrees and acknowledges that it will look solely to the Prime Lessor, and to neither PRG nor Prime Sublessor, to furnish all services and to perform all obligations of Prime Lessor pursuant to the Prime Lease. PRG shall not be liable to Manhattan or be deemed in default hereunder for failure of Prime Lessor to furnish such services or perform such obligations. If Prime Lessor shall fail to perform any of its obligations under the Prime Lease, Manhattan may, at its option, enforce performance thereof if and to the extent authorized by the Prime Lease, and PRG shall cooperate with Manhattan in such enforcement.

14. DESTRUCTION AND EMINENT DOMAIN

Article 10.01, titled "Damage or Destruction," and Article 12, titled "Condemnation," of the Prime Lease are modified to provide that if by operation of either of these two Articles the Prime Lease is not terminated and continues in full force and effect, this Sub-Sublease shall not be terminated but shall also continue in full force and effect, except that until the Premises are restored in accordance with these two Articles there shall be a proportionate abatement of Annual Rental and payable hereunder to the extent of damage to the Premises; provided, however, that such abatement shall in no event exceed the abatement granted to PRG under the Prime Sublease for the Premises and, provided further, that no compensation or claim or reduction will be allowed or paid by PRG by reason of inconvenience, annoyance or injury to Manhattan's business arising from the necessity of affecting repairs to the Premises or any portion of the Building, whether such repairs are required by operation of these two Articles or any other provision of the Prime Lease. Notwithstanding the foregoing, if the Premises cannot be restored within ninety (90) days after damage, destruction or condemnation (in the reasonable opinion of the Prime Lessor's architect), then Manhattan may elect to terminate this Sublease by written notice (to PRG) given within thirty (30) days after PRG's receipt of Sublessor's estimate of the time required to restore the Premises.

15. INSURANCE

(a) Manhattan shall maintain comprehensive general liability insurance covering the legal liability of Manhattan and PRG against all claims for any bodily injury or death of persons and for damage to or destruction to property occurring on, in or about the Premises and arising out of the use or occupation of the Premises by Manhattan in the minimum amount of $5,000,000.00 in connection with any single occurrence of bodily injury or death and $500,000.00 in connection with claims for property damage. Such policy shall provide that it may not be canceled or materially changed without at least thirty-(30) days prior written notice to each name insured. PRG shall be named as an additional insured on the insurance policies required of Manhattan under this Sub-Sublease.

(b) PRG and Manhattan shall each have included in all policies of commercial property insurance and other insurance (required under the Prime Lease, the Prime Sublease or this SubSublease) obtained by them covering the Premises, the Building and the contents therein, a waiver by the insurer of all right or subrogation against the other in connection with any loss or damage thereby insured against. Any additional premium for such waiver shall be paid by the primary insured. To the full extent permitted by law, PRG and Manhattan each waives all right to recovery against the other for, and agrees to release the other from liability for, loss or damage to the extent such loss or damage is covered by valid and collectible insurance in effect at the time of such loss or damage or would be covered by the insurance required to be maintained under this Sublease by the party seeking recovery.

16. BROKERAGE

Each party represents and warrants to the other that no broker, agent, or other person has represented such party in the negotiations for and procurement of this Sub-Sublease and that except as may be set forth herein, no commissions, fees or compensation of any kind are due and payable in connection herewith to any broker, agent, or other person as a result of any act or agreement of such party. Each party through which such a claim arises agrees to indemnify and hold the other harmless from all loss, liability, damage, claim, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred as a result of a breach of the representations and warranties contained in the immediately preceding sentence.

17. BINDING AND ENTIRE AGREEMENT

This Sub-Sublease shall be binding on PRG and Manhattan, and each of its respective legal representatives, successors and permitted assigns. This Sub-Sublease contains the entire agreement of the parties with respect to the

subject matter herein and may not be modified except by instrument in writing, which is signed by both parties.

[Signatures on Next Page]

18. CONSENT OF PRIME SUBLESSOR

In accordance with Section 9 of the Prime Sublease, it is understood and agreed that this Sub-Sublease shall not become effective unless and until PRG has obtained and delivered to Manhattan the written consent of Prime Sublessor to the subletting herein on or before the Commencement Date.

IN WITNESS WHEREOF, duly authorized representatives of the parties hereto have executed this Sub-Sublease as of the day and year first above written.

WITNESS: MANHATTAN ASSOCIATES, INC.

_____ By: /s/ Michael J. Casey

Title: Chief Financial Officer

[CORPORATE SEAL]

WITNESS: THE PROFIT RECOVERY GROUP INTERNATIONAL 1, INC.

_____ By: /s/ Dall E. Ells, Jr.

Title: Senior VP & CFO

[CORPORATE SEAL]

EXHIBIT "A"

LEASE

WILDWOOD ASSOCIATES

LANDLORD

AND

INTERNATIONAL BUSINESS MACHINES CORPORATION

TENANT

Dated: As of July 31, 1987

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BASIC LEASE INFORMATION

The following Basic Lease Information is attached to the Lease for reference and convenience purposes only. The Basic Lease Information is Qualified in all respects by reference to the applicable portions of the Lease, and in the event of any conflict between the Basic Lease Information and the provisions of the Lease, the Lease shall control.

Date of Lease	July 31, 1987
Landlord:	Wildwood Associates, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation and Cousins Properties Incorporated, a Georgia corporation
Tenant:	International Business Machines Corporation (IBM)
Building Address:	2300 Windy Ridge Parkway, Marietta, Georgia 30067
Leased Premises:	Subject to Section 1.01(b), approximately 221,000 square feet of contiguous rentable area (calculated using usable area plus a 15% common area factor) located on and comprising all of the third, fourth and fifth floors of the north tower of the Building, the entire sixth and seventh floors of the Building (north and south towers) and the balance (approximately 17,463 square feet of rentable area) on the second floor of the north tower of the Building.
Term:	From the date of this Lease through December 31, 2002.

Options to Extend:	Two (2) successive five (5) year options.
Rental Commencement Date:	The date determined in accordance with Section 4.02, but in no event earlier than January 1, 1988 and as otherwise provided in Section 3.01 as to the payment of Annual Rent.
Tenant's Share:	The percentage determined by dividing the rentable square feet in the Leased Premises by 614,543. See Supplemental Agreement.
Annual Rental:	From May 1, 1988 through December 31, 1988, _____ per square foot of rentable area per year. From January 1, 1989 through December 31, 1989, _____ per square foot of rentable area per year. From January 1, 1990 through December 31, 1990, _____ per square foot of rentable area per year.

From January 1, 1991 through December 31, 1991, _____ per square foot of rentable area per year.

From January 1, 1992 through December 31, 1992, _____ per square foot of rentable area per year.

From January 1, 1993 through December 31, 1997, _____ per square foot of rentable area per year.

From January 1, 1998 through December 31, 2002, _____ per square foot of rentable area per year.

During the first Extended Term, _____ per square foot of rentable area per year.

During the second Extended Term, _____ per square foot of rentable area per year.

Operating Expenses:	Tenant is responsible for Tenant's Share of Operating Expenses as provided in Section 3.03 (initially estimated _____ per square foot of rentable area per year).
Expansion Options:	In accordance with the provisions of Article 21 of the Lease, up to _____ square feet of contiguous rentable area on, at Landlord's option, either the fifth floor of the south tower of the Building or the eighth floor of the Building during 1993 and up to 25,000 square feet of contiguous rentable area on, at Landlord's option, either the fifth floor of the south tower of the Building, or the eighth floor of the Building during 1998.

Service of Notice: By personal delivery, registered, certified or express mail as set forth in Article 26 of the Lease

LEASE

PARTIES

THIS LEASE, made as of the 31st day of July, 1987, between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at Suite 1600, 2500 Windy Ridge Parkway, Marietta, Georgia 30067, hereinafter called "Landlord" and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant".

ARTICLE ONE

LEASE OF THE PREMISES

Section 1.01. Lease of the Premises. (a) Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon and subject to the covenants, agreements, terms, provisions and conditions of this Lease, the Leased Premises, as more particularly shown and described below in the building, as well as the parking area and related improvements (the "Building") at the address known as 2300 Windy Ridge Parkway, Marietta, Georgia 30067 situated on a plot of land (the "Land") located in Cobb County, Georgia and being more particularly described on Exhibit B attached hereto. The Building located on the Land is comprised of two segments which are referred to herein and on floor plans attached hereto as Exhibit A as the "north tower" of the Building and the "south tower" of the Building.

(b) The Leased Premises shall mean that certain floor area of the Building containing approximately 221,000 square feet of contiguous rentable area located on and comprising all of the third (3rd), fourth (4th) and fifth (5th) floors of the north tower of the Building, the entire sixth (6th) and seventh (7th) floors of the Building (north and south towers) and approximately 17,463 square feet of contiguous rentable floor area located on the second (2nd) floor of the north tower of the Building) (i) together with such additional space as Tenant may lease in the Building pursuant to any provisions of the Lease (when added to the Leased Premises) (ii) less such space as may be deleted from the Leased Premises pursuant to any provision of this Lease (when so deleted). The floor plans for the second (2nd), third (3rd), fourth (4th) and fifth (5th) floors of the north tower of the Building and the entire sixth (6th) and seventh (7th) floors of the Building (north and south towers) are attached hereto as Exhibit A. The actual rentable area of the Building is approximately 614,543 square feet which square footage has been determined as set forth in Section 4.02.

(c) This Lease includes the right of Tenant to use the Common Building Facilities in common with other tenants in the Building and Tenant's parking spaces (as provided for in Article 7) in the Building Parking Area. In addition, upon the completion of the extension of Windy Hill Road from its current terminus, and prior to the dedication of such extension, this Lease includes the non-exclusive right of Tenant to use such extension of Windy Hill Road.

(d) The term "Common Building Facilities" shall mean all of the common facilities in or around the Building designed and intended for use by the tenants in the Building in common with Landlord and each other, including but not limited to hallways, elevators, fire stairs, telephone and electric closets, and risers, aisles, walkways, truck docks, plazas, courts, restrooms (excluding restrooms on floors entirely leased by or held for lease to other tenants),

service areas, lobbies, landscaped areas, and all other common and service areas of the Land and the Building intended for such use on the date

hereof. Notwithstanding the foregoing, the restrooms on floors entirely leased by Tenant shall be for the exclusive use of Tenant and shall not be used in common with other tenants or occupants of the Building.

ARTICLE TWO

TERM

Section 2.01. Initial Term of. This Lease. The initial term of this Lease (the "Initial Term") shall commence on the date hereof and shall expire on December 31, 2002, subject to extension and earlier termination as hereinafter provided.

Section 2.02. Extended Terms. Tenant shall have the option to extend the term of this Lease for the Leased Premises for two (2), consecutive five (5) year extended terms (each an "Extended Term"). Such option shall be exercised by written notice to Landlord given at least twelve (12) months prior to the expiration of the Initial Term or the applicable Extended Term. Each Extended Term shall be upon the same covenants, agreements, terms, provisions and conditions as are contained herein for the Initial Term, except as expressly provided here to the contrary and except for such terms as are inapplicable to an Extended Term. The Annual Rent payable during each Extended Term shall be as provided in Section 3.0.2.

Section 2.03. Term of this Lease. The phrase "term" or "term of this Lease" shall mean the Initial Term and any Extended Term which may become effective.

ARTICLE THREE

RENT AND ADDITIONAL RENT

Section 3.01. Annual Rent. Commencing on May 1, 1988, Tenant hereby agrees to pay a base annual rental per square foot of rentable area within the Leased Premises per year (herein called "Annual Rent") in accordance with the following schedule:

From May 1, 1988 through December 31, 1988,

From January 1, 1989 through December 31, 1989,

From January 1, 1990 through December 31, 1990,

From January 1, 1991 through December 31, 1991,

From January 1, 1992 through December 31, 1992,

From January 1, 1993 through December 31, 1997,

From January 1, 1998 through December 31, 2002,

Tenant will pay the Annual Rent and Additional Rent to Landlord at Suite 1600, 2500 Windy Ridge Parkway, Marietta, Georgia 30067 or to such other person or at such other place as the Landlord may designate in writing.

Section 3.02. Extended Rent. The Annual rent for the first Extended Term shall be

Section 3.03. Additional Rent. The term "Additional Rent" shall mean all sums of money payable by Tenant under the Lease other than Annual Rent.

Section 3.04. Operating Expenses. Commencing on February 1, 1988 and thereafter during the term of this Lease, Tenant shall pay as Additional Rent, the sum of (i) Tenant's Share of Operating Expenses (as hereinafter defined), plus (ii) management fees equal to two and one-half percent (2-1/2%) of the sum of (x) _____ Additional Rent payable under this Section 3.04 for any period of less than one month shall be apportioned on the basis of the number of days in such month. During December of each calendar year during the term of this Lease, or as soon thereafter as practicable, Landlord shall give Tenant written notice of its estimate of Additional Rent payable under this Section 3.04 for the ensuing calendar year; provided, however, Additional Rent during calendar year 1988 shall be calculated on the basis of an estimate of Additional Rent in the amount of _____ of rentable area in the Leased Premises. On or before the first day of each month during the ensuing calendar year, Tenant shall pay to Landlord one-twelfth (1/12) of such estimated amounts together with the Annual Rent, provided that if such notice is not given in December, Tenant shall continue to pay during the ensuing calendar year on the basis of the amount payable during the calendar year just ended, until the month after such notice is given. If at any time or times it appears to Landlord that the Additional Rent payable under this Section 3.04 for the current calendar year will vary from Landlord's estimate by more than five percent (5%), Landlord shall revise, by notice to Tenant, its estimate for such year, and subsequent payments by Tenant for such year shall be based upon such revised estimate. Failure to make a revision contemplated by the immediately preceding sentence shall not prejudice Landlord's right to collect the full amounts of Additional Rent.

(a) "Operating Expenses" shall mean the operating costs necessary to manage, operate, repair and maintain the Building and Land in a manner deemed reasonable and appropriate and for the best interest of the tenants of the Building, to the extent they are properly allocable (in accordance with generally accepted accounting principles consistently applied) to the management, operation, repair and maintenance of the Building and Land (including the Building Parking Area and the Common Building Facilities), including, but not limited to, the items specified below in A. If the Building is not one hundred percent (100%) occupied during any calendar year, the Operating Expenses actually incurred shall be adjusted to reflect the amount of Operating Expenses which would have been incurred at one hundred percent (100%) occupancy for such calendar year. Any cost allocable to the items specified below in B and any operating costs incurred after the expiration of the term of this Lease shall be excluded from Operating Expenses.

A. Items Included In Operating Expenses.

(1) salaries, wages, and all other expenses, including fringe benefits, incurred for the employment of personnel who work full or part-time at the Building or Land and a portion of such off-premises personnel as shall devote time to the Building and Land, excluding accounting and key-punch operators and excluding such personnel above the grade of office park manager (which office park manager may also carry a title of vice president and/or general manager);

(2) the cost of materials and supplies;

(3) the cost of replacements for tools and maintenance equipment

(excluding items of a capital nature, except as herein provided); all tools and equipment purchased during the first year of occupancy of the Building shall be considered capital items;

(4) amounts paid by the Landlord to independent contractors for services (including full or part-time labor) and materials;

(5) water charges and sewer rents;

(6) the cost of repainting or otherwise redecorating any part of Common Building Facilities;

(7) the cost of telephone service, postage, office supplies, maintenance and repair of office equipment and similar charges related to operating of the office park manager's office;

(8) premiums for insurance obtained by Landlord applicable to the Building and Land, including but not limited to, fire, liability insurance and insurance covering loss of rents;

(9) all costs, and expenses (other than those of a capital nature, except as herein provided) of maintaining, repairing and replacing paving, curbs, bridges, walkways, landscaping (including replanting and replacing flowers and other plantings);

(10) the cost of electricity, fuel, trash and garbage removal, vermin extermination, and snow, ice and debris removal;

(11) normal maintenance of mechanical and electrical equipment, including heating, ventilating and air conditioning equipment but excluding capital expenditures, except as herein provided;

(12) maintenance of elevators, restrooms, lobbies, hallways (including replacement of carpeting and wall finishes) and other common and public areas located in the Building;

(13) all costs and expenses, other than those of a capital nature (except as herein provided), of maintaining, repairing or replacing the roof, common and public lighting facilities and lamps;

(14) janitorial services, both exterior and interior, including janitor equipment and supplies for the common and public areas;

(15) all Real Estate Taxes (as defined in Section 3.05 below) and all personal property taxes and any other types of special assessments in lieu thereof assessed against Landlord with regard to items of personal property used in connection with the operation, maintenance and repair of the Building and Land;

(16) depreciation of capital expenditures for capital items and improvements to the Common Building Facilities (together with interest on the undepreciated cost thereof at not more than the "prime rate" that may be from time to time announced or published by The First National Bank of Atlanta) made by Landlord after completion of the Building;

(17) rental payments for equipment and other items used in the operation or maintenance of the Building and Common Building Facilities, whether or not the cost of such items, if purchased, would be capital expenditures, but excluding rental payments for any base building items such as HVAC equipment and elevators;

(18) costs of repairs, alterations, additional changes, replacements and other items required by law or governmental regulation imposed after the date of this Lease, including amortization for capital expenditures for same if they relate to items or components of the Building which are not structural,

mechanical or electrical in nature;

(19) fees of an independent certified public accounting firm which relate directly to the preparation and audit of the detailed statement of Operation Expenses for the Building and Land as hereinafter provided and legal expenses incurred by Landlord in connection with the maintenance, repair and operation of the Building and Land;

(20) the pro rata share applicable to the Building of the expenses (including rental payments, if any, with regard to maintenance equipment) in connection with the landscaping and irrigation along Windy Ridge Parkway, Windy Hill Road Extension and any other roads now or hereafter constructed within Wildwood Office Park, the landscaping and irrigation of the right of way areas of Powers Ferry Road adjoining Wildwood Office Park, the maintenance and repair of the gutters and curbways of Windy Ridge Parkway, Windy Hill Road Extension and such other roads now or hereafter constructed within Wildwood Office Park, and the maintenance and repair of all non-impervious surfaces and storm drainage systems within the rights-of-way of said Windy Ridge Parkway, Windy Hill Road Extension and such other roads. The pro rata share of such expenses shall be equal to the product obtained by multiplying (i) the total amount of such expenses (net of reimbursements from any commercial tenants) by (ii) a fraction, the numerator of which shall be the number of rentable square feet contained in the Building, and the denominator of which shall be the aggregate number of rentable square feet contained in all the office buildings located along Windy Ridge Parkway, Windy Hill Road Extension and any other roads now or hereafter constructed within Wildwood Office Park, all exclusive of basement areas. In no event, however, shall. more than forty-five percent (45%) of the total of such expenses be allocated to the Building;

(21) the cost of security services for the common and public areas of the Building and Land; and

(22) all other costs and expenses directly related to the Building and Land, including any reimbursements by Landlord to Tenant for work performed by Tenant unless specifically excluded hereinafter.

Operating Expenses shall be "net" only, and for that purpose shall be reduced by the amounts of any reimbursement, refund or credit received or receivable by Landlord with respect to any item of cost that is included in Operating Expenses including but not limited to heating, ventilating, air conditioning and electricity. In the event any such reimbursement, refund or credit is received or receivable by Landlord in a later year, it shall be applied against the Operating Expenses for such later year; provided, however, that, if the term of this Lease has expired, Tenant's Share of such item shall promptly be refunded by Landlord to Tenant.

B. Items Excluded from Operating Expenses.

(1) the cost of any work or service performed for any tenant (including Tenant) at such tenant's cost;

(2) the cost of installing, operating and maintaining any specialty service, such as an observatory, broadcasting facility, luncheon club, retail store, sundry shop, newsstand, concession, but

only to the extent such costs exceed those which would normally be expected to be incurred had such space been general office space;

(3) the cost of correcting defects in construction;

(4) salaries of officers and executives of Landlord;

(5) the cost of any work performed or service provided (including electricity) for any tenant of the Building (other than Tenant) to a materially

greater extent or in a materially more favorable manner than that furnished generally to the tenants and other occupants (including Tenant), but only to the extent such costs exceed those which would be incurred if such work or service were not provided to a materially greater extent or in a materially more favorable manner;

(6) the cost of any work performed or service provided (including electricity) for any facility other than the Building, such as a garage, for which fees are charged, but only to the extent of the fees collected by Landlord, less administrative expenses incurred in the collection of such fees;

(7) the cost of any items for which Landlord is reimbursed by insurance, condemnation or otherwise;

(8) the cost of any additions to the Building after the date of the Lease;

(9) the cost of any repair in accordance with Articles 10 and 12 of this Lease entitled "Fire and Other Casualty - Casualty Insurance" and "Condemnation";

(10) insurance premiums to the extent Landlord may be reimbursed therefor;

(11) interest on debt or amortization payments on any mortgage and rental under any ground lease or other underlying lease;

(12) any real estate brokerage commissions or other cost incurred in procuring tenants or any fee lieu of such commission;

(13) any advertising expenses incurred in connection with the marketing of any rentable space;

(14) any costs representing an amount paid to any entity related to Landlord which is in excess of the amount which would have been paid in the absence of such relationship;

(15) rental payments for base building equipment such as HVAC equipment and elevators, and rental payments for equipment not used in the operation or maintenance of the Building or Common Building Facilities;

(16) any expenses for repairs or maintenance which are covered by warranties and service contracts, to the extent such maintenance and repairs are made at no cost to Landlord; and

(17) legal expenses arising out of the construction of the improvements on the Land or the enforcement of the provisions of any lease affecting the Land or Building including without limitation this Lease, except as herein provided.

(b) If this Lease shall terminate on a day other than the last day of a calendar year, the amount of Additional Rent payable pursuant to this Section 3.04 that is applicable to the calendar year in which such termination shall occur shall be prorated on the basis which the number of days from the commencement of such calendar year to and including such termination date bears to 365. The termination of this Lease will not affect the obligations of Landlord and Tenant pursuant to Section 3.08 to be performed after such termination.

Section 3.05. Real Estate Taxes. Landlord shall pay when due all real estate taxes, assessments and other governmental charges which shall be levied or assessed or which become liens upon the Leased Premises, Building, Building Parking Area and Land, plus reasonable expenses incurred by Landlord in contesting such taxes, assessments and charges (hereinafter called "Real Estate Taxes"), and such Real Estate Taxes shall be included in Operating Expenses as provided in Section 3.04(a) above.

(a) Real Estate Taxes shall not include (i) income tax, tax on rents or rentals, excess profits or revenue tax, excise or inheritance tax, gift tax, franchise tax, capital levy, transfer, estate, succession or other similar tax or charge that may be payable by or chargeable to Landlord under any present or future law of the United States or the state in which the Building is located or imposed by any political or taxing subdivision thereof; (ii) interest or penalties imposed upon Landlord for late payment of Real Estate Taxes; and (iii) special assessments for improvements resulting from the expansion of the Building and Land.

(b) If the Land, Building and improvements are not taxed as a separate and independent tax lot, Landlord shall make application to the taxing authorities to obtain a separate and independent assessment tax lot. If the taxing authorities refuse to do so, the taxes assessed against the said tax lot shall be equitably apportioned.

(c) The Real Estate Taxes which are includable in Operating Expenses hereunder shall be the amount of Real Estate Taxes as are finally determined to be legally payable by legal proceedings or otherwise. If allowed by law Landlord shall pay Real Estate Taxes in installments.

(d) Any real estate tax incentives or abatements received by Landlord shall be passed through to Tenant to the extent of Tenant's Share.

Section 3.06. Taxes Payable by Tenant. In addition to Annual Rent and other charges to be paid by Tenant hereunder, Tenant shall reimburse Landlord upon demand for any and all taxes due and payable by Landlord (other than income tax, excess profits or revenue tax, excise or inheritance tax, gift tax, franchise tax, capital levy, transfer, estate, succession, or other similar tax or charge) whether or not now customary or within the contemplation of the parties hereto: (a) upon, measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Leased Premises or by the cost or value of any improvements made in or to the Leased Premises by Tenant other than building standard tenant improvements made by Landlord, regardless of whether title to such improvements shall be in Tenant or Landlord; (b) upon or measured by the monthly rental payable hereunder, whether in addition to or in lieu of all or any portion of Real Estate Taxes; (c) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Leased Premises or any portion thereof; and (d) upon this transaction or any document to which Tenant (as a tenant) is a party creating or transferring an interest in the Leased Premises. In the event that it shall not be lawful for Tenant so to reimburse Landlord, the Annual Rent payable to Landlord under this Lease shall be revised to net Landlord the same net Annual Rent after

imposition of such tax upon Landlord as would have been payable to Landlord prior to the imposition of any such tax.

Section 3.07. Tax Contest. Landlord agrees to notify Tenant of any changes of more than 5% in the assessment for any Real Estate Taxes or any taxes payable by Tenant to Landlord under Section 3.06 hereof within thirty (30) days after Landlord receives the bills for such taxes. In the event Tenant requests Landlord to do so in a timely manner, Landlord shall contest such change in said assessment or tax rate, and provided that (i) Tenant shall pay and reimburse Landlord for all costs and expenses incurred in connection with such contest, including, without limitation, penalties, late charges, interest and other fees payable in connection with such taxes, (ii) such contest shall operate to suspend the collection of such taxes, (iii) Landlord shall not be exposed to any civil or criminal liability as a result of such contest, and (iv) such contest or any acts taken in connection therewith would not constitute a breach or default under any security deed, mortgage or other instrument encumbering the Land or Building or any portion thereof, or to which Landlord may be subject.

Section 3.08. Tenant's Share. (a) The term "Tenant's Share" shall mean the percentage (to the nearest 1/100 of 1%) determined by dividing the rentable square feet in the Leased Premises by 614,543 rentable square feet in the Building. Tenant's Share shall be adjusted to reflect any change in the rentable square feet in the Leased Premises or the Building.

(b) Landlord's "Statement" shall mean a statement audited by a firm of independent certified public accountants designated by Landlord setting forth in detail the amount of each item included in Operating Expenses for the preceding calendar year and the computation of any Additional Rent payable under Section 3.04 for such calendar year. The Tenant shall be furnished a copy of such Statement. If the total of the Additional Rent payments made by Tenant during the preceding calendar year on account of Operating Expenses pursuant to Section 3.04 is less than Tenant's Share of Operating Expenses for such period as shown on the Statement, Tenant shall pay the difference within thirty (30) days after its receipt of such Statement. If the total Additional Rent payments made by Tenant during the preceding calendar year on account of Operating Expenses pursuant to Section 3.04 hereof is more than Tenant's Share of such Operating Expenses for such period as shown on the Statement, Landlord shall pay such excess to Tenant by check accompanying such Statement, if Tenant is not then in default under this Lease beyond any applicable grace period.

Landlord shall, at Tenant's request, make available to Tenant for inspection and examination, all the books and records that relate to such Statement. However, if the books and records are not made promptly available at Landlord's offices upon request by Tenant, the Additional Rent due in that year shall be due and payable thirty (30) days after the Tenant's request is honored. In the event Tenant shall dispute Landlord's Statement and the parties cannot resolve their differences within thirty (30) days thereafter, then the matter shall be referred to arbitration as provided in Article 38. Pending resolution of any dispute, by agreement, arbitration or otherwise, Tenant may not withhold payment of so much of the amount claimed as shall be disputed.

(c) If Tenant has not received the Statement by the end of the calendar year following the calendar year in which the Statement is due from Landlord, it shall be conclusively presumed that Landlord has waived its claim against Tenant for Tenant's Share of any additional Operating Expenses that would have been set forth in such Statement.

ARTICLE FOUR

PREPARATION FOR OCCUPANCY TERM COMMENCEMENT DATE

Section 4.01. Construction. Landlord has heretofore commenced, and shall pursue with due diligence and continuity until completion, the construction of the improvements on the Land to Base Building Condition as provided in the Workletter attached hereto as Exhibit D. Landlord shall also cause the improvements within the Leased Premises to be constructed as provided in the Workletter.

Section 4.02. Rental Commencement Date. (a) The term "Rental Commencement Date" shall mean the later to occur of (i) January 1, 1988, or (ii) the first day after the date of Substantial Completion and delivery of actual possession of the Leased Premises to Tenant free of all tenants and occupants. The term "Substantial Completion" shall mean (except for Punch List Items) the date when:

(1) all of the Base Building Work and Layout Work as such terms are defined in the Workletter (the "Work") shall have been completed;

(2) all of the Building's sanitary, electrical, heating, ventilating, air conditioning and other systems, to the extent they serve or run through the

Leased Premises, shall be completed and in good order and operating condition;

(3) Landlord shall have obtained a Certificate of Occupancy (permanent or temporary) for the portion of the Building that includes the Leased Premises, permitting use of the Leased Premises and Building Parking Area by Tenant for purposes set forth in this Lease;

(4) the Common Building Facilities as are required for access to the Leased Premises shall have been completed;

(5) the exterior walls of the Building (including the installation of glass therein) shall have been completed and the Building fully enclosed;

(6) the exterior of the Building, sidewalks, streets and plazas adjacent thereto shall be free of scaffolding, hoists, construction equipment and materials;

(7) the Building Parking Area shall have been completed; and

(8) Landlord shall have delivered to Tenant written certification from Landlord's architect that Landlord has met its obligations under clauses (1) through (7) of this subsection.

Notwithstanding the foregoing, if the Rental Commencement Date is a date described in clause (ii) of this subsection (a), then the Rental Commencement Date shall be accelerated by the number of days, if any, that Substantial Completion is delayed due to (i) delays caused by Tenant or its architects, engineers or consultants, (ii) delays in the completion of Tenant's leasehold improvements caused by non-Building Standard items which require a longer lead time than Building Standard items, and (iii) delays caused by changes made by Tenant in the Tenant's leasehold improvements or the Design Control Drawings or the Working Drawings and Specifications therefor, either before or during construction of such improvements. In no event shall the Rental Commencement Date be accelerated pursuant to the preceding sentence to a date prior to January 1, 1988.

(b) Tenant shall have at least thirty (30) days prior to the Rental Commencement Date to install its equipment and furnishings and to perform other such related activity in the Leased Premises preparatory to its occupancy. If such activities if Tenant can, in Landlord's judgment, be performed without interference with the Work, Landlord may elect for such. thirty (30) day period to run concurrently with the prosecution of the Work. Landlord shall notify Tenant at least forty-five (45) days in advance of Substantial Completion to permit the Tenant to enter the Leased Premises for the purposes stated herein.

(c) Within sixty (60) days of the Rental Commencement Date or occupancy of the Leased Premises by Tenant, if later, Landlord shall deliver to Tenant, at Tenant's expense, one complete set of "as-built" plans (drawn on sepia) and specifications for the Base Building Work and/or Layout Work.

(d) The rentable area of the Building and each full floor thereof shall be deemed to be the amounts set forth on Exhibit E attached hereto, and the rentable area of any partial floor comprising a part of the Leased Premises shall be computed whenever required pursuant to this Lease in accordance with Exhibit E with appropriate prorations and adjustments.

Section 4.03. Punch List Items. (a) The term "Punch List Items" shall mean
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details of construction, decoration and mechanical and electrical adjustment which, in the aggregate, are minor in character and do not materially interfere with Tenant's use or enjoyment of the Leased Premises, Building Parking Area or the Common Building Facilities. Punch List Items shall be completed as promptly as practicable under the circumstances after Substantial Completion. If Landlord has obtained a temporary Certificate of Occupancy, Landlord shall, with due diligence, complete the remaining work required to obtain, and shall thereupon

obtain, a permanent Certificate of Occupancy for the Leased Premises.

(b) After entering into occupancy of any part of the Leased Premises Tenant shall, with reasonable promptness, bring to Landlord's attention any deficiencies in construction which come to Tenant's attention, and Landlord shall promptly correct the same at Landlord's expense.

Section 4.04. Excusable Delays. The term "Excusable Delays" as used in this Article shall mean any delay due to strikes, lockouts or other labor or industrial disturbance, civil disturbance, future order of any government, court or regulatory body claiming jurisdiction, act of the public enemy, war, riot, sabotage, blockade, embargo, failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority or similar regulation or order of any government or regulatory body, lightning, earthquake, fire, storm, hurricane, tornado, flood, washout, and explosion. An Excusable Delay shall be deemed to exist only so long as Landlord promptly and specifically notifies Tenant in writing of such delay and exercises due diligence to remove or overcome it.

Section 4.05. Tenant's Rights. Notwithstanding the foregoing or Article 24 to the contrary, if for any reason other than delays which are caused by Tenant which adversely affect the Schedule set forth in the Workletter, Landlord has not substantially completed the Base Building Work and/or the Layout Work and delivered actual possession of the Leased Premises to Tenant on or before April 1, 1988, Tenant may, by written notice to Landlord, complete the Work and deduct the cost thereof from the Annual Rent and Additional Rent due and to become due under this Lease or terminate this Lease effective as of the date of such notice and such date shall be considered the expiration date.

Section 4.06. Tenant Allowance. Landlord shall furnish Tenant with a one time allowance for the construction of the leasehold improvements desired by Tenant in the amount equal to the product of

_____. All costs and expenses of constructing and installing the improvements desired by Tenant in the Leased Premises not included with or covered by the Base Building Work or the allowance set forth herein shall be the sole responsibility of Tenant, and shall be paid by Tenant to Landlord as provided in the Workletter.

ARTICLE FIVE

LANDLORD'S TITLE AND ALLOWABLE USE

Section 5.01. Landlord's Covenant Regarding Title and Use. Landlord covenants as a condition of this Lease that Landlord has good marketable fee title to the Building, Land and Building Parking Area and the right to make this Lease for the term aforesaid; that the provisions of this Lease do not or will not conflict with or violate the provisions of existing or future. agreements between Landlord and third parties, that the Certificate of Occupancy for the Building allows or will allow Tenant to use the Leased Premises for office purposes; that the Leased Premises and Building Parking Area and the office uses thereof for the purposes specified in this Lease are in conformity with all applicable legal requirements including, without limitation, zoning and planning ordinances, and environmental matters and do not violate applicable restrictions, if any; and that it will deliver the Leased Premises to Tenant free of all tenants and occupants.

Section 5.02. Landlord's Covenant Regarding Lawsuits. Landlord covenants that as of the date hereof there are no claims, causes of action, lawsuits, or judgments against the Building and Land which affect title, zoning or

environmental matters. In the event any such lawsuit is filed against the Building and Land, Landlord shall notify Tenant within fifteen (15) days of obtaining knowledge thereof.

ARTICLE SIX

SERVICES

Section 6.01. Services Provided by Landlord. (a) Landlord shall furnish to Tenant the following services, utilities, supplies and facilities, the cost of which, except where expressly prescribed to be paid by Tenant, shall be included within Operating Expenses:

(1) Access to the Leased Premises twenty-four (24) hours a day, seven (7) days a week.

(2) Passenger elevator service twenty-four (24) hours a day, seven (7) days a week and non-exclusive freight elevator service during normal business hours and at other times as required by Tenant upon reasonable prior notice.

(3) Subject to curtailment as required by governmental laws, rules or mandatory regulations, heat, ventilation and air conditioning in accordance with Exhibit F, attached hereto, on Tenant's business days from 8:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m. and, at Tenant's request, at all other times as hereinafter provided in this Article. Landlord hereby represents that the Building's heating, ventilating and air conditioning systems (hereinafter referred to as "HVAC") have the capacity, flexibility and ability to maintain the design conditions specified in Exhibit F throughout the Leased Premises and Common Building Facilities.

Landlord shall furnish HVAC beyond the above stated hours, provided that notice requesting such service is delivered to Landlord before noon on the business day when such service is required for

that evening, and by noon of the preceding business day when such service is required on a Saturday, Sunday or holiday. Landlord's Cost of supplying this additional service shall be paid by Tenant or, alternatively, shall be shared proportionately between Tenant and other tenants, if any, located in the same HVAC zone who have requested and are receiving the benefit of such service at the same time as Tenant. This service shall be furnished at "Landlord's Cost" which shall mean the actual labor and utilities costs without a markup of any kind. Landlord shall bill Tenant on or before the last day of the month following the month in which such charges are incurred, and shall submit with its invoice a tabulation of the hours and the dates on which the overtime HVAC was furnished. Tenant shall reimburse Landlord therefor within thirty (30) days after receipt of the invoice and such other data supporting the charges as Tenant may reasonably request. If Landlord has not billed Tenant for such charges within three months after the end of the lease year in which Landlord claims the charges accrued, Landlord shall be conclusively presumed to have waived such charges.

(4) Cleaning and janitorial services, in the Leased Premises, Common Building Facilities and the Building Parking Area, including removal of refuse and rubbish and furnishing and installation of washroom supplies in accordance with Exhibit G.

(5) Hot and cold running potable water adequate for Tenant's purposes.

(6) Electricity for lighting and for operation of standard office machines, appliances and equipment, and, in the event Tenant desires to install major office machines, appliances or equipment such as main frame computers, additional HVAC units, etc., the same shall be separately metered and Tenant shall reimburse and pay Landlord from time to time within thirty (30) days after receipt of a statement from Landlord, for all reasonable costs and expenses

actually incurred by Landlord in connection with such metering and the operation of such machines, appliances and equipment.

(7) Provision, installation and replacement of light bulbs, tubes and ballasts in the Leased Premises, Common Building Facilities and Building Parking Area.

(8) Removal of ice and snow from the Common Building Facilities and Building Parking Area.

(9) Vermin extermination.

(10) Facilities for Tenant's loading, unloading delivery and pick-up activity, including access thereto twenty-four (24) hours a day, seven (7) days week.

(11) Security for the Building and Building Parking Area which is comparable to the security provided by landlords in other first class office buildings in the North Atlanta office market; provided Landlord shall have no responsibility to prevent, and shall not be liable to Tenant for losses due to theft, burglary, or damage or injury to persons or property caused by persons gaining access to the Leased Premises, and Tenant hereby releases Landlord from all liability for such losses, damages or injury except as may be caused by the gross negligence or willful misconduct of Landlord.

In the event the level or amount of the services provided by Landlord to Tenant under subsections (a)(5), (a)(6) and/or (a)(11) shall, as a result of the conduct of Tenant's business in the Leased Premises beyond the hours stated in subsection (a)(3) above, exceed the level or amount of such services which is comparable to the level or amount of such services provided by landlords in other first class office buildings in the North Atlanta office market, Tenant shall be responsible for the excess costs

thereof and Landlord shall have the right to either (i) add such excess costs to Tenant's Share of Operating Expenses, or (ii) bill Tenant separately for such excess costs. In the event Landlord elects to bill Tenant for such excess costs, Tenant shall reimburse Landlord therefor within thirty (30) days after receipt of the invoice and such other supporting data as Tenant may reasonably request.

Section 6.02. Security to Leased Premises. Landlord shall not be required to furnish security services to the Leased Premises, Tenant hereby assuming full and sole responsibility for the supply of such services in the event Tenant desires same.

Section 6.03. Landlord's Default - Tenant's Remedies. (a) After notice to Landlord of a default in furnishing or paying for any utilities, services or facilities to be furnished Tenant hereunder and failure or Landlord to cure such default within a reasonable time specified by Tenant in the notice, Tenant may cure such default and invoice Landlord therefore and Landlord shall reimburse Tenant within thirty (30) days after receipt of the invoice.

(b) If the cleaning and janitor service is performed in accordance with Exhibit G in the Leased Premises, Tenant may notify Landlord and Landlord shall have thirty (30) days thereafter to improve this service to Tenant's reasonable satisfaction. If Landlord fails do so, Tenant may, after fifteen (15) days advance notice to Landlord, provide its own cleaning and janitorial service and without adjustment to the Annual Rent and Additional Rent due and to become due hereunder, except that the amount of cleaning and janitorial expenses included in the Operating Expenses shall be equitably adjusted so that Tenant will not be required to pay Tenant's Share of the cost of cleaning other tenants' space.

(c) If Landlord, in good faith, disputes any default claimed by Tenant pursuant to this Article, within thirty (30) days after receiving Tenant's

notice or Tenant's invoice Landlord may submit such dispute to arbitration in accordance with Article 33.

ARTICLE SEVEN

TENANT'S PARKING

Section 7.01. Tenant's Parking. (a) At all times during the term of this Lease, without charge to Tenant, Landlord shall provide for the non-exclusive use of the Tenant and its employees and invitees, a Building Parking Area to accommodate a minimum of 3.5 parking spaces per 1,000 square feet of usable area in the Building. The Building Parking Area shall be available for use twenty-four (24) hours a day, every day of the year and shall be illuminated at all times, and Landlord shall keep and maintain the Building Parking Area in a clean condition.

(b) If Tenant, its employees, licensees or guests are not able to use the Building Parking Area because of unauthorized use thereof, Landlord shall take whatever steps are deemed reasonably necessary by Landlord including, if appropriate, the posting of signs, the distribution of parking stickers and the towing away of unauthorized vehicles, to end and prevent further unauthorized use.

ARTICLE EIGHT

USE

Section 8.01. Use. (a) Tenant shall have the right to use the Leased Premises for offices, sales, display, storage, service, repair and use of Tenant's products and equipment, engineering, education and training of Tenant's customers and employees, and all other uses incidental and related thereto and., without limitation, for other lawful business and commercial purposes; all such non-office uses shall be permitted to the extent (and only to the extent) the same are permitted under the existing zoning ordinance or classification affecting the Building and Land, a copy of which has been delivered by Landlord to Tenant. Landlord represents that the Land is currently zoned "OI" (office and institutional) under the zoning ordinance of Cobb County, Georgia.

(b) To the extent any of the non-office uses set forth in subsection (a) above or any other special uses lawfully permitted (i) are set forth in Tenant's Plans and (ii) require a specific Certificate of Occupancy, or a special entry on the general Certificate of Occupancy for the Building, Tenant shall obtain the same. Tenant shall also be responsible for obtaining any special health, safety or other governmental permit, approval or license required in connection with any such specific use. If, after completion of the Layout Work, Tenant shall institute a special use of the Leased Premises which requires an amendment to the existing Certificate of Occupancy, Tenant shall be responsible for obtaining the same as well as any other governmental permit, approval or license required by applicable law. Landlord shall cooperate with Tenant and shall execute all applications, authorizations and other instruments reasonably required to enable Tenant to fulfill its responsibilities under this subsection.

ARTICLE NINE

REPAIRS AND MAINTENANCE

Section 9.01. Landlord's Repairs. Landlord shall perform all maintenance and make all repairs and replacements to the Leased Premises, Leased Premises Service Systems, Building, Building Service Systems, Building Parking Area, and Common Building Facilities not specifically imposed upon Tenant by the provisions hereof and not due to the willful act or negligence of Tenant, its agents, contractors, employees, invitees and licensees. Without limiting the

generality of the foregoing sentence or the following, Landlord shall maintain, repair and replace, as necessary, and keep in good order, safe and clean condition (1) the plumbing, sprinkler, HVAC, electrical and mechanical lines and equipment associated therewith, elevators and boilers, broken or damaged glass and damage by vandals; (2) underground utility lines, tanks and transformers and interior and exterior structure of the Building, the roof, exterior walls, bearing walls, support beams, foundation, columns, exterior doors and windows; (3) the interior walls, ceilings, floors and floor coverings (including carpets and tiles) of the Common Building Facilities; (4) the improvements to the Land, including ditches, shrubbery, landscaping and fencing, and (5) the Common Building Facilities located within or outside the Building, including the common entrances, corridors, doors and windows, loading dock, stairways and lavatory facilities and the Building Parking Area and access ways therefor. The Landlord shall perform all repairs and restoration required of Landlord by Article 10 "Casualty" and Article 12 "Condemnation".

Section 9.02. Tenant's Repairs. Tenant shall at all times during the term of this Lease and at Tenant's sole cost and expense, keep the Leased Premises and every part thereof in good condition and repair, except for ordinary wear and tear, damage by fire or other casualty and damage caused by others for whom Tenant is not responsible. Tenant shall also repair and replace any and all damage to the

Leased Premises, Leased Premises Service Systems, the Building, Building Service Systems, Building Parking Area and Common Building Facilities, caused by the willful acts or negligence of Tenant, its agents, contractors, employees, invitees and licensees.

Section 9.03. Landlord's Failure to Make Repairs Tenant covenants and agrees to notify Landlord of any necessary repairs or replacements which are required to be made by Landlord under this Article. If Landlord fails to make any repairs or replacements, which it is required to make under Section 9.01 within a reasonable period of time after notice by Tenant of each failure to make such repairs or replacements, Tenant may do so.

Section 9.04. Emergency Repairs. If by reason of emergency, repairs or replacements become necessary which by the terms hereof are the responsibility of Landlord, Tenant may make such repairs or replacements which, in the opinion of Tenant, are necessary for the preservation of the Leased Premises, or for the safety or health of the occupants therein or in the Building, or of Tenant's property; provided, however, that Tenant shall first make a reasonable effort to inform Landlord before proceeding with such repairs or replacements.

Section 9.05. Tenant's Remedies. In the event Tenant makes any repairs or replacements which are required to be made by Landlord hereunder after the failure of Landlord to do so as provided herein, Tenant shall submit an invoice to Landlord therefor and Landlord shall reimburse Tenant within thirty (30) days following receipt of an invoice and data supporting the sum requested.

If Landlord, in good faith, disputes any default claimed by Tenant pursuant to this Article, within thirty (30) days after receiving Tenant's notice or invoice, Landlord may submit such dispute to arbitration in accordance with Article 33.

ARTICLE TEN

FIRE AND OTHER CASUALTY - CASUALTY INSURANCE

Section 10.01. Damage or Destruction. (a) If any portion of the Leased Premises, Leased Premises Service Systems, such of the Building Service Systems

as serve the Leased Premises, Building Parking Area or Common Building Facilities (hereinafter collectively referred to as the "damaged property") is damaged by fire or other casualty, earthquake or flood or by any other insurable cause of any kind or nature and the damaged property can, in the opinion of Landlord's architect, be repaired within one hundred eighty (180) days from the date of the damage, Landlord shall proceed immediately to make such repairs as required by paragraph (d). This Lease shall not terminate, but Tenant shall be entitled to a proportionate abatement of Annual Rent and Additional Rent payable during the period commencing on the date of the damage and ending on the date the damaged property is repaired as aforesaid and the Leased Premises are delivered to Tenant. The extent of rental abatement shall be based upon the portion of the Leased Premises rendered untenantable, unfit or inaccessible for use by Tenant for the purposes stated in the Lease during such period. When required by this Article, the architect's opinion shall be delivered to Tenant within thirty (30) days from the date of damage.

(b) If (1) in the opinion of Landlord's architect, damage to the damaged property cannot be repaired within one hundred eighty (180) days from the date of the damage, or (2) Landlord commences but fails to substantially complete repair of the damaged property as required by paragraph (d) within the one hundred eighty (180) day period after commencement thereof, subject to an extension of time allowed for an Excusable Delay, either party may terminate this Lease by notice to the other within

twenty (20) days from the date on which the architect's opinion is delivered to Tenant when termination is based on the architect's opinion, and otherwise by such notice within twenty (20) days from the end of the (180) day period, as it may have been extended by an Excusable Delay. Annual Rent and Additional Rent shall be apportioned as of the date of the damage and all prepaid Annual Rent and Additional Rent shall be repaid.

(c) If, in the opinion of Landlord's architect, damage to the damaged property cannot be repaired within sixty (60) days from the date of the damage and such damage shall occur within the final twelve (12) months of the term of this Lease, either party may terminate this Lease by notice to the other within twenty (20) days from the date on which the architect's opinion is delivered to Tenant; provided, however, Landlord's termination shall be rendered ineffective and this Lease shall be reinstated and in full force and effect if within ten (10) days after Tenant's receipt of such notice of termination, Tenant shall exercise any option to extend the term of this Lease set forth in this Lease.

(d) If neither party exercises its option to terminate hereunder Landlord shall, with due diligence, repair the damaged property as a complete architectural unit of substantially the same proportionate usefulness, design and construction existing immediately prior to the date of the damage. Tenant shall be entitled to a proportionate abatement of Annual Rent and Additional Rent in the manner and to the extent provided in paragraph (a).

(e) Notwithstanding provisions of this Article or Article 24 to the contrary, if by operation of this Article Landlord undertakes but fails to repair the damaged property as required by the provisions of this Article and deliver the Leased Premises to the Tenant within two hundred seventy (270) days from the date of the damage, for any reason other than a delay caused by an act or omission of Tenant, either party may terminate this Lease by notice to the other within two hundred eighty (280) days from the date of the damage. In such event, this Lease and the term hereof shall terminate on the date specified in the notice and Annual Rent and Additional Rent shall be apportioned as of the date of the damage and all prepaid Annual Rent and Additional Rent shall be repaid.

(f) Landlord and Tenant hereby covenant and agree that in the event of loss, damage or destruction, and, as a consequence, Landlord is hereby required to repair and restore the Leased Premises, such obligation to repair and restore shall be limited to the proceeds received by Landlord under the policies of insurance provided by the Landlord, and such proceeds shall be applied to repair

and reconstruct the damaged property to the extent required by this Lease, subject to any election of Landlord or Tenant to terminate the Lease as herein provided and subject to the provisions of any then existing mortgage or Deed to Secure Debt on the Leased Premises, Building or Land, or any portion thereof.

Section 10.02 Casualty and Liability Insurance. (a) Landlord shall, from and after the date hereof, maintain All Risk insurance covering the Building, Building Parking Area (if applicable) and Landlord's property in the Leased Premises against loss, damage, or destruction. Such coverage shall equal at least one hundred percent (100%) of the replacement cost of the Building, Building Parking Area and Landlord's property in the Leased Premises, exclusive of architectural and engineering fees, excavation, footings and foundations.

(b) Landlord shall also, from and after the date hereof, maintain general public liability and property damage insurance in the minimum amounts of Five Million and No/100 Dollars ($5,000,000.00) in connection with any single occurrence of bodily injury or death and Five Hundred Thousand and No/100 Dollars ($500,000.00) in connection with claims for property damage.

(c) Tenant shall from and after the date Tenant (as tenant) commences any activities whatsoever in the Leased Premises, whether before or after the Rental Commencement Date, maintain insurance covering the personal property and leasehold improvements paid for by Tenant in the Leased Premises against loss, damage or destruction caused by boiler explosion or machinery breakdown, fire and the perils specified in the standard extended coverage endorsement, by vandalism and malicious mischief, and by sprinkler, gas, water, steam and sewer leakage. Fire and extended coverage shall equal actual cash value less any deductible.

(d) Landlord and Tenant each hereby waives its respective right of recovery against the other and each releases the other from any claim arising out of loss, damage or destruction to the Building, Building Service Systems, Leased Premises, Leased Premises Service Systems, Building Parking Area, or contents thereon or therein, whether or not such loss, damage or destruction may be attributable to the negligence of either party or its respective agent, visitor, contractor, servant or employee. Each policy shall include a waiver of the insurer's rights of subrogation against the party hereto who is not an insured under said policy.

(e) Tenant shall maintain general public liability and property damage insurance covering the legal liability of Landlord and Tenant against all claims for any bodily injury or death of persons and for damage to or destruction to property occurring on, in or about the Leased Premises and arising out of the use or occupation of the Leased Premises by Tenant in the minimum amounts of Five Million and No/100 Dollars ($5,000,000.00) in connection with any single occurrence of bodily injury or death and Five Hundred Thousand and No/100 Dollars ($500,000.00) in connection with claims for property damage. Such policy shall provide that it may not be cancelled or materially changed without at least thirty (30) days' prior written notice to each named insured.

(f) All insurance required hereunder shall be written by companies of recognized financial standing which are authorized to do insurance business in the State of Georgia. Tenant shall deliver to Landlord a Certificate of Insurance showing Landlord as a named insured under the general public liability and property damage insurance policy.

(g) The minimum limits of liability of any insurance required in specific dollar amounts under this Section 10.02 shall automatically increase on every five (5) year anniversary of the Rental Commencement Date to the amount equal to the applicable dollar amount specified herein multiplied by a fraction, the numerator of which is the CPI (as herein defined) for the month preceding the applicable anniversary date and the denominator of which is the CPI for the month preceding the Rental Commencement Date. As used herein, the term "CPI" shall mean the Consumer Price Index (all items; Urban Wage Earners and Clinical

Workers, Atlanta, Georgia SMSA; Base Year 1967-100) as published by the United States Bureau of Labor Statistics. In the event the Bureau of Labor Statistics changes the current base year (1967-100) or ceases to publish a Consumer Price Index using such base year, then the numerator specified above shall be changed to reflect what that number would have been if the base year had not changed or ceased to be published. In the event the United States Bureau of Labor Statistics or any successor government agency discontinues the publication of the Consumer Price Index, then such dollar amounts shall be adjusted on the basis of such nearly comparable data as is then available and regularly published by a recognized financial or governmental authority or institution designated by Landlord and approved by Tenant, each acting reasonably and in good faith.

ARTICLE ELEVEN

LIABILITY

Section 11.01. Indemnification by Tenant. Subject to the provisions of Section 10.02(d), Tenant hereby indemnifies and agrees to hold Landlord harmless from and against any and all loss, cost, damage or expense (including, without limitation, all attorneys' fees and costs of litigation) ever suffered or incurred by Landlord arising out of Tenant's use and occupancy of the Leased Premises, Building and Land based upon, arising from or connected in any manner with (a) injury to or the death of any person or damage to any property occurring on the Leased Premises, (b) the use, possession, operation or occupation of the Leased Premises or any part thereof, (c) any negligence on the part of Tenant or its employees, agents, contractors, servants, licensees, or invitees, and (d) the violation by Tenant of any term, condition or covenant of this Lease or of any restriction or regulation affecting the Leased Premises or any part thereof.

Section 11.02. Indemnification by Landlord. Subject to the provisions of Section 10.02(d), Landlord hereby indemnifies and agrees to hold Tenant harmless from and against any and all loss, cost, damage or expense (including, without limitation, all attorneys' fees and costs of litigation) ever suffered or incurred by Tenant arising out of any act or omission. of Landlord or its tenants (excluding Tenant), agents, employees, contractors or servants, occurring in the Common Building Facilities and the Building Parking Area during the term of this Lease, but only to the extent of the proceeds of insurance actually received from Landlord's comprehensive general liability insurance with respect to the Building and Land.

ARTICLE TWELVE

CONDEMNATION

Section 12.01. Taking - Termination of Lease. If at any time during the term of the Lease the whole of the Building shall be taken for any public or quasi-public use, under any statute, or by right of eminent domain, except as provided in Section 12.03, this Lease shall terminate on the date of such taking. If less than all of the Building shall be so taken and in Tenant's reasonable opinion the remaining part is insufficient for the conduct of Tenant's business Tenant or Landlord may, by notice to the other within sixty (60) days after notice of such taking, terminate this Lease. If this lease is so terminated, this Lease and the term hereof shall end on the date that the condemning authority actually takes possession of the part condemned and the Annual Rent and Additional Rent shall be apportioned and paid to the date of such taking.

Section 12.02. Taking - Lease Continues. If less than all of the Leased Premises shall be taken and, in Tenant's reasonable opinion communicated by

notice to Landlord within sixty (60) days after notice of such taking, Tenant is able to gain access to and continue the conduct of its business in the part not taken, this Lease shall remain unaffected, except that Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent based on the proportion which the area of the Leased Premises so taken bears to the area of the space demised hereunder immediately prior to such taking.

Section 12.03. Temporary Taking. If the use and occupancy of the whole or any part of the Leased Premises is temporarily taken for a public or quasi-public use for a period in excess of four (4) months but less than the balance of the term, at Tenant's or Landlord's option to be exercised in writing and delivered to the other not later than sixty (60) days after the date Tenant is notified of such taking,

this Lease and the term hereby granted shall terminate on the date of such taking. If this Lease remains in effect Tenant shall be entitled to a proportionate abatement of Annual Rent and Additional Rent in the manner and to the extent provided in Section 12.02 or, at its option, receive that portion of the award for such taking which represents compensation for the value of Tenant's leasehold estate and the term demised hereunder, in which case Tenant shall continue to pay in full the Annual Rent and Additional Rent when due.

Section 12.04. Landlord's Award. Landlord shall be entitled to receive the entire award or awards in any condemnation proceeding without deduction therefrom for any estate vested in Tenant and Tenant shall receive no part of such award or awards from Landlord or in the proceedings except as otherwise expressly provided in this Article. Subject to the foregoing, Tenant hereby assigns to Landlord any and all of its right, title and interest in or to such award or awards or any part thereof.

Section 12.05. Tenant's Award. In the event of a taking hereunder, Tenant shall be entitled to appear, claim, prove and receive in the condemnation proceeding (1) the unamortized value over the term of this Lease of the improvements and alterations to the Leased Premises, depreciated from the date of installation thereof to the date of taking, provided the same shall have been installed by and at Tenant's expense but regardless of whether the improvements and alterations might be considered a part of the Leased Premises or shall be or become the property of Landlord under the terms of this Lease; (2) the value of Tenant's fixtures; (3) the cost of relocation and (4) special awards or allowances provided by law to tenants in the event their rental space is taken by eminent domain.

Section 12.06. Restoration by Landlord. If there is a taking hereunder and this Lease is continued, Landlord shall, at its expense, proceed with reasonable diligence to repair, alter and restore the Building as a complete architectural unit of substantially the same proportionate usefulness, design and construction existing immediately prior to the date of taking.

Section 12.07. Definitions. Taking by condemnation or eminent domain hereunder shall include the exercise of any similar governmental power and any sale, transfer or other disposition of the Building or Land in lieu or under threat of condemnation. The term "Building", as used in this Article, shall include the Leased Premises and Building Parking Area, Common Building Facilities and access ways thereto.

ARTICLE THIRTEEN

ALTERATIONS AND IMPROVEMENTS

Section 13.01. Alterations and Improvements. (a) Tenant may place

partitions, trade or other fixtures (including lighting fixtures), personal property, machinery, equipment and the like in the Leased Premises and may make alterations and improvements to the Leased Premises Services Systems and such non-structural improvements and alterations in the interior of the Leased Premises thereof as it may desire at its own expense.

(b) Tenant may make alterations and improvements to the Building Service Systems and structural alterations and improvements in the Leased Premises only with Landlord's consent, which consent may be withheld for any reason. Tenant shall be responsible for obtaining any permits with regard to any such alteration and improvements made by Tenant pursuant to this Section 13.01.

Section 13.02. Ownership of Tenant's Alterations and Improvements. All partitions, trade or other fixtures (including lighting fixtures), personal property, machinery, equipment and structural and non-structural alterations and improvements paid for by Tenant prior to or during the term shall remain the property of Tenant during the term of this Lease.

Section 13.03. Removal. Provided Tenant is not in default hereunder, Tenant may remove all or any of its removable partitions, trade fixtures, personal property, and unattached, removable machinery and equipment upon the expiration or earlier termination of this Lease, or at its option, Tenant may abandon the same, in whole or in part, to Landlord at the expiration or earlier termination of the term by vacating the Leased Premises without removing the same. In the event of the removal of such things or any of them, Tenant shall not be required to remove pipes, wires and the like from the walls, ceilings or floors, provided Tenant properly cuts, disconnects and caps such pipes and wires and seals them off, if necessary, in a safe and lawful manner.

Section 13.04. Landlord's Approval. (a) In the event Landlord does consent to structural alterations and structural improvements to the Leased Premises and/or the Building Service Systems, Landlord shall have the right to approve Tenant's plans and specifications and a list of Tenant's proposed contractors for structural alterations and structural improvements to the Leased Premises and to the Building Service Systems.

(b) Tenant shall make a request for approval hereunder by submission of a list of proposed contractors and plans and specifications for the work to be performed by Tenant under this Section and Section 13.01(b). Landlord shall respond within five (5) business days from receipt of the same, approving those contractors and those portions of the work that are acceptable and disapproving those contractors and portions of the work that are, in Landlord's judgment, reasonably exercised, unacceptable and with respect to the plans, specifying in detail the nature of Landlord's objection. Failure of Landlord to respond as aforesaid shall be tantamount to approval of such contractors and plans and specifications and Tenant's request in all requests.

Section 13.05. Definitions. (a) The term "Leased Premises Services Systems" shall mean the electrical, HVAC, plumbing and telecommunication (voice/data/signal) systems that directly service the Leased Premises from a localized point of distribution. Such systems are dedicated to the Leased Premises at their available capacities and do not service any space other than the Leased Premises.

(b) The term "Building Service Systems" shall mean the electrical, HVAC, plumbing and telecommunication (voice/data/signal) systems that service the Building up to the point of localized distribution serving the Leased Premises only. Such systems provide the main source of supply and distribution throughout the Building.

(c) The term "structural" shall mean such as affect bearing walls, support beams, foundations and columns.

Section 13.06. Landlord's Alterations and Improvements. Unless required by law, Landlord shall not, without Tenant's consent which shall not be unreasonably withheld or delayed, at any time during the term of this Lease make any substantial addition to the Building or alteration to the external appearance thereof.

ARTICLE FOURTEEN

LANDLORD'S ACCESS

Section 14.01. Landlord's Access. (a) Landlord shall, upon advance oral notice to Tenant (except in an emergency), have the right at all reasonable times during Tenant's business hours to inspect the Leased Premises and show the same to prospective mortgagees and purchasers and to prospective tenants during the last twelve (12) months of the term and, at all times to make repairs or replacements as required by this Lease or as may be necessary; provided, however, that Landlord shall use all reasonable efforts not to disturb Tenant's use and occupancy of the Leased Premises.

(b) Landlord shall have the right to enter the Leased Premises after Tenant's business hours to perform cleaning and janitorial services.

(c) Landlord shall have the right to enter the Leased Premises in emergencies.

(d) Tenant may designate one or more areas in the Leased Premises as secure areas, and Landlord shall have no access thereto without being accompanied by a designated representative of Tenant except in the case of emergencies.

ARTICLE FIFTEEN

COMPLIANCE WITH LAWS

Section 15.01. Tenant's Compliance with Laws. Tenant shall comply with all laws, rules, ordinances, orders and regulations of any federal, state and local authority which are applicable to Tenant's use and operation of the Leased Premises. Nothing herein contained shall be deemed to impose any obligation upon Tenant to make any structural alterations, improvements or repairs to the Leased Premises.

Section 15.02. Landlord's Compliance with Laws. (a) Landlord shall comply with all rules, regulations, orders, laws, ordinances, and legal requirements and standard issued thereunder which affect (1) the Leased Premises, the Building, the Land and the Building Parking Area, Common Building Facilities and Building; (2) the design, construction and operation of the Building (including the Leased Premises); or (3) which relate to the performance by Landlord of any duties or obligations to be performed by Landlord under this Lease. Without limiting the foregoing, Landlord shall comply or cause the Building to comply with all energy conservation, environmental, and fire safety and health laws, regulations and codes.

(b) All boilers and other pressure vessel equipment shall be constructed and maintained by Landlord in accordance with the ASME Standards and Code.

(c) Landlord shall regularly inspect and maintain the HVAC system and treat the cooling tower water with EPA registered chemicals to prevent the buildup of slime, algae and bacteria following the latest recommendations of the

Center for Disease Control or current practices of the American Society of Heating, Refrigeration and Air Conditioning Engineers.

ARTICLE SIXTEEN

SURRENDER OF POSSESSION OF THE LEASED PREMISES

Subject to Section 13.03, at the expiration or earlier termination of the term of this Lease, Tenant will (a) peaceably yield up to Landlord the Leased Premises in good order and condition, excepting ordinary wear and tear and (b) repair all damage to the Leased Premises and to the Building caused by Tenant's removal of its property.

ARTICLE SEVENTEEN

SIGNS

Section 17.01. Tenant's Signs. Tenant may place its signs on the entrance doors to the Leased Premises and on floors wholly leased by Tenant, provided the same comply with Landlord's graphic specifications.

Section 17.02. Directory. Landlord at its own cost and expense shall place a directory in the Building lobby and shall cause Tenant's name and the name of each division, subsidiary or affiliate thereof occupying space in the Building to be affixed thereto or included therein.

Section 17.03. Building Sign. (a) If Tenant shall lease and occupy fifty-one percent (51%) or mote of the rentable area in the Building, it shall have the exclusive right to place one (1) identification sign on the Land, provided that such sign shall comply in all respects with the criteria established by Landlord.

(b) If Tenant occupies fifty-one percent (51%) or more of the rentable area of the Building, Tenant shall have the right to cause Landlord to name the Building the "IBM Building" or such derivation thereof as may be reasonably determined by Tenant.

(c) If Tenant occupies fifty-one percent (51%) or more of the rentable area of the Building and if at any time after the execution of this Lease Landlord changes the name of the Building or the exterior signs affixed to the Building or the Land, Landlord shall notify Tenant at least sixty (60) days prior to the date of such a change. If the proposed new name or signs identify or may be associated with a competitor of Tenant and Landlord denies Tenant's written request, made within thirty (30) days after notification of the proposed change, not to use the proposed name or install the new sign, Tenant may, at its option exercised by notice to Landlord within ninety (90) days from the date the proposed name is adopted or the sign is installed, terminate this Lease. In such event, the term hereof shall end on the date specified in Tenant's notice. Annual Rent and Additional Rent shall be apportioned and paid to the date of termination and Tenant shall have no further liability to Landlord arising out of this Lease. It is understood and agreed that Tenant's rights and Landlord's obligations under Section 17.03 shall be effective only if and so long as International Business Machines Corporation is the "Tenant" under this Lease and occupies at least 51% of the rentable area of the Building.

Section 17.04. Compliance with Code. All signs installed by Landlord and Tenant shall be in compliance with applicable code and shall be installed in a good and workmanlike manner.

ARTICLE EIGHTEEN

SUBORDINATION AND NON-DISTURBANCE

This Lease shall be subordinate and subject to all ground and underlying leases and to any first mortgages or deeds to secure debt thereon and to any first mortgages or deeds to secure debt covering the fee of the Building, Building Parking Area or Land, that now or may hereafter affect the Building, Building Parking Area or Land, and to all renewals, modifications or replacements provided, however, that with respect to any ground lease, underlying lease and/ or first mortgage or deed to secure debt, within thirty (30) days after Tenant executes this Lease and, with respect to any future ground lease, underlying lease and/or first mortgage or deed to secure debt, on or before the effective date thereof, Landlord shall obtain from its ground lessor, underlying lessor and/or mortgagee a written agreement with Tenant which shall be binding on their respective successors and assigns and shall provide that so long as this Lease shall be in full force and effect (a) Tenant shall not be joined as a defendant in any proceeding which may be instituted to terminate or enforce the ground or underlying lease or to foreclose or enforce the mortgage or deed to secure debt; (b) Tenant's possession and use of the Land, Building Parking Area and Building in accordance with the provisions of this Lease shall not be affected or disturbed by reason of the subordination to or any modification of or default under the ground or underlying lease or first mortgage or deed to secure debt; and (c) the ground and underlying lessor and mortgagee will subordinate and subject their respective rights, if any, to the insurance proceeds payable under policies of insurance required to be carried by Landlord under Article 10 hereof. If the ground or underlying lessor and/or mortgagee or any successor in interest shall succeed to the rights of Landlord under this Lease, whether through possession, surrender, assignment, subletting, judicial or foreclosure action, or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord and the successor-landlord will accept such attornment and recognize such successor-landlord as Tenant's rights of possession and use of the Leased Premises in accordance with the provisions of this Lease. This clause shall be self-operative and no further instrument of attornment or recognition shall be required.

ARTICLE NINETEEN

MECHANICS' LIENS

During the term of this Lease Tenant shall discharge by payment, bond or otherwise mechanics' liens filed against the Building for work, labor, services or materials claimed to have been performed at or furnished to the Leased Premises for or on behalf of Tenant, except when the mechanics' liens are filed by a contractor, subcontractor, materialman or laborer of Landlord, in which event Landlord shall discharge the liens by payment, bond or otherwise.

ARTICLE TWENTY

INTENTIONALLY OMITTED

ARTICLE TWENTY-ONE

OPTION FOR ADDITIONAL SPACE

(a) Tenant has requested that Landlord, and Landlord has agreed and does hereby, grant unto Tenant two (2) mutually exclusive expansion options (both of the expansion options being herein called the "Expansion Options" and each respective Expansion Option, in chronological order, is referred to herein as the "First Expansion Option" and the "Second Expansion Option", respectively) exercisable as hereinafter set forth pursuant to subsection (b) hereof.

(b) For each Expansion Option, Tenant shall be entitled to lease, at Tenant's election, space comprising a maximum of 25,000 square feet of contiguous rentable area on, at Landlord's option, either the fifth (5th) floor of the south tower of the Building or the eighth (8th) floor of the Building (such space subject to an Expansion Option being herein referred to as "Expansion Space"). The First Expansion Option shall be exercisable by Tenant by written notice to Landlord given on or before July 1, 1992. The Second Option shall be exercisable by Tenant by written notice to Landlord given on or before July 1, 1997. Each such written notice of exercise of an Expansion Option shall specify the amount of Expansion Space (up to 25,000 square feet of contiguous rentable area) requested by Tenant. Landlord shall deliver possession of the Expansion Space requested by Tenant during 1993, in the case of the exercise of the First Expansion Option, and 1998, in the case of the exercise of the Second Expansion Option. Landlord shall have the right to deliver such Expansion Space to Tenant in either one or two increments, provided that the first increment must be contiguous to the existing Leased Premises and include at least fifty percent (50%) of the total Expansion Space requested by Tenant. The specific date(s) within the applicable year for delivery by Landlord to Tenant of such Expansion Space shall be determined by Landlord. The exercise of each Expansion option shall be subject to the following provisions: (i) Tenant may not exercise an Expansion Option if Tenant has prior thereto received a notice of default in the performance of Tenant's covenants under this Lease from Landlord and Tenant has not then cured such default; (ii) if the amount of Expansion Space designated by Tenant shall be such that the portion of a floor not leased by Tenant shall contain less than 5,000 square feet of contiguous rentable area, Landlord shall have the right to either increase the size of the Expansion Space to include all the remaining portion of such floor, or to reduce the size of the Expansion Space so that the remaining portion of such floor not leased by Tenant shall contain at least 5,000 square feet of contiguous rentable area; and (iii) any Expansion Space Tenant so elects to lease shall become a part of the Leased Premises upon the delivery thereof to Tenant (whether in one or two increments) and Tenant shall be obligated to commence the payment of Annual Rent and.

Additional rent thereon in accordance with subparagraph (e) below.

(c) Any reference to "square feet of contiguous rentable area" shall mean space on any floor which is contiguous to space then leased by Tenant on such floor and/or space on another floor which is directly above or directly below at least a portion of other space then leased by Tenant. The location and configuration of the Expansion Space shall be determined by Landlord, provided that such Expansion Space which does not comprise a full floor of the Building shall be configured in a manner that is

practicable for Tenant's intended use thereof and shall have independent corridor access to the rest rooms, elevator and elevator lobby area on such floor.

(d) Tenant hereby acknowledges and agrees that any Expansion Space which is leased by Tenant under an Expansion Option in accordance with this Article and which was improved for occupancy in any way and for any tenant prior to the commencement of Tenant's leasing of such Expansion Space shall be delivered to Tenant for occupancy hereunder in an "as is" condition (but free of all tenants and occupants) and shall be accepted as such by Tenant. With respect to any Expansion Space which is leased by Tenant under an Expansion Option in accordance with this Article which has not been improved for occupancy for any tenant, Landlord shall (i) either furnish, or provide an allowance equal to the cost of furnishing, the Building Standard improvements described in Article III of the Workletter, plus (ii) furnish Tenant with a one-time allowance for the construction of the leasehold improvements desired by Tenant in an amount equal to the product obtained by multiplying (x) the number of rentable square feet in the Expansion Space times (y) the dollar amount set forth in clause (x) of Section 4.06 hereof. All costs and expenses in constructing and installing the improvements desired by Tenant in the Expansion Space not included with or covered by Landlord's work or the allowance set forth herein shall be the sole responsibility of Tenant. The allowance payable by Landlord to Tenant for

construction of the leasehold improvements in the Expansion Space shall be paid by Landlord to Tenant at the times and in the same manner and upon the same terms and conditions as set forth in Section 4.06 of this Lease.

(e) Annual Rent for the Expansion Space which is leased by Tenant under the First Expansion Option and under the Second Expansion Option in accordance with this Article shall be calculated at the same rental rate and shall be subject to the same adjustments as for other portions of the Leased Premises as provided in Section 3.01 of this Lease. Tenant shall be obligated to commence the payment of Annual Rent and Additional Rent for each increment on the earlier of (i) the date which is four (4) months after the delivery of such Expansion Space (or increment thereof) by Landlord to Tenant for the construction by Tenant of its leasehold improvements in the Expansion Space, or (ii) the date Tenant takes occupancy of the Expansion Space for business purposes.

(f) Landlord shall not be liable for failure to deliver possession to Tenant of any space covered by an Expansion Option or any part thereof by reason of the unlawful holding over or retention of possession of any previous tenant, tenants or occupants of same, nor shall such failure impair the validity of this Lease, nor extend the term hereof. However, Landlord does covenant that it will use reasonable diligence to deliver possession of all space covered by an Expansion Option to Tenant upon the respective dates above-described and Landlord shall pay to Tenant any holdover rentals collected by Landlord from such tenant or occupant to the extent they exceed the sums Tenant would have paid had such tenant or occupant not held over, less the costs incurred by Landlord in attempting to remove such holdover tenant(s). Additionally, if Tenant reasonably believes Landlord is not being diligent in its efforts to deliver possession of any Expansion Space to Tenant, Tenant shall so notify Landlord in writing, whereupon Tenant may itself bring such actions or proceedings (which must meet with Landlord's reasonable approval) necessary to deliver such possession to Tenant, but Tenant shall indemnify and hold harmless Landlord from any and all costs (including attorney's fees or costs of suit), expenses, damages or liabilities arising thereby.

(g) The failure by Tenant to give timely the written notice described in subparagraph (a) of this Article shall constitute Tenant's decision not to exercise the respective Expansion Option and Tenant shall be considered to have given up its rights to the Expansion Space covered by said Expansion Option. If Tenant fails or elects not to lease the Expansion Space covered by an Expansion Option, Landlord shall be free to lease the same to third parties.

(h) Upon the exercise of an Expansion Option pursuant to the terms hereof, Landlord and Tenant shall execute, at the request of either, an instrument delineating and describing the portions of the floor(s) added to this Lease thereby and any then unsatisfied conditions thereto.

(i) The term for each Expansion Space added to this Lease pursuant to the Expansion Options shall terminate when the term of this Lease for the initial Leased elects not to lease the Expansion Space covered by an Expansion option, Landlord shall be free to lease the same to third patties.

(h) Upon the exercise of an Expansion Option pursuant to the terms hereof, Landlord and Tenant shall execute, at the request of either, an instrument delineating and describing the portions of the floor(s) added to this Lease thereby and any then unsatisfied conditions thereto.

(i) The term for each Expansion Space added to this Lease pursuant to the Expansion Options shall terminate when the term of this Lease for the initial Leased Premises described in Section 1.01 terminates. Tenant shall renew the term of this Lease as to said Expansion Space whenever Tenant renews the term of this Lease as to the initial Leased Premises. Notwithstanding any provisions hereof to the contrary, in no event shall this Lease continue in force and effect as to any space covered by the Expansion Options beyond the termination of this Lease and any renewals and extensions thereof as to said initial Leased Premises.

(j) Tenant may not assign its Expansion options except to a permitted assignee of all of Tenant's rights under this Lease, but Tenant may sublease this space covered thereby if and to the extent permitted in Article 27.

ARTICLE TWENTY-TWO

TENANT'S SECURITY IN THE LEASED PREMISES

Section 22.01. Limited Restrictions Against Other Tenants. In order to protect Tenant's trade secrets and confidential information in the Leased Premises, Landlord agrees that with respect to the Building, Landlord will not lease or consent to any lease, sublease or consent to the assignment of any lease or sublease to any person, firm or corporation which, as a major part of its business (1) leases or sells data processing equipment, or typewriting, photocopying or other products similar to the products sold by Tenant, or manufactures, leases or sells parts or supplies manufactured by Tenant for such equipment or products, or furnishes services therefor, including programming, engineering, repair or maintenance; or (2) offers training in the use, repair or application of such equipment or products or any of them or provides consulting services or advice in the use or application of such equipment or products, or is in the data processing service business. If Landlord is prohibited from lawfully performing the agreements set forth in this Section 22.01 by any law, regulation, statute or court decision of any federal, state or other governmental agency or authority or of any court, then Landlord shall not be required to perform the agreements in this Section 22.01, and Landlord shall not be deemed to be in default under this Lease for failure to perform or abide by the agreements in this Section 22.01, nor shall Landlord be responsible or liable to Tenant for any damages or otherwise. Tenant hereby indemnifies and agrees to hold Landlord harmless from and against any and all loss, cost, damage or expense (including, without limitation, all attorneys' fees and costs of litigation) ever suffered or incurred by Landlord arising from, resulting from, or i-n any manner connected with a claim or assertion by a third party that the agreements of Landlord in this Section 22.01 are unlawful or unenforceable, or both.

Section 22.02. Inclusion of Restriction in Other Leases and Subleases. Landlord shall be bound by the foregoing prohibitions, but Landlord shall not be obligated to include the foregoing prohibition in any tenant leases and subleases covering space in the Building to which this Article is applicable.

Section 22.03. Advance Consultation with Tenant. Landlord shall consult with Tenant before refusing any prospective tenant, subtenant or assignee or making any commitment which may violate this Article.

Section 22.04. Inapplicability. Notwithstanding the foregoing, this Article shall not apply during any portion of the term of this Lease that International Business Machines Corporation or any affiliate thereof is the Landlord or a partner of Landlord or an affiliate of Landlord. This Article shall also not apply to any lease entered into while International Business Machines Corporation or any affiliate thereof is the Landlord or a partner of Landlord. For purposes of this Article 22, an "affiliate" shall mean any Person owning directly or indirectly more than 5% of the issued and outstanding stock of, or more than a 5% beneficial interest in, the party in question. "Person" shall mean an individual, partnership, corporation, trust, firm or other entity.

ARTICLE TWENTY-THREE

FIRST REFUSAL SALE

Section 23.01 Sale of the Building. (a) Landlord shall have the right from

time to time to submit to Tenant one or more names of prospective purchasers or transferees of an interest in the Building and/or Land and to request Tenant to approve or reject the identity of such proposed purchaser or transferee. Tenant agrees to respond to Landlord within five (5) business days after receipt of such request from Landlord. In the event Tenant fails to so respond within such five (5) business day period, Tenant shall be deemed to have approved the identity of such prospective purchaser and/or transferee.

(b) If at any time after the execution of this Lease Landlord desires to sell or transfer the Building and/or the Land or an interest therein Landlord shall notify Tenant of the terms of sale or transfer which would be acceptable to Landlord, and Tenant shall have the right to purchase such property for the consideration and other terms stated in Landlord's notice. Tenant shall exercise such right, if at all, within thirty (30) days after receipt of the notice from Landlord given pursuant to this subsection (b). Should Tenant fail to exercise this right, Landlord shall, upon the expiration of said thirty (30) day period and subject to the right of Tenant to reject the purchaser or transferee and purchase the property as provided in subsection (c) below, be thereafter free to consummate a sale or transfer to any party for any consideration and upon any terms, so long as such consideration shall be equal to or more than the consideration set forth in Landlord's notice and the other terms of such sale or transfer shall be no less favorable to Landlord.

(c) Prior to any such sale or transfer, if the identity of the prospective purchaser or transferee has not previously been approved by Tenant, Landlord shall notify Tenant of the identity of the purchaser or transferee, the amount of the consideration and the other terms of the sale or transfer. Tenant shall have five (5) business days after Tenant's receipt of the notice given by Landlord under this subsection (c) to either approve or reject the identity of such proposed purchaser or transferee. Whether Tenant approves or rejects the proposed purchaser of transferee, if the consideration to be paid to Landlord shall be less than the consideration set forth in the most recent notice given by Landlord pursuant to subsection (b) above, or if the other terms of such sale are less favorable to Landlord when compared to such notice, Tenant shall have the right to purchase the property for the consideration and

other terms stated in the Landlord's notice. Tenant must exercise such right, if at all, within thirty (30) days after receipt of the notice from Landlord given pursuant to this subsection (c). If Tenant approves the identity of the prospective purchaser or transferee, and if the consideration to be paid to Landlord shall be equal to or more than the consideration set forth in the notice given by Landlord pursuant to subsection (b) above, and the other terms of such sale or transfer are no less favorable to Landlord when compared to such notice, Tenant shall have no right to acquire the property. If Tenant rejects the proposed purchaser or transferee, and if the consideration to be paid to Landlord shall be equal to or more than the consideration set forth in the most recent notice given by Landlord pursuant to subsection (b) above, and the other terms of such sale or transfer shall be no less favorable to Landlord than the terms set forth in such most recent notice to Tenant under subsection (b) above, Tenant shall have the right to purchase such property for the consideration and other terms set forth in the notice given by Landlord to Tenant under this subsection (c), provided that Tenant shall pay to Landlord, in cash at the closing, in addition to the other consideration payable to Landlord, an amount equal to one percent (1%) of the total consideration payable to Landlord from such sale or transfer. Tenant shall exercise such right under the preceding sentence, if at all, by giving Landlord written notice of such exercise within ten (10) days after receipt of the notice from Landlord given pursuant to this subsection (c). If Tenant shall fail to exercise such right, Landlord shall, upon the expiration of such ten (10) day period, be thereafter free to consummate such sale or transfer to such party.

(d) If any sale or transfer is not consummated by Landlord after following the procedure set forth in this Article, the rights granted to Tenant in this Article shall remain in effect. If Landlord shall sell or transfer such property

after a failure of Tenant to exercise its rights hereunder, such sale or transfer shall be subject to the provisions of this Lease including, without limitation, this right of first refusal.

Section 23.02. Changes in Landlord's Entity. Without limitation, this restriction on the sale or transfer of the Building and/or the Land shall apply with equal force to the sale, assignment or transfer, by operation of law or otherwise, of the majority of stock or voting rights in Landlord's corporation, or the change in the membership of Landlord's partnership as constituted as of the date hereof, or one or more sales or transfers by operation of law or otherwise, or creation of new stock by which an aggregate of more than 50% of Landlord's stock shall be vested in a party or parties who are non-stockholders as of the date hereof.

Section 23.03. Mortgagee Exemption. This Article shall not apply in the event of a sale or transfer of the Building and/or the Land or any interest therein in connection with the foreclosure of any mortgage or deed to secure debt covering the Building or Land or leasehold interest therein; provided, however, that the restrictions contained in this Article shall bind the Landlord's heirs, executors, distributees, representatives, successors, assigns, transferees and grantees other than the first mortgagee, and any successor or assignee, of the first mortgagee.

Sections 23.04. Other Exemptions. This Article 23 shall not apply to any transfer by Landlord during any period of time that International Business Machines Corporation or any affiliate thereof is the Landlord or a partner of Landlord; to any transfer by reason of the death of any person having an interest in Landlord; to conveyances among parties having an interest in Landlord on the date hereof or conveyances to the spouses or children of those persons having an interest in Landlord; to a sale lease-back transaction or any other financing arrangement whereby the Landlord or an affiliated party continues to have an interest in the Building or Land; or to a sale or transfer (which involves the transfer of title) as a part of any financing for the Building, the Land or other improvements on the Land to an institutional lender; or to a sale or transfer to a related or affiliated party. For the purposes of this Article

23, an "affiliate" shall mean a Person owning directly or indirectly more than 5% of the issued and outstanding stock of, or more than a 5% beneficial interest in, the party in question. For purposes of this Article 23, a related or affiliated party shall mean a Person directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Landlord. The term "control," as used in the immediately preceding sentence, means, with respect to a Person that is a corporation, the right to exercise, directly or indirectly, fifty-one percent (51%) or more of the voting rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person. "Person" shall mean individual, partnership, trust, corporation, firm, or other entity.

ARTICLE TWENTY-FOUR

DEFAULT

Section 24.01. Default by Tenant. If Tenant shall default in the payment of Annual Rent or Additional Rent and such default shall continue for fifteen (15) days after notice thereof from Landlord or if Tenant shall default in the performance of any of its other obligations under this Lease and if such default shall continue for thirty (30) days after notice thereof from Landlord specifying in what manner Tenant has defaulted (except that if such default

cannot be cured within said thirty (30) day period, this period shall be extended for a reasonable additional time, provided that Tenant commences to cure such default within the initial thirty (30) day period and proceeds diligently thereafter to effect such cure) Landlord may (i) cure such default and any costs and expenses incurred by Landlord therefor shall be deemed Additional Rent payable on demand or (ii) enter the Leased Premises without terminating the Lease and repossess the same and expel Tenant and those claiming under Tenant, without being liable to prosecution or any claim for damages therefor, and relet the Leased Premises as the agent of the Tenant, and receive the rental therefor, and the Tenant shall pay the Landlord any deficiency that may arise by reason of such reletting, on demand at any time and from time to time at the office of Landlord, or (iii) terminate this Lease by written notice at once or at any time thereafter so long as any default remains uncured, in which event Tenant shall immediately surrender the Leased Premises to Landlord, but if Tenant fails to do so, Landlord may, without further notice and without prejudice to any other remedy Landlord may have for possession or arrearages in rental or damages for breach of contract, enter upon the Leased Premises and expel or remove Tenant and its personalty, without being liable to prosecution or any claim for damages therefor; and Tenant agrees to indemnify Landlord for all loss and damage which Landlord may suffer by reason of such Lease termination, whether through inability to relet the Leased Premises, or through decrease in rentals, or otherwise.

Ten (10) days of the resolution of such dispute. Tenant and Landlord shall proceed diligently to resolve any such dispute by agreement or arbitration in accordance with Article 38 or otherwise. Any amount determined to be payable hereunder shall be paid together with interest from the date same was first due hereunder at the rate set forth in Section 39.09 hereof.

Section 24.03. Default by Landlord. If Landlord defaults in the performance or observance of any provision of this Lease, Tenant shall give Landlord notice specifying in what manner Landlord has defaulted and if such default shall not be cured by Landlord within the period of time provided for elsewhere in this Lease, and otherwise within thirty (30) days after the delivery of such notice (except that if such default cannot be cured within said thirty (30) day period, this period shall be extended for a reasonable additional time, provided that Landlord commences to cure such default within the thirty (30) day period and proceeds diligently thereafter to effect such cure) Tenant may cure such default and

invoice Landlord for costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) incurred by Tenant therefor, and Landlord shall reimburse Tenant within thirty (30) days following receipt of such invoice and the data supporting the sum requested.

ARTICLE TWENTY-FIVE

HOLDOVER

If Tenant remains in the Leased Premises beyond the expiration or earlier termination of the term of this Lease, such holding over in itself shall not constitute renewal or extension of this Lease but in such event, a tenancy from month to month shall arise at one and one-half times the then Annual Rent and Additional Rent. if Tenant fails to surrender the Leased Premises and the Leased Premises have been committed to another tenant upon the termination of this Lease, then Tenant shall, in addition to any other liabilities to Landlord accruing therefrom, indemnify and hold Landlord harmless from any loss and liability resulting from claims made by such succeeding tenant founded on such failure.

ARTICLE TWENTY-SIX

NOTICES

Section 26.01 Notices to Landlord or Tenant. Any notice, request, communication or demand under this Lease shall be in writing and shall be considered properly delivered when addressed as hereinafter provided, given or served personally or by registered or certified mail (return receipt requested) and deposited in the United States general or branch post office or express mail. Any notice, request, communication or demand by the Tenant to Landlord shall be addressed to Landlord at Suite 1600, 2500 Windy Ridge Parkway, Marietta, Georgia 30067, until otherwise directed in writing by Landlord and, if requested in writing by Landlord, given or served simultaneously to Landlord's first mortgagee at the address specified in such request. Any notice, request, communication or demand by Landlord to Tenant shall be addressed to Tenant's Administration Manager at the Leased Premises with copies addressed simultaneously to Tenant, attention of the Division Counsel, Real Estate and Construction Division, Building 1, 4-B-13, 208 Harbor Drive, P. 0. Box 10501, Stamford, Connecticut 06904-2501 and to the Regional Manager, IBM, Suite 400, 2580 Cumberland Parkway, Atlanta, Georgia 30339, until otherwise directed in writing by Tenant. Rejection or other refusal to accept a notice, request, communication or demand or the inability to deliver the same because of a changed address of which no notice was given shall be deemed to be receipt of the notice, request, communication or demand sent.

ARTICLE TWENTY-SEVEN

ASSIGNMENT AND SUBLETTING

Section 27.01. Assignment or Sublease to Subsidiary or Affiliate. Tenant may assign this Lease or sublet all or any part of the Leased Premises at any time during the term of this Lease, without the consent of Landlord, to a subsidiary or affiliate of Tenant or an entity created by merger by Tenant and another corporation.

Section 27.02. Assignment or Sublease to a Third Party. (a) Subject to Section 27.01, if Tenant should desire to assign this Lease or sublet the Leased Premises or any part thereof, Tenant shall give Landlord written notice (which shall specify the proposed duration of said proposed sublease or

assignment) of such desire at least sixty (60) days in advance of the date on which Tenant desires to make such assignment or sublease. Landlord shall have a period of thirty (30) days following receipt of such notice within which to notify Tenant in writing that Landlord elects either (i) to suspend this Lease as to that portion of the space proposed to be subject to such assignment or subletting as of the date and for the duration so specified by Tenant in its notice, in which event Tenant will be relieved of all obligations hereunder as to such space during said suspension (but after said suspension, the affected portion of the Leased Premises shall be returned to Tenant in the condition that existed immediately prior to such suspension, subject to normal wear and tear and minor changes, alterations and additions, and Tenant shall once again become fully liable as to the applicable space), or (ii) to terminate this Lease as to that portion of the space proposed to be subject to such assignment or subletting as of the date specified by Tenant in its notice, in which event all rights and obligations of Tenant as to such space shall be terminated as of such date, or (iii) to permit Tenant to assign this Lease or sublet such space for the duration so specified by Tenant in its notice. If Landlord should fail to notify Tenant in writing of such election within said thirty (30) day period, Landlord shall be deemed to have elected option (iii) above. Each sublessee or assignee shall fully observe all covenants of this Lease, including without limitation, the provisions of Section 8.01 of this Lease, and no consent by Landlord to an assignment or sublease shall be deemed in any manner to be a consent to a use not permitted under Section 8.01. No assignment or subletting shall relieve Tenant of any of Tenant's obligations under this Lease, and Tenant shall remain fully liable for the faithful performance of all covenants, terms and conditions hereof on the Tenant's part to be performed. Any attempted

assignment or sublease by Tenant in violation of the terms and covenants of this Section 27.02 shall be void. Any consent by Landlord to a particular assignment or sublease shall not constitute Landlord's consent to any other or subsequent assignment or sublease, and any proposed sublease or assignment by a sublessee or assignee of Tenant shall be subject to the provisions of this Section 27.02 as if it were a proposed sublease or assignment by Tenant. The prohibition against an assignment or sublease described in this Section 27.02 shall be deemed to include prohibition against Tenant's mortgaging its leasehold estate, as well as against an assignment or sublease which may occur by operation of law.

(b) The Landlord agrees that if the Tenant assigns this Lease and the assignee defaults, any applicable notice required pursuant to the terms of this Lease shall also be sent to the Tenant. If the assignee fails to cure such default within the applicable grace period provided herein, Tenant shall have an additional ten (10) days, in the case of monetary defaults, or thirty (30) days, in the case of non-monetary defaults, in which to cure the assignee's default and recover possession of the Leased Premises.

(c) No assignment of this Lease or subletting of the Leased Premises, or any part thereof, shall be effective unless and until there shall have been delivered to Landlord an agreement in recordable form, executed by Tenant and the proposed assignee or subtenant, as the case may be, wherein and whereby any assignee assumes due performance of this Lease to be done and performed for the balance then remaining in the term of this Lease, and any subtenant acknowledges the right of Landlord to continue or terminate any sublease, in Landlord's sole discretion, upon termination of this Lease, and such subtenant agrees to recognize and attorn to Landlord in the event that Landlord elects to continue such sublease.

ARTICLE TWENTY-EIGHT

EQUAL EMPLOYMENT OPPORTUNITY

There are incorporated in this Lease the provisions of Executive Order 11246 (as amended) of the President of the United States on Equal Employment Opportunities and the rules and regulations issued pursuant thereto with which the Landlord represents that it will comply unless exempted.

ARTICLE TWENTY-NINE

QUIET ENJOYMENT

Landlord's Covenant of Quiet Enjoyment. Provided Tenant performs the terms, conditions and covenants of this Lease, Landlord covenants and agrees to take all necessary steps to secure and to maintain for the benefit of Tenant the quiet and peaceful possession of the Leased Premises, the Common Building Facilities and Building Parking Area for the term of this Lease, without hindrance, claim or molestation by Landlord or any other person lawfully claiming under Landlord.

ARTICLE THIRTY

NON-WAIVER

Non-Waiver by Either Party. (a) Failure by either party to complain of any action, non-action or default of the other party shall not constitute a waiver of the aggrieved party's rights hereunder. Waiver by either party of any right for any default of the other party shall not constitute a waiver of any right for either a subsequent default of the same obligation or for any other default, past, present or future.

(b) The acceptance of possession of the Leased Premises by the Tenant shall

not be deemed a waiver of any of the obligations under this Lease to be performed by Landlord.

ARTICLE THIRTY-ONE

PARTIAL INVALIDITY

Severability Clause. If any term, covenant or condition of this Lease, or the application thereof to any person or circumstance, shall ever be held to be invalid or unenforceable, then in each such event the remainder of this Lease or the application of such term, covenant or condition to any other person or any other circumstance (other than those as to which it shall be invalid or unenforceable) shall not be thereby affected, and each term, covenant, condition and provision hereof shall remain valid and enforceable to the fullest extent permitted by law.

ARTICLE THIRTY-TWO

RULES AND REGULATIONS

Section 32.01. Tenant's Obligation. Tenant shall abide by and observe the rules and regulations attached hereto as Exhibit H, as well as such other reasonable rules and regulations as may be promulgated from time to time by Landlord (hereinafter called Rules and Regulations) which Rules and Regulations are necessary for the safety, reputation, care and appearance of the Building, Building

Parking Area and Land, or the preservation of good order therein or the operation and maintenance of the Building and Building Parking Area or equipment therein.

Section 32.02. Standards Applicable to Landlord. Landlord shall (a) not discriminate against Tenant in enforcing the Rules and Regulations; and (b) exercise its judgment in good faith in any instance when the exercise of Landlord's judgment under the Rules and Regulations is required.

Section 32.03. Landlord's Enforcement. Landlord shall use its best efforts to obtain compliance by all tenants and other occupants in the Building with the Rules and Regulations, but Landlord may permit reasonable waivers with respect to other parties so long as such waivers do not unreasonably interfere with or materially and adversely affect Tenant in the conduct of its business in the Leased Premises or violate any rights granted to Tenant under this Lease.

Section 32.04. Conflict. If there is a conflict or ambiguity created by the provisions of this Lease and the Rules and Regulations the provisions of this Lease shall control and be binding on the parties.

ARTICLE THIRTY-THREE

ESTOPPEL CERTIFICATES

Section 33.01. Tenant's Estoppel Certificate. Tenant agrees, at any time and from time to time, upon not less than fifteen (15) business days' prior notice from Landlord, to execute, acknowledge and deliver to Landlord or Landlord's mortgagee a statement in writing (1) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications); (2) whether or not the term has commenced and if so stating the dates to which the Annual Rent and Additional Rent hereunder have been paid by

Tenant; (3) stating whether or not Tenant has knowledge that Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease, and if Tenant has knowledge of such a default, specifying each such default; (4) stating the address to which notices to Tenant shall be sent; and (5) stating such other matters as Landlord may reasonably request.

Section 33.02. Landlord's Estoppel Certificate. Prior to commencement of or during the term of this Lease Landlord shall, if requested by Tenant, deliver an estoppel certificate to Tenant or a person designated by Tenant, in the substance and form described in Section 33.01., relative to the status of this Lease and/or any ground lease, underlying lease and/or mortgage encumbering the Building, Building Parking Area or Land.

ARTICLE THIRTY-FOUR

EXAMINATION OF LEASE

The submission of this document for examination, negotiation and signature does not constitute an offer to lease, or a reservation of or option for the Leased Premises and this document shall not be binding and in effect until at least one counterpart, duly executed by authorized persons of Landlord and Tenant, has been delivered to each party hereto.

ARTICLE THIRTY-FIVE

COUNTERPARTS

This Lease has been executed in several counterparts, all of which constitute one and the same instrument.

ARTICLE THIRTY-SIX

ANTENNA

Tenant's Right to Install Antenna. (a) Upon receipt of prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed, Tenant may install, and once installed modify, a microwave, satellite or other antenna communications system in a location within Wildwood Office Park designated by Landlord and reasonably approved by Tenant for use in connection with Tenant's business in the Leased Premises. Tenant shall furnish detailed plans and specifications for such system (or modification) to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. Upon approval, such system shall be installed, at Tenant's expense (including the expense of any approved alterations to the Building reasonably required by Landlord as a result thereof), by a contractor selected in the manner agreed to in Section 13.04. The antenna system shall include the use of a four (4) inch sleeve at each telephone equipment room as required to bring Tenant's electrical wiring from the location of such system to the Leased Premises. Tenant shall have access to the location of such system and Tenant's equipment relating to such system at all times throughout the term of this Lease. Tenant shall be responsible for procuring whatever licenses or permits may be required for the use of such system or operation of any equipment served thereby, and Landlord makes no warranties whatsoever as to the permissibility of such a system under applicable laws.

(b) Tenant agrees that Tenant's antenna system shall not constitute a nuisance or unreasonably interfere with the operations of Landlord or other tenants occupying the Building or Wildwood Office Park. Landlord agrees that it will not permit the installation of an antenna on the roof of the Building by any person or entity other than Tenant without Tenant's prior written approval, which approval shall not be unreasonably withheld; provided that Tenant may withhold such approval where the installation and/or operation of such other antenna would interfere with the operation of Tenant's antenna system.

ARTICLE THIRTY-SEVEN

BROKER

The parties warrant and represent to each other that no broker, commissioned agent, real estate agent or salesman has participated in the negotiation of this Lease, its procurement or in the procurement of Landlord and Tenant and that no such person, firm, corporation or other entity is or shall be entitled to the payment of any fee, commission, compensation or other form of remuneration in connection herewith in any manner. Tenant shall defend and save harmless Landlord from and against any claim which may be asserted against Landlord by any broker in connection with this transaction, and shall reimburse Landlord for reasonable expenses, losses, costs and damages (including attorneys' fees and court costs) incurred by Landlord in connection with such claim, provided the claim arises out of conversations or dealings between Tenant and such broker. Landlord shall defend and save harmless Tenant from and against any claim which may be asserted against Tenant by any broker in connection with this

transaction, and shall reimburse Tenant for reasonable expenses, losses, costs and damages (including attorneys' fees and court costs) incurred by Tenant in connection with such claim, or claim of any other broker, provided the claim arises out of conversations or dealings between Landlord and such broker. This Article shall survive the expiration or earlier termination of this Lease.

ARTICLE THIRTY-EIGHT

ARBITRATION

Section 38.01. Arbitration. (a) Whenever in this Lease it is provided that a dispute may be or shall be determined by arbitration, the arbitration shall be conducted as provided in this Article. All proceedings shall be conducted according to the Rules of The American Arbitration Association except as hereinafter provided. No action at law or equity in connection with any such disputes shall be brought until arbitration hereunder shall have been waived, either expressly or pursuant to this Article.

(b) All disputes subject to arbitration in accordance with this Article shall be raised by notice to the other party hereto, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by article number and title to the provisions of this Lease alleged to give rise to the dispute. Such notice shall also refer to this Article and shall state whether or not the party giving the notice demands arbitration under this Article. If no such demand is contained in such notice, the other party hereto against whom relief is sought shall have the right to demand arbitration under this Article within five (5) business days after such notice is received. Unless one of the parties thus demands arbitration, the provisions of this Article shall be deemed to have been waived with respect to the demand or dispute in question.

(c) Tenant and Landlord shall mutually and promptly select a person who has had substantial experience in commercial real estate matters in the area of the alleged dispute to act as arbitrator hereunder. If a selection is not made within thirty (30) days after a demand for arbitration is made, the arbitrator shall, upon the request of either party, be appointed by The American Arbitration Association. The arbitration proceedings shall take place at a mutually acceptable location in the City of Atlanta, Georgia.

(d) During any arbitration proceedings pursuant to this Article, the parties hereto shall continue to perform and discharge all their respective obligations under this Lease.

(e) In determining any controversy or dispute the arbitrator shall apply

the pertinent provisions of this Lease without departure therefrom in any respect. The arbitrator shall not have the power to add to, modify or change any of the provisions of this Lease, but this provision shall not prevent in any appropriate case the interpretation, construction and determination by the arbitrator of the applicable provisions of this Lease to the extent necessary in applying the same to the matters to be determined by arbitration. The rights and obligations of Landlord and Tenant to submit a dispute to arbitration is limited to issues agreed in this Lease to be submitted to arbitration.

ARTICLE THIRTY-NINE

MISCELLANEOUS

Section 39.01. Lease Is Not Strictly Construed. This Lease shall be strictly construed neither against Landlord nor Tenant.

Section 39.02. No Exclusive Remedies. No remedy or election given by any provision in this Lease shall be deemed exclusive unless so indicated, but each shall, wherever possible, be cumulative in addition to all other remedies in law or equity which either party may have arising out of the default of the other party and failure to cure such default within the applicable grace period.

Section 39.03. Intentionally Omitted.

Section 39.04. Tenant's Rights to Deal with Its Own Contractors and Suppliers. Except as otherwise specifically set forth in this Lease and subject to the Rules and Regulations, Landlord hereby covenants that Tenant may deal with any person, firm or corporation for services, including food and vending services, supplies, materials, labor, equipment, transportation, tools, machinery and any other similar or dissimilar services or items in connection with the use and occupation of the Leased Premises and any work performed by Tenant therein.

Section 39.05. Governing Law. This Lease shall be governed in all respects by the laws of the State in which the Building is located.

Section 39.06. Non-Disclosure of Lease. (a) Landlord shall keep the terms of this Lease in confidence at all times and shall not publish or disclose the same except as permitted by Article 40.

(b) This Section shall not apply to disclosures that must be made by Landlord to secure mortgage financing or in connection with a sale or transfer of an interest in the Building or Land or in Landlord.

Section 39.07. Exculpation. Tenant shall look solely to Landlord's estate and interest in the Land and Building and the rentals therefrom for the satisfaction of any right of Tenant for the collection of a judgment or other judicial process or arbitration award requiring the payment of money by Landlord, subject, however, to the prior rights of any mortgagee, and no other property or assets of Landlord, Landlord's agents, incorporators, shareholders, officers, directors, partners, principals (disclosed or undisclosed) or affiliates shall be subject to levy, lien, execution, attachment, or other enforcement procedure for the satisfaction of Tenant's rights and remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder or under law, or Tenant's use and occupancy of the Leased Premises or any other liability of Landlord to Tenant.

Section 39.08. Time of Essence. Time is of the essence of this Lease.
Whenever a certain day is provided for the payment of any sum of money or the performance of any act or thing, the same enters into and becomes a part of the consideration for this Lease.

Section 39.09. Late Charges. Any Annual Rent, Additional Rent and other amounts payable to Landlord under this Lease shall incur interest at the rate of twelve percent (12%) per annum from and after the due date for such payment, if not paid, in the case of Annual Rent and of Additional Rent payable under Section 3.04 hereof, within fifteen (15) days after notice from Landlord of the non-payment thereof, and in the case of other Additional Rent and other amounts due hereunder, within thirty (30) days after receipt by Tenant of invoices from Landlord therefor. In no event shall the rate of interest payable on any late payment exceed the legal limits for such interest enforceable under applicable law.

Section 39.10. Attorney's Fees. In the event any action or proceeding is commenced by Landlord or Tenant to enforce the terms and provisions of this Lease, the non-prevailing party shall pay the reasonable attorney's fees and court costs incurred by the other party.

ARTICLE FORTY

MEMORANDUM OF LEASE

This Lease shall not be recorded by either Landlord or Tenant. If requested by Landlord or Tenant, the parties shall execute a memorandum of this Lease for recording purposes in a form reasonable acceptable to Tenant and Landlord and the requesting party shall pay all costs of recording.

ARTICLE FORTY-ONE

BINDING AGREEMENT

This Lease shall bind and inure to the benefit of the parties thereto and their respective executors, distributees, heirs, representatives, successors and permitted assigns.

ARTICLE FORTY-TWO

ENTIRE AGREEMENT

This Lease contains the entire agreement of the parties and may not be modified except by an instrument in writing which is signed by both parties.

IN WITNESS WHEREOF, this Lease has been duly executed by the parties hereto as of the day and year first above written.

LANDLORD:

WILDWOOD ASSOCIATES, a Georgia general partnership
By: Cousins Properties Incorporated, Managing General Partner

WITNESSES

/s/ R. Walter Osborne
- ------------------------

/s/ Kathleen A. Bobinski
- ------------------------

By: /s/ Robert P. Hayes

Title: Senior Vice President

TENANT:

INTERNATIONAL BUSINESS MACHINES
CORPORATION

/s/ J. Wolfen
- ------------------------
/s/ Kenneth M. Hill [sp]
- ------------------------

By: /s/ A. J. Hedge, Jr.

Title: IBM Vice President and President,
Real Estate and Construction Division

SUPPLEMENTAL AGREEMENT

To the Lease dated as of the 31st day of July, 1987, made by and between WILDWOOD ASSOCIATES, as Landlord, and INTERNATIONAL BUSINESS MACHINES CORPORATION, as Tenant.

By this Supplemental Agreement dated as of the 1st day of May, 1988, the parties to the Lease agree as follows with respect to the Lease Premises located at 2300 Windy Ridge Parkway, Marietta, Georgia:

1. The improvements required to be constructed and finished by Landlord in accordance with the terms of the Lease have been satisfactorily completed by Landlord and accepted by Tenant, subject to latent defects.

2. The Lease Premises have been delivered to and accepted by Tenant.

3. The Rental Commencement Date of the Leased Premises is the 1st day of January, 1988, and the expiration date is the 31st day of December, 2002, subject, however, to the terms and provisions of the Lease. Tenant has commenced to pay Annual Rent under the Lease as of May 1, 1988. Such initial Annual Rent is calculated at the _____ square foot for the office space and _____ feet for the Storage Area.

4. The Leased Premises contain 224,427 rentable square feet for office space and 1,390 usable square feet of storage area on the basement level.

5. The Building consists of 618,540 rentable square feet.

6. The term "Tenant's Share" shall initially mean 36.28%.

IN WITNESS WHEREOF, this instrument has been duly executed by the parties hereto as of the date set forth above.
Landlord:

WILDWOOD ASSOCIATES, a general partnership

By: Cousins Properties Incorporated,
Managing General Partner

By: /s/ Robert P. Hays

Senior Vice President

Tenant:

INTERNATIONAL BUSINESS MACHINES
CORPORATION

By: /s/ J.R. Mayo

J. R. Mayo

Title: Manager of Business Analysis
Real Estate and Construction

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE ("Amendment"), is made the 10th day of November, 1987 between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at Suite 1600, 2500 Windy Ridge Parkway, Marietta, Georgia 30067, hereinafter called "Landlord," and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant."

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Lease dated as of July 31, 1987 (herein called the "Lease") with respect to the Leased Premises (as defined in the Lease) located within the Building at 2300 Windy Ridge Parkway, Marietta, Georgia; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

1. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and of art in the Lease.

2. Notwithstanding anything contained in Section 22.01 of the Lease to the contrary, Landlord shall not be deemed to be in default under the Lease for failure to perform or abide by the agreements in Section 22.01, nor shall Landlord be responsible or liable to Tenant for any damages or otherwise, as a result of (a) the transfer or assignment of any lease in the Building (whether with or without the consent of Landlord) in connection with a merger, consolidation or reorganization of the tenant under such lease or in connection with the transfer to a third party of corporate stock or partnership interests of a tenant under such lease or in connection with the sale to a purchaser of all or substantially all of the assets of a tenant under such lease, or (b) the acquisition by a tenant of the Building of a business of the nature described in clauses (1) and (2) of Section 22.01, whether such acquisition is of stock, partnership interests, assets or otherwise.

3. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed and their respective seals to be hereunto duly affixed as of the date and year first above written.

Signed, sealed and
delivered in the presence of:

/s/ Jack S. Lahue
- ------------------------------
Unofficial Witness

/s/ Rosemarie Fisher
- ------------------------------
Notary Public

My Commission Expires:
August 27, 1990
- ------------------------------

[NOTARIAL SEAL]

"LANDLORD"

WILDWOOD ASSOCIATES, a
Georgia general partnership

By: Cousins Properties,
Incorporated
Managing General Partner

By: /s/ Robert P. Hayes

Its: Senior Vice President

[CORPORATE SEAL]

Signed, sealed and
delivered in the presence of:

/s/ J. Wolfen
- ------------------------------
Unofficial Witness

/s/ Robert C. Hansen
- ------------------------------
Notary Public

My Commission Expires:

/s/ March 3, 1992
- ------------------------------

[NOTARIAL SEAL]

"TENANT"

INTERNATIONAL BUSINESS
MACHINES CORPORATION, a
New York Corporation

By: /s/ Arthur J. Hedge, Jr.

Arthur J. Hedge, Jr.,

IBM Vice President and
President, Real Estate
and Construction Division

[CORPORATE SEAL]

2300 BUILDING
WILDWOOD OFFICE PARK

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE ("Amendment"), is made as of this 30th day of April, 1988 between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at 2500 Windy Ridge Parkway, Suite 1600, Marietta, Georgia 30067, hereinafter called "Landlord," and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant".

W I T N E S S E T H:

WHEREAS, Wildwood Associates and Tenant entered into that certain Lease dated as of July 31, 1987, as amended November 10, 1987 (herein called the "Lease") located within the Building known as the 2300 Building, Wildwood Office Park, Marietta, Georgia; and

WHEREAS, Tenant wishes to lease certain additional space on the basement level of the Building and to correct certain space measurements in the Leased Premises; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

1. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and words of art in the Lease.

2. Tenant hereby leases an additional 1,390 Useable Square Feet on the basement level of the Building as shown in red on the floor plan of the basement level attached as Exhibit "A" hereto and made a part hereof (hereinafter called the "Storage Area").

3. The Annual Rental for the Storage Area shall be:

a. _____

b. Thereafter the Annual Rental for the Storage Area shall be as follows:

Calendar Years	Annual Rental per Useable Square Feet	Monthly Rent
1989		
1990		
1991		
1992		

1993 - 1997		
1998 - 2002		

If Tenant exercises its right to extend this Lease after December 31, 2002, Landlord and Tenant shall agree on a revised Annual Rental Rate for the Storage Area during the extended term(s), but if no such Annual Rental Rate is agreed to at least one month before the start of the Extended Term, then such extension shall not apply to the Storage Area and Tenant shall vacate the Storage Area on or before the expiration date of the Initial Term.

4. Tenant shall have the right to terminate its lease of the Storage Area at any time upon six (6) months prior written notice to Landlord except that if this Lease Agreement shall expire or terminate prior to the six month notice provision, such other expiration or termination date shall prevail.

5. Any leasehold improvements for the Storage Area shall be at the sole cost and expense of Tenant. All plans for such improvements are subject to Landlord's prior written consent and all construction work by Tenant shall be in accordance with the construction work rules set forth in this Lease Agreement.

6. Landlord agrees to provide water, if any, electricity for lights and outlets to the Storage Area, but shall not provide any cleaning services to Storage Area. Tenant covenants that it shall maintain the Storage Area at its sole cost and expense in a clean, orderly, and sanitary condition and free of insects, rodents, vermin and other pests. Tenant will not permit undue accumulation of trash, rubbish and other refuse and will remove the same from the Storage Area on a regular basis and will keep such refuse in proper containers in the Storage Area until so removed from the Storage Area. Landlord

shall have the right to approve the cleaning and janitorial contractor, if any, engaged by Tenant for the Storage Area, which approval shall not be unreasonably withheld. Tenant covenants that it will not store any combustible, toxic or dangerous materials in the Storage Area.

7. The Basic Lease Information, Leased Premises, on page 1 of the Lease shall be deleted and the following paragraphs shall be inserted in lieu thereof:

Leased Premises: Approximately 224,427 rentable square feet as more fully shown on Exhibit "J" attached hereto and made a part hereof.

Tenant's Share: As of February 1, 1988, The Tenant's share of operating expenses shall be 36.28% (224,427/ 618,540).

8. Section 1.01(b) Lease of the Premises, on page 4 of the Lease, shall be deleted and the following paragraph shall be inserted in lieu thereof:

(b) The Leased Premises shall mean that certain floor area of the Building containing approximately 224,427 rentable square feet as shown on Exhibit "J" attached hereto and made a part hereof (i) together with such additional space as Tenant may lease in the Building pursuant to any provisions of the Lease (when added to the Leased Premises) (ii) less such space as may be deleted from the Leased Premises pursuant to any provision of this Lease (when so deleted). The floor plans for the Building (North and South Towers) are attached hereto as Exhibit "A". The actual rentable area of the Building is approximately 618,540 square feet which square footage has been determined as set forth in section 4.02 (d). (For purposes of defining Leased Premises for the payment of Annual Rent and Extended Rent pursuant to Sections 3.01 and 3.02 and Operating Expenses pursuant to Section 3.04, the Storage Area shall be omitted).

9. Section 3.08(a), page 15, shall be amended by deleting in the fourth line thereof the figure "614,543" and inserting in lieu thereof "618,540". In addition, the following sentence shall be added at the end of such subsection:

"Effective February 1, 1988, the Tenant's Share shall equal 36.28%."

10. Exhibit "A," plans for the Basement area and the Second floor are hereby deleted in their entirety and new plans for the Basement area and the Second floor, showing the space occupied by Tenant in red, copies of which are attached hereto, are inserted in lieu thereof.

11. Exhibit "E" is hereby deleted in its entirety and a new Exhibit "E," a copy of which is attached hereto, is inserted in lieu thereof.

12. There shall be added to the Lease Exhibit "J," a schedule showing Tenant's floor area in the Building, a copy of which is attached hereto and made a part hereof.

13. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed and their respective seals to be affixed as of the date and year first above written.

Signed, sealed and delivered in the presence of the undersigned this 8th day of July, 1988.

/s/ Barbara Arogeti
- ----------
Unofficial Witness

/s/ Kim Lawson
- ----------
Notary Public

My Commission Expires:

May 9, 1992
- ----------

[NOTARIAL SEAL]

"LANDLORD"

WILDWOOD ASSOCIATES, a Georgia general partnership

By: Cousins Properties, Incorporated

Managing General Partner

By: /s/ Robert P. Hayes

Its: Senior Vice President

[CORPORATE SEAL]

Signed, sealed and delivered before the undersigned this 30th day of June, 1988.

/s/ Robert C. Hanson
- ----------
Unofficial Witness

"TENANT"

INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York Corporation

By: /s/ J. R. Mayo

Its: Manager of Business Analysis
Real Estate and Construction

2300 BUILDING
WILDWOOD OFFICE PARK

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE ("Amendment"), is made as of this 4th day of August, 1989 between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at 2500 Windy Ridge Parkway, Suite 1600, Marietta, Georgia, 30067, hereinafter called "Landlord", and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York, 10504, hereinafter called "Tenant".

W I T N E S S E T H:
- - - - - - - - - -

WHEREAS, Wildwood Associates and Tenant entered into that certain Lease dated as of July 31, 1987, as amended November 10, 1987 and April 30, 1988 (herein called the "Lease") located within the Building known as the 2300 Building, Wildwood Office Park, Marietta, Georgia; and

WHEREAS, Tenant wishes to lease certain additional space in the Building; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

1. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and words of art in the Lease.

2. Tenant hereby leases an additional 78,854 Rentable Square Feet of the Building as shown in red on the floor plans attached as Exhibit "A-1" hereto and made a part hereof (hereinafter called the "Expansion Area"). The Expansion Area shall be included in the definition of Leased Premises for all purposes of this Lease when such definition would not be inconsistent with the specific reference to the Expansion Area.

3. On the Rental Commencement Date of the Expansion Area, the initial Base Rent Rate for the Expansion Area shall be the then current applicable rate per square foot of Rentable Square Feet for the Leased Premises.

4. The Basic Lease Information on page 1 of the Lease shall be modified by deleting the following captions and inserting in lieu thereof:

Leased Premises: Approximately 303,281 rentable square feet as more fully shown on Exhibit "J-1" attached hereto and made a part hereof.

Tenant's Share: On the Rental Commencement Date for the Expansion Area, the Tenant's share of Operating Expenses shall be 49.03% (303,281 / 618,540).

Expansion Options: None

5. Section 1.01(b) Lease of the Premises, on page 4 of the Lease, shall be deleted and the following paragraph shall be inserted in lieu thereof:

"(b) The Leased Premises shall mean that certain floor area of the Building containing approximately 303,281 Rentable Square Feet as shown on Exhibit "J-1" attached hereto and made a part hereof (i) together with such additional space as Tenant may lease in the Building pursuant to any provisions of the Lease (when added to the Leased Premises) (ii) less such space as may be deleted from the Leased Premises pursuant to any provisions of the Lease (when so deleted). The floor plans for the Building (North and South Towers) are attached hereto as Exhibit "A". The actual rentable area of the Building is approximately 618,540 square feet which square footage has been determined as set forth in Section 4.02(d). (For purposes of defining Leased Premises for the payment of Annual Rent and Extended Rent pursuant to Sections 3.01 and 3.02 and operating Expenses pursuant to Section 3.04, the Storage Area shall be omitted)."

6. Section 4.02 Rental Commencement Date, a new subparagraph (e) shall be added at the end thereof as follows:

"(e) As to the Expansion Area, the Rental Commencement Date, shall be the earlier of (1) December 1, 1989 or (2) the date upon which the Tenant takes possession and occupies the Expansion Area for business purposes."

7. Section 4.06 Tenant Allowance, the following sentence shall be added:

"As to the Expansion Area, Landlord shall furnish Tenant with a one-time allowance for construction of the leasehold improvements desired by Tenant in the amount equal to the product of _____ times (y) the number of rentable square feet in the Expansion Area. All costs and expenses of constructing and installing the improvements desired by Tenant in the Expansion Area not included with or covered by the Base Building Work or the Tenant Allowance for the Expansion Area shall be the sole responsibility of Tenant. Construction of the leasehold improvements in the Expansion Area shall be governed by the terms and provisions of Exhibit "L" attached hereto and made a part hereof."

8. Article 21, Option for Additional Space, this Article is deleted in its entirety.

9. Concession to Tenant: As of the Rental Commencement Date of the Expansion Area, Landlord shall assume Tenant's obligations arising on or after that date under that certain lease agreement between Tenant and Cousins Properties Incorporated dated April 10, 1984 as amended March 15, 1987, a copy of which has been delivered to Landlord. Landlord and Tenant shall execute the Transfer and Assignment Agreement attached hereto as Exhibit "K". Tenant covenants that it will not amend or modify said lease agreement or take any actions contrary to the terms of such lease agreement after the date hereof which would increase the obligations of Landlord under such agreement after the transfer date.

10. Attached as Exhibit "J" is a schedule showing Tenant's floor area in the Building.

11. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed and their respective seals to be affixed as of the date and year first above written.

"LANDLORD"

WILDWOOD ASSOCIATES, a
Georgia general partnership

By: Cousins Properties Incorporated
Managing General Partner

By: /s/ Robert P. Hayes
Its: Senior Vice President

[CORPORATE SEAL]

"TENANT"

INTERNATIONAL BUSINESS MACHINES CORPORATION,
a New York corporation

By: /s/ A. J. Hedge Jr.

Its: VP-Real Estate and Construction

[CORPORATE SEAL]

2300 BUILDING
WILDWOOD OFFICE PARK

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE ("Amendment"), is made as of this 10th day of October, 1989 between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at 2500 Windy Ridge Parkway, Suite 1600, Marietta, Georgia 30067, hereinafter called "Landlord", and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant".

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Lease dated as of July 31, 1987, as amended November 10, 1987, April 30, 1988, and August 4, 1989 (herein called the "Lease") located within the Building known as the 2300 Building, Wildwood Office Park, Marietta, Georgia; and

WHEREAS, Tenant wishes to lease certain additional space on the basement level of the Building; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

12. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and words of art in the Lease.

13. Tenant hereby leases an additional 1,145 Useable Square Feet on the basement level of the Building, comprising an Additional Storage Area of 745 Useable Square Feet and a 400 Useable Square Foot Receiving Office, as shown in red on the floor plan of the basement level attached as Exhibit "A" hereto and made a part hereof (hereinafter called the "Additional Storage Area and Receiving Office, where applicable").

14. The Annual Rental for the Additional Storage Area shall be:

a. _____

b. Thereafter the Annual Rental for the Additional Storage Area shall be as follows, payable in equal monthly installments in advance:

Calendar Years	Annual Rental per Useable Square Feet	Monthly Rent
1990		

1991

1992

15. The Annual Rental for the Receiving Office shall be:

a. From November 1, 1989 through December 31, 1989, _____ per square feet of useable area per year _____ payable in equal monthly installments, in advance, _____.

b. Thereafter, the Annual Rental for the Receiving Office shall be, payable in equal monthly installments in advance:

Calendar Years	Annual Rental per Useable Square Feet	Monthly Rent
1990		
1991		
1992		

16. The Rental Commencement Date for the Additional Storage Area and the Receiving Office shall be November 1, 1989.

17. The term for the Additional Storage Area and Receiving office shall commence November 1, 1989 and end on December 31, 1992; provided, however, Tenant shall have the right to terminate its lease of the Additional Storage Area and the Receiving Office at any time upon six (6) months prior written notice to Landlord except that if this Lease Agreement shall expire or terminate prior to the six month notice provision, such other expiration or termination date shall prevail. The Tenant shall have the right to extend the leased term for the additional storage and receiving office beyond December 31, 1992 for a term of up to ten (10) years at a negotiated and mutually agreeable rental rate by giving the Landlord at least six (6) months notice of its intention to extend.

18. Any leasehold improvements for the Additional Storage Area and/or the Receiving Office shall be at the sole cost and expense of Tenant. All plans for such improvements are subject to Landlord's prior written consent and all construction work by Tenant shall be in accordance with the construction work rules set forth in this Lease Agreement.

19. Landlord agrees to provide electricity for lights and outlets to the Additional Storage Area and the Receiving Office, but shall not provide any cleaning services to the Additional Storage Area or the Receiving office. Tenant covenants that it shall maintain the Additional Storage Area and the Receiving office at its sole cost and expense in a clean, orderly, and sanitary condition and free of insects, rodents, vermin and other pests. Tenant will not permit undue "accumulation of trash, rubbish and other refuse and will remove the same from the Additional Storage Area and the Receiving Office on a regular basis and will keep such refuse in proper containers in the Additional Storage Area and the Receiving office until so removed from the Additional Storage Area and the Receiving Office. Landlord shall have the right to approve the cleaning and janitorial contractor, if any, engaged by Tenant for the Additional Storage Area and the Receiving office, which approval shall not be unreasonably withheld. Tenant covenants that it will not store any combustible, toxic or dangerous materials in the Additional Storage Area or the Receiving office.

20. Exhibit "A", the plan for the Basement area, is hereby deleted in its entirety and a new Exhibit "A", plan for the Basement area, showing the original storage area in green and the Additional Storage Area and the Receiving office in red, a copy of which is attached hereto, is inserted in lieu thereof.

21. Exhibit "J-1" is hereby deleted in its entirety and a new Exhibit "J-1", a copy of which is attached hereto, is inserted in lieu thereof.

22. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed and their respective seals to be affixed as of the date and year first above written.

Signed, sealed and delivered before the undersigned this 12th day of October, 1989.

/s/ J. Durham
- ----------
Unofficial Witness

/s/ Kim Lawson
- ----------
Notary Public

My Commission Expires: May 9, 1992

[NOTARIAL SEAL]

"LANDLORD"

WILDWOOD ASSOCIATES, a
Georgia general partnership

By: Cousins Properties Incorporated
Managing General Partner

By:/s/ Robert P. Hayes

Its: Senior Vice President

[CORPORATE SEAL]

Signed, sealed and delivered before the undersigned this 10th day of October, 1989.

/s/ Diane S. Ward
- ----------
Unofficial Witness

/s/ Tally J. Maxwell
- ----------
Notary Public

My Commission Expires: July 31, 1993

[NOTARIAL SEAL]

TENANT"

INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation

By:/s/ B. R. Sanders

Its: Manager of Real Estate
Southeastern Region

[CORPORATE SEAL]

2300 BUILDING
WILDWOOD OFFICE PARK

FIFTH AMENDMENT TO LEASE

THIS FIFTH AMENDMENT TO LEASE ("Amendment"), is made as of this 7th day of November, 1989 between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at 2500 Windy Ridge Parkway, Suite 1600, Marietta, Georgia 30067,

hereinafter called "Landlord", and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant".

W I T N E S S E T H:
- - - - - - - - - -

WHEREAS, Landlord and Tenant entered into that certain Lease dated as of July 31, 1987, as amended November 10, 1987, April 30, 1988, August 4, 1989 and October 10, 1989 (herein called the "Lease") located within the Building known as the 2300 Building, Wildwood Office Park, Marietta, Georgia; and

WHEREAS, Tenant wishes to lease certain additional space in the Building; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

23. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and words of art in the Lease.

24. In the Third Amendment to Lease dated August 4, 1989, Tenant had agreed to lease 2,773 rentable square feet on the fifth floor, South Tower of the Building. Due to a reconfiguration of the uses needed by Tenant in the Building, that 2,773 rentable square feet of space, which as of the date hereof has not yet been improved, will be relocated to the first floor, South Tower of the Building as more fully shown on Exhibit "A" attached hereto and made a part hereof.

25. Tenant hereby leases 11,608 Rentable Square Feet on the fifth floor, South Tower, of the Building, as shown in red on the floor plan attached as Exhibit "B" hereto and made a part hereof (hereinafter called the "Suite 575 Expansion Space"). The Suite 575 Expansion Space shall be included in the definition of Leased Premises for all purposes of this Lease when such definition would not be inconsistent with the specific reference to the Suite 575 Expansion Space.

26. On the Rental Commencement Date of the Suite 575 Expansion Space, the initial Base Rent Rate for the Suite 575 Expansion Space shall be:

Calendar Years	Annual Base Rent Rate Rentable Square Feet	Monthly Rent
1990		
1991		
1992		
1993		
1994		

27. The term for the Suite 575 Expansion Space shall commence on the Rental Commencement Date for the 575 Expansion Space and end on December 31, 1994. The Tenant shall have the right to extend the lease term for the Suite 575 Expansion Space beyond December 31, 1994 for a term up to December 31, 2002 at a negotiated and mutually agreeable rental rate by giving the Landlord at least six (6) months advance, written notice of its intention to extend. If Landlord and Tenant cannot agree on a mutually acceptable rental rate within three (3) months of Landlord's receipt of Tenant's notice of its intention to extend, then such term shall not be extended and the term for the Suite 575 Expansion Space shall end on December 31, 1994 or earlier if the Lease has been earlier terminated pursuant to its terms.

28. The Basic Lease Information on page 1 of the Lease shall be modified by deleting the following captions and inserting in lieu thereof:

Leased Premises: On the Rental Commencement Date for the Suite 575 Expansion Area, approximately 314,889 rental square feet as more fully shown on Exhibit "J-1" attached hereto and made a part hereof; provided, however, the total rentable square feet shall be adjusted if the Suite 575 Expansion Area term is not extended.

Tenant's Share: On the Rental Commencement Date for the Suite 575 Expansion Area, the Tenant's share of Operating Expenses shall be 50.91% (314, 889 / 618,540); provided, however the Operating Expenses percentage shall be adjusted if the Suite 575 Expansion Area term is not extended.

29. Section 1.01(b) Lease of the Premises, on page 4 of the Lease, shall be deleted and the following paragraph shall be inserted in lieu thereof effective January 1, 1990:

"(b) The Leased Premises shall mean that certain floor area of the Building containing approximately 314,889 Rentable Square Feet as shown on Exhibit "J-1" attached hereto and made a part hereof (i) together with such additional space as Tenant may lease in the Building from time to time (when added to the Leased Premises) (ii) less such space as may be deleted from the Leased Premises pursuant to any provisions of the Lease (when so deleted). The floor plans for the Building (North and South Towers) are attached as an Exhibit to this Lease. The actual rentable area of the Building is approximately 618,540 square feet which square footage has been determined as set forth in Section 4.02(d). (For purposes of defining Leased Premises for the payment of Annual Rent and

Extended Rent pursuant to Sections 3.01 and 3.02 and Operating Expenses pursuant to Section 3.04, the Storage Area shall be omitted)."

30. Section 4.02 Rental Commencement Date, a new subparagraph (f) shall be added at the end thereof as follows:

"(f) As to the suite 575 Expansion Area, the Rental Commencement Date, shall be the earlier of (1) January 1, 1990 or (2) the date upon which the Tenant takes possession and occupies the Suite 575 Expansion Area for business purposes."

31. Section 4.06 Tenant Allowance, the following sentence shall be added:

"As to the Suite 575 Expansion Area, Landlord shall furnish Tenant with a one time allowance for construction of the leasehold improvements desired by Tenant in the amount equal to the product of (x) fifteen dollars ($15.00) times (y) the number of rentable square feet in the Suite 575 Expansion Area. All costs and expenses of constructing and installing the improvements desired by Tenant in the Expansion Area not included with or covered by the Base Building Work or the Tenant Allowance for the Suite 575 Expansion Area shall be the sole responsibility of Tenant. Construction of the leasehold improvements in the Suite 575 Expansion Area shall be governed by the terms and provisions of Exhibit "L" of the Lease, as attached hereto for the Suite 575 Expansion Area."

32. Concession to Tenant: As to the Suite 575 Expansion Area only, Tenant shall not be required to pay any Base Rent or Additional Rent for the first three (3) months of occupancy of such space.

33. Attached as Exhibit "J-1" is a schedule showing Tenant's floor area in the Building.

34. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties, hereto have caused this Amendment to be signed and their respective seals to be affixed as of the date and year first above written.

"LANDLORD"

WILDWOOD ASSOCIATES, a
Georgia general partnership

By: Cousins Properties Incorporated
Managing General Partner

By:/s/ Robert P. Hayes

Its: Senior Vice President

[CORPORATE SEAL]

"TENANT"

INTERNATIONAL BUSINESS MACHINES CORPORATION,
a New York corporation

By:/s/ B. R. Sanders

Its: Manager of Real Estate
Southeastern Region

[CORPORATE SEAL]

2300 BUILDING
WILDWOOD OFFICE PARK

SIXTH AMENDMENT TO LEASE

THIS SIXTH AMENDMENT TO LEASE ("Amendment"), is made as of this lst day of December, 1989, between WILDWOOD ASSOCIATES, a. Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at 2500 Windy Ridge Parkway, Suite 1600, Marietta, Georgia 30067, hereinafter called "Landlord", and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant".

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, Landlord and Tenant entered into that certain Lease dated as of July 31, 1987, as amended November 10, 1987, April 30, 1988, August 4, 1989, October 10, 1989, and November 7, 1989 (herein called the "Lease") located within the Building known as the 2300 Building, Wildwood office Park, Marietta, Georgia; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

1. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and words of art in the Lease.

2. Paragraph 9, Third Amendment to Lease dated August 4, 1989, shall be deleted in its entirety and the following paragraph shall be inserted in lieu thereof:

"9. Concession to Tenant: Commencing with the Rental Commencement Date of the Expansion Area, Landlord shall reimburse Tenant for its obligations arising on or after that date under that certain lease agreement between Tenant and Cousins Properties Incorporated dated April 10, 1984, as amended March 15, 1987, a copy of which has been delivered to Landlord. Tenant covenants that it will not amend or modify said lease agreement or take any actions contrary to the terms of such lease agreement after the date hereof which would increase the obligations under said lease agreement."

3. Exhibit K of the Third Amendment to Lease dated August 4, 1989, shall be deleted in its entirety.

4. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed and their respective seals to be affixed as of the date and year first above written.

"LANDLORD"

WILDWOOD ASSOCIATES, a
Georgia general partnership

By: Cousins Properties Incorporated
Managing General Partner

By:/s/ Robert P. Hayes

Its: Senior Vice President

(Corporate Seal)

"TENANT"

INTERNATIONAL BUSINESS MACHINES CORPORATION,
a New York Corporation

By: /s/ B. R. Sanders

Its: B. R. SANDERS
MANAGER Of REAL ESTATE
SOUTHEASTERN REGION

(Corporate Seal)

2300 BUILDING
WILDWOOD OFFICE PARK

SEVENTH AMENDMENT TO LEASE

THIS SEVENTH AMENDMENT TO LEASE ("Amendment"), is made as of this 12th day of March, 1990 between WILDWOOD ASSOCIATES, a Georgia general partnership comprised of International Business Machines Corporation, a New York corporation, and Cousins Properties Incorporated, a Georgia corporation, having an office at 2500 Windy Ridge Parkway, Suite 1600, Marietta, Georgia 30067, hereinafter called "Landlord", and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Tenant".

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Lease dated as of July 31, 1987, as amended November 10, 1987, April 30, 1988, August 4, 1989, October 10, 1989, November 7, 1989 and December 1, 1989 (herein called the "Lease") located within the Building known as the 2300 Building, Wildwood Office Park, Marietta, Georgia; and

WHEREAS, Tenant wishes to relocate certain space within the Building and to lease certain additional space in the Building; and

WHEREAS, Landlord and Tenant desire to modify and amend the Lease as herein provided.

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises contained in this Amendment and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the parties hereto, Landlord and Tenant do hereby agree as follows:

1. All terms and words of art used herein, as indicated by the initial capitalization thereof, shall have the same respective meaning designated for such terms and words of art in the Lease.

2. In the Third Amendment to Lease dated August 4, 1989, Tenant had leased 2,773 Rentable Square Feet on the fifth floor, South Tower of the Building. In the Fifth Amendment to Lease dated November 7, 1989 that space had been relocated to the first floor, South Tower of the Building. Due to a reconfiguration of the uses needed by Tenant in the Building, that 2,773 Rentable Square Feet of space, which as of the date hereof has not yet been improved, will be relocated to the second floor, South Tower of the Building as more fully shown on Exhibit "A" attached hereto and made a part hereof.

3. In addition, Tenant hereby leases an additional 155 Rentable Square Feet on the second floor, South Tower, of the Building, as shown in green on the floor plan attached as Exhibit "A" hereto and made a part hereof (hereinafter called the "Seventh Amendment Space"). The Seventh Amendment

Space shall be included in the definition of Leased Premises for all purposes of this Lease when such definition would not be inconsistent with the specific reference to the Seventh Amendment Space.

4. On the Rental Commencement Date of the Seventh Amendment Space, the initial Base Rent Rate for the Seventh Amendment Space shall be the same as the then rental rate on the 2,773 Rentable Square Feet identified in paragraph 2 of this Amendment.

5. The term for the Seventh Amendment Space shall commence on the Rental Commencement Date for the Seventh Amendment Space and end on the same date as the 2,773 Rentable Square Feet identified in Paragraph 2 of this Amendment.

6. The Basic Lease Information on page 1 of the Lease shall be modified by deleting the following captions and inserting in lieu thereof:

Leased Premises: On the Rental Commencement Date for the Seventh Amendment Space, approximately 315,044 rentable square feet as more fully shown on Exhibit "J-1" attached hereto and made a part hereof.

Tenant's Share: On the Rental Commencement Date for the Seventh Amendment Space, the Tenant's share of Operating Expenses shall be 50.93% (315,044 618,540).

7. Section 1.01(b) Lease of the Premises, on page 4 of the Lease, shall be deleted and the following paragraph shall be inserted in lieu thereof effective on the Rental Commencement Date of the Seventh Amendment Space:

"(b) The Leased Premises shall mean that certain floor area of the Building containing approximately 315,044 Rentable Square Feet as shown on Exhibit "J-1" attached hereto and made a part hereof (i) together with such additional space as Tenant may lease in the Building from to time (when added to the Leased Premises) (ii) less such space as may be deleted from the Leased Premises pursuant to any provisions of the Lease (when so deleted). The floor plans for the Building (North and South Towers) are attached as an Exhibit to this Lease. The actual rentable area of the Building is approximately 618,540 square feet which square footage has been determined as set forth in Section 4.02(d). (For purposes of defining Leased Premises for the payment of Annual Rent and Extended Rent pursuant to Sections 3.01 and 3.02 and Operating Expenses pursuant to Section 3.04, the Storage Area shall be omitted)."

8. Section 4.02 Rental Commencement Date, a new subparagraph (g) shall be added at the end thereof as follows:

"(g) As to the Seventh Amendment Space, the Rental Commencement Date, shall be the earlier of (1) April 1, 1990 or (2) the date upon which the Tenant takes possession and occupies the Seventh Amendment Space for business purposes."

9. Section 4.06 Tenant Allowance, the following sentence shall be added:

"As to the Seventh Amendment Space, Landlord shall furnish Tenant with a one-time allowance for construction of the leasehold improvements desired by Tenant in the amount equal to the product of (_____) (y) the number of rentable square feet in the

Seventh Amendment Space. All costs and expenses of constructing and installing the improvements desired by Tenant in the Seventh Amendment Space not included with or covered by the Base Building Work or the Tenant Allowance for the Seventh Amendment Space shall be the sole responsibility of Tenant. Construction of the leasehold improvements in the Seventh Amendment Space shall be governed by the terms and provisions of Exhibit "L" of the Lease."

10. Attached as Exhibit "J-1" is a schedule showing Tenant's floor area in the Building.

11. Except as expressly modified herein, the Lease shall remain in full force and effect and, as hereby modified, is expressly ratified and confirmed by the parties hereto. This Amendment shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

-Signature Page to Follow-

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed and their respective seals to be affixed as of the date and year first above written.

"LANDLORD"

WILDWOOD ASSOCIATES, a
Georgia general partnership

By: Cousins Properties Incorporated
Managing General Partner

By: /s/ Robert P. Hayes

Its: Senior Vice President

(Corporate Seal)

"TENANT"

INTERNATIONAL BUSINESS MACHINES CORPORATION,
a New York corporation

By: /s/ B. R. Sanders

Its: B. . Sanders

(Corporate Seal)

EXHIBIT 10.21

FORM OF SOFTWARE LICENSE, SERVICES AND MAINTENANCE AGREEMENT ("AGREEMENT")

2300 WINDY RIDGE PARKWAY
ATLANTA, GA 30339

CLIENT

ADDRESS

Manhattan Associates, Inc., a Georgia corporation, ("Manhattan"), markets and supports certain software applications licensed hereunder as "Licensed Products" and Client is a _____ [ ] corporation or [ ] _____ having a principal place of business as noted above and Client is desirous of obtaining a license to use the Licensed Products, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the background, the covenants herein contained, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I. DEFINITIONS

For purposes of this Agreement, the following terms shall mean:

CONFIDENTIAL INFORMATION
Certain confidential technical and business information, including without limitation, business plans and interests, the Licensed Products and associated documentation.

DESIGNATED PROCESSOR
The computer processing unit(s) (CPUs) identified in any Attachment to this Agreement or a written notification.

DESIGNATED SITE
The physical location(s) where the Licensed Products are installed upon the Designated Processor(s) or are otherwise utilized and which are specifically identified in any Attachment to this Agreement or a written notification.

DISCLOSER
The party disclosing Confidential Information.

LICENSE FEE
The fee(s) defined in Article V, Section 5(A).

LICENSED PRODUCT(S)
For the AS/400 and UNIX versions, the computer programming source and object code for the Licensed Products identified in each Attachment A to this Agreement, any Software Updates, the media in which the Licensed Products are delivered, and the associated documentation. The Client/Server version, certain security operational controls of the AS/400 and UNIX versions, the SLOT-IT System, and the ASN Enabler System are provided in object code only.

MAINTENANCE FEE
The fee(s) defined in Article V, Section 5(C).

PERIOD OF COVERAGE
The time periods in annual increments during which Maintenance is available under this Agreement.

PUBLISHED PRODUCT SPECIFICATIONS
The User Guides and the Implementation Guides (in whatever media) associated with the Licensed Products, as they may exist from time to time.

RECIPIENT
The party receiving Confidential Information.

SOFTWARE UPDATES
Cumulative releases containing corrections to the Licensed Products and new system versions and releases provided during the Period of Coverage.

ARTICLE II. SOFTWARE LICENSE ("LICENSE")

1. LICENSE GRANT.

(A) Manhattan grants to Client a non-exclusive perpetual license to use the Licensed Products indicated in the Attachments A which may be executed from time to time by the parties, as follows:

(i) only on the Designated Processor(s) and at the Designated Site(s) identified in Attachments A attendant to this Agreement;

(ii) in the case of the Client/Server version of the Licensed Products, to also utilize the Licensed Products on personal computers used as clients in conjunction with the Designated Processor;

(iii) only by Client and not for the benefit of any third party, including without limitation, commercial timesharing or service bureau or other rental or sharing arrangements, data processing or management information or services;

(iv) only in the country in which they are first installed and may only be moved to another country with the prior written permission of Manhattan; and,

(v) copy the Licensed Products for archival or backup purposes only, so long as all titles, trademark, copyright, and restriction notices are reproduced.

No other uses are granted hereunder.

(B) Client may not:

(i) reverse engineer, disassemble, or decompile any part of the Licensed Products, except to the extent required to obtain interoperability with other independently created or procured software or as specified by law;

(ii) distribute, sell or otherwise transfer any part of the Licensed Products; or

(iii) remove the patent, copyright, trade secret or other proprietary protection legends or notices that appear on or in the Licensed Products.

2. OWNERSHIP. Manhattan retains all title, copyright and other proprietary rights in the Licensed Products. Client does not acquire any rights, express or implied, in the Licensed Products, other than those specified in this Agreement. Client agrees to secure and protect the Licensed Products in a manner consistent with maintaining Manhattan's rights therein and to take appropriate action by instruction or agreement with its employees or agents who are permitted access to same to satisfy these obligations. Violation of any provisions herein shall be the basis for immediate termination of this Agreement, which shall be in addition to and not in lieu of any equitable remedies available to Manhattan.

3. WRONGFUL POSSESSION OR ACCESS. Upon knowledge of any unauthorized possession, use of, or access to, any Licensed Products, Client shall

promptly notify Manhattan and furnish Manhattan with full details of such knowledge, assist in preventing any recurrence thereof, and cooperate at Manhattan's expense in any litigation or other proceedings reasonably necessary to protect the rights of Manhattan.

4. VERIFICATION. At Manhattan's written request, not more frequently than annually, Client shall furnish Manhattan with a signed certification verifying that the Licensed Products are being used pursuant to this Agreement. Manhattan may audit Client's use of the Licensed Products at Manhattan's expense, but not more frequently than annually. Such audit will be conducted during regular business hours at Client's facilities and shall not unreasonably interfere with Client's business activities. If an audit reveals that Client has underpaid fees to Manhattan, Client shall promptly pay any such underpaid fees.

5. SOURCE CODE ESCROW. By executing an Attachment C attendant to this Agreement, Client elects to have the remaining source code of the Licensed Products which it does not receive placed on deposit in Manhattan's master escrow account, which source code shall be released upon the conditions outlined in said Attachment. Upon making such election, Client agrees to pay to Manhattan the then-

current annual fee associated with being a beneficiary of such account. Further, Client will receive written confirmation from the escrow agent of Client's registration.

ARTICLE III. SOFTWARE SERVICES ("SERVICES")

1. SERVICES PROVISION. Manhattan will provide Programming, Consulting, Analysis, and Training Services ("Services") from time to time at Client's request and under the terms and conditions of this Agreement.

2. MODIFICATIONS. As a part of Services, Manhattan will also provide mutually agreed upon modifications or enhancements to the Licensed Products ("Modifications") at Client's request, as documented by a Detailed Design Specification or similar mutually agreed upon instrument. Manhattan retains ownership of all rights, title and interest to the Modifications provided hereunder and all versions thereof. Manhattan grants to Client a non-exclusive, perpetual license to use the Modifications subject to the same terms and conditions of Article II of this Agreement. Client and Manhattan agree that the Modifications provided to Client shall not be a "work made for hire".

3. CLIENT MODIFICATIONS. Any enhancements, modifications, or substitutions to the Licensed Products made by or at the direction of Client and not made by Manhattan ("Client Modifications") shall be owned by Manhattan and may not be sold, assigned, licensed, sublicensed or otherwise transferred by Client except in connection with an assignment of all rights to the Licensed Products. Manhattan makes no warranty with respect to the Client Modifications and shall have no responsibility or liability whatsoever with respect to same. All Client Modifications, if made, shall be made at the sole risk and expense of Client.

4. SERVICES TERMINATION. Client may, at its election and upon thirty (30) days prior written notice, terminate the Services to be provided hereunder. However, such termination shall not affect any right or claim of either party incurred or accruing prior to the date of termination, including without limitation, any right or claim of Manhattan payable for services rendered or reimbursable expenses incurred prior to such termination date.

ARTICLE IV. MAINTENANCE SERVICES ("MAINTENANCE")

1. MAINTENANCE SERVICES. Maintenance shall be provided in accordance with Manhattan's Maintenance policies in effect at the beginning of each annual renewal of the Period of Coverage. Maintenance is offered for only the

Licensed Products for which Manhattan has expressly agreed to offer a warranty under this Agreement. Client may not elect to exclude any of the Licensed Products or any of the Designated Site(s) from Maintenance during the Period of Coverage.

2. MAINTENANCE TERM. The Period of Coverage begins upon execution of an Attachment B attendant to this Agreement. At least thirty (30) days prior to expiration of a Period of Coverage, Manhattan shall notify Client of the applicable Maintenance Fees for the succeeding year, whereupon, unless Client notifies Manhattan in writing of its desire to terminate Maintenance upon the expiration date for that Period of Coverage, Client's subscription to Maintenance shall be extended and renewed for an additional period of one (1) year at the then-current fees specified by Manhattan.

ARTICLE V. GENERAL

1. MUTUAL NONDISCLOSURE.

(A) Pursuant to this Agreement, each party may, from time to time, furnish the other party with certain Confidential Information. The parties agree to hold each other's Confidential Information in confidence. Each party agrees to take all reasonable steps to ensure that Confidential Information is not disclosed or distributed by its employees or agents in violation of this Agreement. The disclosure of Discloser's Confidential Information does not grant to the Recipient any license or rights to any trade secrets or under any patents or copyrights, except as expressly provided by the licenses granted in this Agreement.

(B) The obligations of Recipient with respect to any particular portion of Confidential Information shall terminate or shall not attach, as the case may be, when such information:

(ii) was in the public domain at the time of Discloser's communication thereof to Recipient;

(iii) entered the public domain through no fault of Recipient subsequent to the time of Discloser's communication thereof to Recipient;

(iv) was in Recipient's possession free of any obligation of confidence at the time of Discloser's communication thereof to Recipient;

(v) was independently developed by Recipient as demonstrated by written records; or,

(vi) is required to be disclosed by court or government order and Discloser has been given notice of such order.

(C) Discloser understands that Recipient may develop information internally, or receive information from other parties, that may be similar to Discloser's information. Accordingly, nothing in this Agreement shall be construed as a representation or inference that Recipient will not independently develop products, for itself or for others, that compete with the products or systems contemplated by Discloser's information. The parties agree that a breach of the confidentiality obligations by Recipient shall cause immediate and irreparable monetary damage to Discloser and shall entitle Discloser to injunctive relief in addition to all other remedies.

2. WARRANTIES.

(A) LICENSED PRODUCTS. Manhattan warrants for a period of six (6) months following shipment that the Licensed Products will materially perform the functions described in the Published Product Specifications. Manhattan shall have no responsibility for problems in the Licensed Products caused by or arising out of the malfunction of Client's equipment or other software products.

(B) SERVICES. Manhattan warrants for a period of ninety (90) days following performance that the Services supplied hereunder shall be performed in a professional and workmanlike manner.

(C) MAINTENANCE. During the Period of Coverage, Manhattan warrants that the Licensed Products will materially perform the functions described in the Published Product Specifications as they may exist during the Period of Coverage.

(D) WARRANTY EXCLUSIONS. THIS AGREEMENT PROVIDES LICENSES AND SERVICES AND IS NOT A SALE OF GOODS. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

3. EXCLUSIVE REMEDIES.

For any breach of warranties contained in Section 2 of this Article, Client's exclusive remedy shall be as follows:

(A) LICENSED PRODUCTS. The correction of errors in the Licensed Products that cause breach of warranty, or if Manhattan is unable to provide such correction, Client shall be entitled to terminate this Agreement as it relates to the non-conforming Licensed Products and receive a refund of the License Fees paid for the non-conforming Licensed Products.

(B) SERVICES. The reperformance of the Services, or if Manhattan is unable to perform the Services as warranted, Client shall be entitled to recover the fees paid to Manhattan for the unsatisfactory Services.

(C) MAINTENANCE. The correction of errors in the Licensed Products that cause breach of warranty, or if Manhattan is unable to provide such correction, Client shall be entitled to terminate this Agreement as it relates to the non-conforming Licensed Products and receive a refund of the Maintenance Fees paid for the non-conforming Licensed Products for the then-current Period of Coverage.

4. INDEMNITIES. Manhattan agrees to indemnify, defend and hold Client harmless from and against any claim by any third party in connection with any patent, copyright or other infringement claim related to the Licensed Products or Modifications; provided that : (i) Client notifies Manhattan in writing within thirty (30) days of the claim; (ii) Manhattan has sole control of the defense and all related settlement negotiations; and (iii) Client provides Manhattan with the information, assistance and authority to enable Manhattan to do so. However, Manhattan shall have no liability for any claims of infringement that result from the use of the Licensed Products in conjunction with non-Manhattan software or other non-Manhattan products or upon a use of the Licensed Products in a manner not contemplated by the Published Product Specifications. Nothing in this provision shall be construed as a limitation on Client's ability to retain legal counsel at its own expense to monitor the proceedings.

Manhattan further agrees that if Client is prevented from using the Licensed Product(s) due to an actual or claimed infringement of any patent, copyright or other intellectual property right, then at Manhattan's option, Manhattan shall promptly either:

(i) procure for Client, at Manhattan's expense, the right to continue to use the Licensed Product(s);

(ii) replace or modify the Licensed Product(s) at Manhattan's expense so that the Licensed Product(s) become non-infringing, but substantially equivalent in functionality; or

(iii) in the event that neither (i) or (ii) are reasonably feasible,

terminate the Agreement as to the infringing Licensed Products and return Client's License Fees for the infringing Licensed Product(s).

This Section states Manhattan's entire obligation to Client with respect to any claim of infringement.

5. PAYMENT.

(A) LICENSE FEES. In consideration for the License granted in Article II, Client agrees to pay to Manhattan the License Fees designated on any Attachment A attendant to this Agreement upon the execution of this Agreement and any Attachment A attendant to this Agreement.

(B) SERVICES FEES / EXPENSES. As compensation for performing Services, Client agrees to pay Manhattan on a time and materials basis, with the exception of Training, which shall be billed at Manhattan's then-current list prices. Manhattan will invoice Client every two (2) weeks while Services are being performed. Client agrees to reimburse Manhattan for all reasonable out-of-pocket expenses Manhattan incurs in providing Services. If uncontested amounts remain unpaid for thirty (30) days or more, Manhattan may, at its option, refuse to perform additional Services under this Agreement until such amounts are paid.

(C) MAINTENANCE FEES. In consideration for the Maintenance to be provided hereunder and for which Client elects to subscribe, Client shall pay Maintenance Fees in accordance with any Attachment B attendant to this Agreement and subsequently as an annual charge. The first payment shall be due upon execution of any Attachment B attendant to this Agreement. During the Period of Coverage, Client may be billed additional Maintenance Fees resulting from additional Designated Sites or additional Licensed Products or from the upgrade of service level from Basic to Extended. If Client fails to remit Maintenance Fees pursuant to the terms hereof, Manhattan will have no duty to provide Maintenance as specified under Article IV.

(D) TAXES. The fees listed in this Agreement do not include taxes. If Manhattan is required to pay any sales, use, property, excise, value added, gross receipts, or other taxes levied on the Licensed Products or Services under this Agreement or on Client's use thereof, then such taxes shall be billed to and paid by Client. This Section does not apply to taxes based on Manhattan's net income or Manhattan's employer contributions and taxes.

(E) INVOICES. Unless notified otherwise in writing by Client, Manhattan will invoice all amounts to Client's address as it appears on Page One of this Agreement. Client agrees to pay for all uncontested amounts due under this Agreement upon receipt of invoice. Amounts not contested in good faith and which remain unpaid for thirty (30) days after invoice date will bear interest from the invoice date of one and one-half percent (1 1/2%) per month or the highest rate permitted by law, if less. Time is of the essence for all payments due under this Agreement, and in the event any payment due to Manhattan is collected at law, through an attorney-at-law or a collection agency, Client agrees to pay all costs of collection, including without limitation, all court costs and reasonable attorney's fees.

(F) All payments made hereunder are nonrefundable, except as specifically provided otherwise in this Agreement.

6. LIMITED LIABILITY. EXCEPT FOR a) FAILURE TO COMPLY WITH MANHATTAN'S PROPRIETARY RIGHTS, b) FAILURE TO COMPLY WITH THE MUTUAL NONDISCLOSURE PROVISION, OR c) THE INFRINGEMENT INDEMNITY PROVISIONS CONTAINED HEREIN: (A) IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR A MONETARY AMOUNT GREATER THAN THE AMOUNTS PAID OR DUE PURSUANT TO THIS AGREEMENT AND (B) IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY LOSS OR INJURIES TO EARNINGS, PROFITS OR GOODWILL, OR FOR ANY INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OF ANY PERSON OR ENTITY WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE, EVEN IF EITHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS SET FORTH IN THIS SECTION SHALL APPLY EVEN IF ANY OTHER REMEDIES FAIL OF THEIR ESSENTIAL PURPOSE.

The provisions of this Agreement allocate the risks between Manhattan and Client. Manhattan's pricing reflects this allocation of risk and the limitation of liability specified herein.

7. EMPLOYEE RECRUITING. Each party acknowledges that the other party's employees are critical to the servicing of its customers. Therefore, Client agrees not to solicit, employ or otherwise engage Manhattan's employees without Manhattan's prior written consent for a period of thirty-six (36) months following that employee's last date of employment by Manhattan and Manhattan agrees not to solicit, employ or otherwise engage Client's employees involved in the services contemplated by this Agreement without Client's prior written consent for a period of thirty-six (36) months following that employee's last date of employment by Client. Should either party violate this provision, the violating party agrees to pay the other party the greater of one-half of the former employee's annual salary or fifty thousand dollars ($50,000). The parties further agree that in the event of any actual or threatened breach of any of the provisions of this section, the non-breaching party shall be entitled (in addition to any and all other rights and remedies at law or in equity for damages or otherwise, which rights and remedies are and shall be cumulative) to specific performance, a temporary restraining order, or an injunction to prevent such breach or contemplated breach. Further, such payment and additional relief does not restrict the non-breaching party's rights or remedies as they relate to such former employee.

(8) TERMINATION. If either party materially breaches this Agreement, the other party may give written notice of its desire to terminate and the specific grounds for termination and, if such default is capable of cure and the party in default fails to cure the default within thirty (30)

days of the notice, the other party may terminate this Agreement. If such default is incapable of cure, the other party may terminate this Agreement immediately upon written notice of its desire to terminate. Upon termination, the License to use the Licensed Products shall be immediately revoked and all Licensed Products and supporting materials will be returned to Manhattan or destroyed and documentation supplied to Manhattan certifying destruction. Confidentiality obligations shall survive this Agreement.

(9) EXPORT ADMINISTRATION. Client agrees to comply fully with all relevant export laws and regulations of the United States ("Export Laws") to assure that neither the Licensed Products nor any direct product thereof are (A) exported, directly or indirectly, in violation of Export Laws; or (B) are intended to be used for any purposes prohibited by Export Laws. Client will indemnify Manhattan for any losses, costs, liability, and damages, including reasonable legal fees, incurred by Manhattan as a result of failure by Client to comply with this Section. Manhattan may, from time to time, deny Client the right to license in certain countries in order to protect Manhattan's interests.

10. GENERAL.

(A) WAIVER. The waiver of one breach hereunder shall not constitute the waiver of any other or subsequent breach. No amendments, modifications or supplements to this Agreement shall be binding unless in writing and signed by the parties. No action arising out of this Agreement, regardless of form, may be brought more than one (1) year after the claiming party knew or should have known of the cause of action.

(B) NOTICES. All notices shall be in writing and personally delivered or sent by certified mail, postage prepaid, return receipt requested, to the address written above or such other address as notified to the other party and such notice shall be deemed to be made on the fifth (5th) day after such mailing. To expedite order processing, Client agrees that Manhattan may treat documents faxed by Client to Manhattan as original documents. However,

either party may require the other to exchange original signed documents.

(C) GOVERNING LAW. This Agreement, and all matters arising out of or related to this Agreement, except actions arising under the patent and copyright provisions of the U.S. Code, shall be governed by the laws of the State of Georgia. The parties agree that this Agreement is not subject to and shall not be interpreted by the United Nations Convention on Contracts for the International Sale of Goods.

(D) ASSIGNMENT. Except as provided in this subsection, this Agreement may not be assigned by either party and any attempted assignment which does not adhere to these provisions shall be void. However, either party may, upon written notice to the other party, assign this Agreement to any entities under common control and ownership of the assigning party, such common control and ownership being defined as the direct or beneficial ownership of a voting interest of at least fifty percent (50%) or the right or power, directly or indirectly, to elect a majority of the Board of Directors, or the right or power to control management. Either party may assign this Agreement in the event of the sale of all or substantially all of its assets or equity.

(E) PUBLICITY RIGHTS. Manhattan may include Client's name and logo among its list of customers and may include a brief description of the services furnished by Manhattan and the functions performed thereby.

(F) LANGUAGE. Should a counterpart to this Agreement be prepared in a language other than English, then English shall be the language of this Agreement and the English language counterpart shall govern all disputes, performances and interpretations, and the counterpart in another language shall be for convenience only and shall not affect the performance or interpretation of this Agreement.

(G) CURRENCY. All amounts stated in and payable under this Agreement shall be denominated and payable in United States Dollars.

(H) SEVERABILITY. If any provision or portion thereof of this Agreement is held to be invalid or unenforceable, the remaining provisions will remain in full force.

This Agreement, including its terms and conditions and its attachments and amendments, is a complete and exclusive statement of the agreement between the parties, which supersedes all prior or concurrent proposals and understandings, whether oral or written, and all other communications between the parties relating to the subject matter of this Agreement. This Agreement shall not be effective until executed by Client and accepted and executed by an authorized representative of Manhattan.

By execution, signer certifies that signer is duly authorized to execute this Agreement on behalf of Manhattan. Accepted by Manhattan and effective as of ____, 19__.	By execution, signer certifies that signer is duly authorized to execute this Agreement on behalf of Client.
MANHATTAN ASSOCIATES, INC.	CLIENT
By _____ (Authorized Signature)	By _____ (Authorized Signature)
_____ (Print or Type Name)	_____ (Print or Type Name and Title)
_____ (Title)	_____ (Date Signed)

EXHIBIT 10.22

FIRST AMENDMENT TO THE MANHATTAN ASSOCIATES, INC. STOCK INCENTIVE PLAN

THIS FIRST AMENDMENT TO THE MANHATTAN ASSOCIATES, INC. STOCK INCENTIVE PLAN (the "Amendment") is made effective as of the 12th day of August, 1998 (the "Effective Date"), by MANHATTAN ASSOCIATES, INC., a corporation organized under and doing business under the laws of the State of Georgia (the "Company"). All capitalized terms in this Amendment have the meaning ascribed to such term as in the Manhattan Associates, Inc. Stock Incentive Plan (the "Plan"), unless otherwise stated herein.

W I T N E S S E T H :

WHEREAS, the Plan was adopted by the Board of Directors and approved by the shareholders of the Company in February 1998; and

WHEREAS, the Board of Directors of the Company desires to amend the Plan to increase the number of shares that may be granted under the Plan;

NOW, THEREFORE, in consideration of the premises and mutual promises contained herein, the Plan is hereby amended as follows:

SECTION 1. Section 3 of the Plan is hereby amended by deleting the first sentence of Section 3 of the Plan in its entirety and substituting in lieu thereof the following:

> "The total number of Shares that may be issued pursuant to Stock Incentives under this Plan shall not exceed six million (6,000,000), as adjusted pursuant to Section 11, less the number of Shares subject to options issued under the Manhattan Associates, LLC Option Plan."

SECTION 2. Except as specifically amended by this Amendment, the Plan shall remain in full force and effect as prior to this Amendment.

IN WITNESS WHEREOF, the Company has caused this FIRST AMENDMENT TO THE MANHATTAN ASSOCIATES, INC. STOCK INCENTIVE PLAN to be executed on the Effective Date.

MANHATTAN ASSOCIATES, INC.

By: /s/ Alan J. Dabbiere

Alan J. Dabbiere, President

ATTEST:

By: /s/ David K. Dabbiere

David K. Dabbiere, Secretary

EXHIBIT 10.23

Amendment No. 2
to
Manhattan Associates, Inc.
Stock Incentive Plan

The Manhattan Associates, Inc. Stock Incentive Plan (the "Plan") is hereby amended as follows:

1. Amendment Regarding Administration. Section 5 of the Plan is hereby amended by adding the following sentence at the end of Section 5 of the Plan:

Furthermore, the Board may authorize the appointment of one or more persons, who need not be members of the Board, to serve as the New Employee Stock Option Committee, solely for the purpose of authorizing stock option grants to new employees of the Company immediately upon their hiring.

2. Effective Date. The effective date of this Amendment shall be March 4, 1999.

3. Miscellaneous.

(a) Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

(b) Except as specifically amended hereby, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment No. 2 to the Manhattan Associates, Inc. Stock Incentive Plan to be executed on the Effective Date.

Manhattan Associates, Inc.

By: /s/ Alan J. Dabbiere
Alan J. Dabbiere, President

ATTEST:

By: /s/ David K. Dabbiere
David K. Dabbiere, Secretary

EXHIBIT 10.24

Amendment No. 3
to
Manhattan Associates, Inc.
Stock Incentive Plan

The Manhattan Associates, Inc. Stock Incentive Plan (the "Plan") is hereby amended as follows:

1. Amendment Regarding Option Replenishment. Section 3 of the Plan is hereby amended by deleting Section 3 in its entirety and substituting the following new Section 3 therefor:

Section 3.
Shares Subject to Stock Incentives

The initial number of Shares reserved for issuance under this Plan shall be 7,000,000, as adjusted pursuant to Section 11, less the number of Shares subject to options issued under the Manhattan Associates, LLC Option Plan (the "LLC Plan"). The number of Shares available for issuance under the Plan shall be automatically adjusted on the first day of each fiscal year, beginning with the 2000 fiscal year, by a number of Shares such that the total number of Shares reserved for issuance under this Plan equals the sum of (i) the aggregate number of Shares previously issued under this Plan and the LLC Plan; (ii) the aggregate number of Shares subject to then outstanding Stock Incentives granted under this Plan and the LLC Plan; and (iii) 5% of the number of Shares of Common Stock outstanding on the last day of the preceding fiscal year. Notwithstanding the foregoing, not more than 1,000,000 of the Shares available for grant each year shall be available for issuance pursuant to ISOs, such that not more than 10,000,000 Shares resulting from such automatic adjustments may ever be issued pursuant to ISOs during the term of the Plan.

Such Shares shall be reserved, to the extent that the Company deems appropriate, from authorized but unissued Shares, and from Shares which have been reacquired by the Company. Furthermore, any Shares subject to a Stock Incentive which remain after the cancellation, expiration or exchange of such Stock Incentive thereafter shall again become available for use under this Plan, but any Surrendered Shares which remain after the surrender of an ISO or a Non-ISO under Section 8 shall not again become available for use under this Plan.

2. Effective Date. The effective date of this Amendment shall be March 4, 1999, provided, the shareholders of the Company approve this Amendment within 12 months after such effective date. Any Stock Incentives granted under the Plan as amended hereby before the date of such approval automatically shall be granted subject to such approval.

3. Miscellaneous.

(a) Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

(b) Except as specifically amended hereby, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment No. 3 to the Manhattan Associates, Inc. Stock Incentive Plan to be executed on the Effective

Date.

Manhattan Associates, Inc.

By: /s/ Alan J. Dabbiere

Alan J. Dabbiere, President

ATTEST:

By: /s/ David K. Dabbiere

David K. Dabbiere, Secretary

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Manhattan Associates, Inc.'s previously filed Registration Statement File No. 333-60635.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 26, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF MANHATTAN ASSOCIATES, INC. FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
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EXHIBIT 99.1

SAFE HARBOR COMPLIANCE STATEMENT FOR FORWARD-LOOKING STATEMENTS

You should consider the following factors in evaluating us and our business. If any of the following or other risks actually occurs, our business, financial condition and results of operations could be adversely affected. In such case, the trading price of our common stock could decline.

Our Failure To Manage Growth Of Operations May Adversely Affect Us

We continue to increase the scope of our operations domestically and internationally and have increased our number of employees substantially. For example, at December 31, 1997, we had a total of 191 employees and at December 31, 1998, we had a total of 517 employees. This growth will continue to place a significant strain on our management systems and resources. If we are unable to manage our growth effectively, our business, financial condition and results of operations will be adversely affected. We may further expand domestically or internationally through internal growth or through acquisitions of related companies and technologies. Since November 1997, we have implemented new accounting, timekeeping and customer service systems. Our ability to manage any growth will depend in large part on the performance of these new systems.

For us to effectively manage our growth, we must continue to:

. improve our operational, financial and management controls;

. improve our reporting systems and procedures;

. enhance management and information control systems;

. develop the management skills of our managers and supervisors; and

. train and motivate our employees.

Several of our executive officers joined our company since November 1997:

Name	Title	Start Date
Robert Bearden	Senior Vice President--Global Sales	August 1998
Michael J. Casey	Senior Vice President, Chief Financial Officer and Treasurer	November 1997
David K. Dabbiere	Senior Vice President, Chief Legal Officer and Secretary	March 1998
Neil Thall	Senior Vice President--Supply Chain Strategy	January 1998

Our ability to manage any growth will depend in large part on the performance of these new managers. Each of these individuals has been involved only with our most recent operating activity. These executive officers must integrate themselves into daily operations, gain the trust and confidence of the other employees and work effectively as a team if we are to be successful.

Our Fluctuating Operating Results Could Cause Our Stock Price To Fall

Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Our quarterly revenue is difficult to forecast for several reasons, including the following:

- the market for distribution center management and supply chain execution software is in an early stage of development, and it is therefore difficult to accurately predict customer demand; and

- the sales cycle for our products and services varies substantially from customer to customer, and we expect the sales cycle to lengthen. As a result, we have difficulty determining whether and when we will receive revenue from a particular customer.

As a result of these and other factors, our license revenue is difficult to predict. Because our revenue from services is largely correlated to our license revenue, a decline in license revenue could also cause a decline in our services revenue in the same quarter or in subsequent quarters. In addition, an increase or decrease in hardware sales, which provide us with lower gross margins than sales of software licenses or services, may cause variations in our quarterly operating results.

Other factors, many of which are outside our control, could also cause variations in our quarterly revenue and operating results. Some of these other factors are:

- demand for our products;

- introductions of new products by our competitors;

- the level of price competition by our competitors;

- customers' budgeting and purchasing cycles;

- delays in our implementations at customer sites;

- timing of hiring new services employees and the rate at which these employees become productive;

- development and performance of our distribution channels;

- timing of any acquisitions and related costs; and

- identification of software quality problems.

Most of our expenses, including employee compensation and rent, are relatively fixed. In addition, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

Our Operating Results Are Substantially Dependent On One Product

Substantially all of our revenue comes from the sale of our PkMS software and related services and hardware, and we expect this pattern to continue. Accordingly, our future operating results will depend on the demand for PkMS and related services and hardware by future customers, including new and enhanced releases that are subsequently introduced. We cannot assure that the market will continue to demand our current products or that we will be successful in

marketing any new or enhanced products. If our competitors release new products that are superior to PkMS in performance or price, demand for our products may decline. A decline in demand for PkMS as a result of competition, technological change or other factors would have a material adverse effect on our business, financial condition and results of operations.

Our Lengthy Sales Cycle And Delays In Implementations Of Our Products Could Adversely Impact Us

Delays in, or cancellations of, sales or implementations of our products and services could have a material adverse effect on our business, financial condition and results of operations. The length of time between our initial contact with a customer and the agreement by the customer to buy our products typically ranges from three to six months, and is subject to delays over which we may have little or no control. Our sales cycle is long because:

- we often must educate our customers regarding the use and benefits of our products before they decide to purchase;
- our products are often used by our customers in mission critical operations of their business, and they want to evaluate completely a proposed implementation before purchasing; and
- our customers must commit significant resources to the integration of our products with their existing systems.

As the average dollar size of each sale of our products and services increases, we expect this sales cycle to lengthen because our customers will take longer to approve spending the larger amount of money. The time it takes us to implement our products for a customer can also be longer when the implementation is larger and more complex.

We Have A Short Operating History

We commenced operations and shipped our first version of PkMS in 1990. Accordingly, we have only a limited operating history on which you can base your evaluation of our business and prospects. In addition, our prospects must be considered in light of the risks and uncertainties encountered by companies in an early stage of development in new and rapidly evolving markets. Although we have grown significantly during the past five years, we do not believe that our prior growth rates are sustainable or a good predictor of future operating results.

Our Inability To Attract And Retain Management And Other Personnel May Adversely Affect Us

Our success greatly depends on the continued service of Alan J. Dabbiere, our Chairman of the Board, Chief Executive Officer and President, and Deepak Raghavan, our Chief Technology Officer, as well as our other key senior management, technical and sales personnel. The loss of any of our senior management or other key research, development, sales and marketing personnel, particularly if lost to competitors, could have a material adverse effect on our future operating results. We do not maintain key man life insurance on any of our executive officers. Our future success will depend in large part upon our ability to attract, retain and motivate highly skilled employees. We face significant competition for individuals with the skills required to perform the services we offer. We cannot assure that we will be able to attract and retain sufficient numbers of these highly skilled employees or to motivate them. Because of the complexity of the distribution center management software market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which such persons become fully productive.

Fluctuations In Hardware Sales May Adversely Affect Us

A significant portion of our revenue in any period is comprised of the resale of a variety of third party hardware products to purchasers of our software. Our customers may choose to purchase this hardware directly from manufacturers or distributors of such products. Revenue from hardware sales as a percentage of total revenue decreased in 1996, 1997 and 1998, and may continue to decrease in the future. If we are not able to increase our revenue from software licenses and services or maintain our hardware revenue, our business, financial condition and results of operations may be adversely affected.

Immigration Restrictions May Hinder Our Employee Retention And Hiring

A number of our employees are Indian nationals employed pursuant to non-immigrant work-permitted visas issued by the United States Immigration and Naturalization Service, or INS. There is a limit on the number of new visas issued by the INS each year. In years in which this limit is reached, we may be unable to retain or hire additional foreign employees. The federal government may in the future further restrict the issuance of new visas. If we are unable to retain or hire additional foreign employees, we may incur additional labor costs and expenses or not have sufficient qualified personnel to carry on our business, which could have a material adverse effect on our business, financial condition and results of operations.

We May Not Be Able To Continue To Compete Successfully With Other Companies

We compete in markets that are intensely competitive and are expected to become more competitive as current competitors expand their product offerings and new competitors enter the market. Our current competitors come from many segments of the software industry and offer a variety of solutions directed at various aspects of the supply chain, as well as the enterprise as a whole. We have faced competition for product sales from:

- other distribution center management software vendors;
- the corporate information technology departments of potential customers capable of internally developing solutions; and
- smaller independent companies that have developed or are attempting to develop distribution center management software.

We may face competition in the future from business application software vendors that may broaden their product offerings by developing or acquiring distribution center management software, and Enterprise Resource Planning, or ERP, and Supply Chain Management, or SCM, applications vendors. These ERP and SCM vendors have a large number of strong customer relationships which could provide a significant competitive advantage. New competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Many of our current or potential future competitors have longer operating histories, greater financial, technical, marketing and other resources, greater name recognition, and a larger installed base of customers than we do. To be successful, we must continue to produce products based on the leading technology in our market. If we cannot maintain our technological leadership or assemble the development, marketing, sales and customer service resources to meet any competitive threat, we may lose market share and suffer reductions in sales prices and gross margins. These developments could materially and adversely affect our business, financial condition and results of operations.

If We Cannot Integrate Acquired Companies With Our Business, Our Profitability May Be Adversely Affected

We acquired Performance Analysis Corporation, or PAC, in February 1998 and the Distribution Center Management Systems software product and related assets of Kurt Salmon Associates in October 1998. We may from time to time acquire

companies with complementary products and services. These acquisitions will continue to expose us to increased risks and costs, including the following:

- difficulties in assimilating new operations and personnel;
- diverting financial and management resources from existing operations; and
- difficulties in integrating acquired technologies.

We may not be able to generate sufficient revenue from any of these acquisitions to offset the associated acquisition costs. We will also be required to maintain uniform standards of quality and service, controls, procedures and policies. Our failure to achieve any of these standards may hurt relationships with customers, employees, and new management personnel. In addition, future acquisitions may result in additional stock issuances which could be dilutive to our shareholders.

We may also evaluate joint venture relationships with complementary businesses. Any joint venture we enter into would involve many of the same risks posed by acquisitions, particularly the following:

- risks associated with the diversion of resources;
- the inability to generate sufficient revenue;
- the management of relationships with third parties; and
- potential additional expenses.

Many business acquisitions must be accounted for using the purchase method of accounting. Many acquisition candidates have significant intangible assets, and an acquisition of these businesses, if accounted for as a purchase, would result in substantial goodwill amortization charges to us, reducing future earnings. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges. For example, we recorded an acquired research and development expense of approximately $1.6 million in the first quarter of 1998 in connection with the acquisition of PAC.

We accounted for the $1.6 million expense in the PAC acquisition using a cost-based approach. This cost-based approach is not a widely used methodology to value acquired research and development in a technology acquisition. Many software companies account for acquisitions using an income-based approach to value acquired research and development. Although we believe that an income-based approach often provides a more precise valuation, because there was not then a market for PAC's Windows NT product, which prevented us from preparing meaningful projections of future cash flow, we elected to use the cost-based approach.

Our Growth Is Dependent Upon The Successful Development Of Our Direct And Indirect Sales Channels

We sell our products primarily through our direct sales force and we support our customers with our internal technical and customer support staff. Our ability to achieve significant revenue growth in the future will greatly depend on our ability to recruit and train sufficient technical, customer and direct sales personnel, particularly additional sales personnel focusing on the new vertical market segments that we target. We have in the past and may in the future experience difficulty in recruiting qualified sales, technical and support personnel. Our inability to rapidly and effectively expand our direct sales force and our technical and support staff could materially adversely affect our business.

We believe that future growth also will depend on developing and maintaining successful strategic relationships with systems integrators and third party software application providers. Our strategy is to continue to increase the proportion of customers served through these indirect channels. We are currently investing, and plan to continue to invest, significant resources to develop these indirect channels. This investment could adversely affect our operating results if these efforts do not generate license and service revenue necessary to offset this investment. Also, our inability to recruit and retain qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, increased indirect sales could adversely affect our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels will reduce our consulting service revenues as the third party systems integrators provide these services. As indirect sales increase, our direct contact with our customer base will decrease, and we may have more difficulty accurately forecasting sales, evaluating customer satisfaction and recognizing emerging customer requirements. In addition, these systems integrators and third party software providers may develop, acquire or market products competitive with our products.

Our strategy of marketing our products directly to customers and indirectly through systems integrators and third party software application providers may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent different systems integrators target the same customers, systems integrators may also come into conflict with each other. Any channel conflicts which develop may have a material adverse effect on our relationships with systems integrators or hurt our ability to attract new systems integrators.

There Are Many Risks Associated With International Operations

We continue to expand our international operations, and these efforts require significant management attention and financial resources. We may not be able to successfully penetrate international markets or if we do, there can be no assurance that we will grow these markets at the same rate as in North America. Because of the complex nature of this expansion, it may adversely affect our business and operating results.

We have committed resources to the opening and integration of additional international sales offices and the expansion of international sales and support channels. Our efforts to develop and expand international sales and support channels may not be successful. International sales are subject to many risks, including the following:

- difficulties in staffing and managing foreign operations;
- difficulties in managing international systems integrators;
- difficulties and expenses associated with complying with a variety of foreign laws;
- difficulties in producing localized versions of our products;
- import and export restrictions and tariffs;
- difficulties in collecting accounts receivable;
- unexpected changes in regulatory requirements;
- currency fluctuations; and
- political and economic instability abroad.

International sales can also be affected to a greater extent by seasonal fluctuations resulting from the lower sales that typically occur during the summer months in Europe and other parts of the world.

We Must Continue To Advance Our Technology To Remain Competitive

The market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, changes in customer demands and evolving industry standards. Our existing products could be rendered obsolete if we fail to continue to advance our technology. We have also found that the technological life cycles of our products are difficult to estimate, partially because of changing demands of other participants in the supply chain. We believe that our future success will depend upon our ability to continue to enhance our current product line while we concurrently develop and introduce new products that keep pace with competitive and technological developments. These developments require us to continue to make substantial product development investments. Although we are presently developing a number of product enhancements to the PkMS product suite, we cannot assure that these enhancements will be completed on a timely basis or gain customer acceptance.

We May Face Liability To Clients If Our Systems Fail

Our products are often critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. We have guaranteed that our products will comply with certain labeling requirements of the top 100 consumer goods retailers as ranked by Stores Magazine. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts which would limit our liability or otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions, this coverage may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurer may disclaim coverage as to any future claim. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurer imposes premium increases, large deductibles or co-insurance requirements on us, our business, financial condition and results of operations could be adversely affected.

Our Failure To Adequately Protect Our Proprietary Rights May Adversely Affect Us

Our success and ability to compete is dependent in part upon our proprietary technology. There can be no assurance that we will be able to protect our proprietary rights against unauthorized third-party copying or use. We rely on a combination of copyright, trademark and trade secret laws, as well as confidentiality agreements and licensing arrangements, to establish and protect our proprietary rights. Despite our efforts to protect our proprietary rights, existing copyright, trademark and trade secret laws afford only limited protection. In addition, the laws of certain foreign countries do not protect our rights to the same extent as do the laws of the United States. Attempts may be made to copy or reverse engineer aspects of our products or to obtain and use information that we regard as proprietary. Any infringement of our proprietary rights could materially adversely affect our future operating results. Furthermore, policing the unauthorized use of our products is difficult and litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our future operating results.

Intellectual Property Claims Can Be Costly And Result In The Loss Of Significant Rights

It is possible that third parties will claim that we have infringed their current or future products. We expect that distribution center management software developers like us will increasingly be subject to infringement claims as the number of products grow. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays, or require us to enter into royalty or licensing agreements, any of which could

have a material adverse effect upon our operating results. We cannot assure that these royalty or licensing agreements, if required, would be available on terms acceptable to us, if at all. We cannot assure that legal action claiming patent infringement will not be commenced against us, or that we would prevail in such litigation given the complex technical issues and inherent uncertainties in patent litigation. If a patent claim against us were successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign to avoid infringement, our business, financial condition and results of operations would be materially adversely affected.

Year 2000 Risks May Result In Material Adverse Effects On Our Business

Over the next 12 months, many companies will need to upgrade their computer systems and software products in order to ensure that these systems and software are able to distinguish 21st century dates from 20th century dates. While our current products are designed to comply with these "Year 2000" requirements, we may still face claims resulting from system problems associated with the century change. Our software products that are designed to be Year 2000 compliant may not contain all necessary date code changes. Customers using earlier versions of our products which were not Year 2000 compliant may have to install a later version of the software that is Year 2000 compliant or implement a modification to correct that version. Because our software system is often integrated with hardware and operating or interface software over which we exert little control, the failure of the manufacturers of those systems to insure that they are Year 2000 compliant may cause the integrated system to fail. Any Year 2000 problems with our products and implementations which are not satisfactorily corrected may adversely affect our business, financial condition and results of operations.

In addition, Year 2000 non-compliance in our internal information technology, or IT, systems and non-IT systems on which our operations rely may have an adverse impact on our business, financial condition or results of operations. While we believe that these systems, many of which have been recently upgraded, are all Year 2000 compliant, they may not be. Non-compliance by our business partners may also have an adverse impact on our business, financial condition or results of operations.

We believe that the purchasing patterns of customers and potential customers may be affected by Year 2000 issues in a variety of ways. Expenditures by many companies to address Year 2000 issues may result in reduced funds available to purchase software products such as those that we offer. Potential customers may also choose to defer purchasing Year 2000 compliant products until they believe it is absolutely necessary, thus potentially resulting in stalled market sales within the industry. Conversely, Year 2000 issues may cause companies to accelerate purchases, thereby causing an increase in short-term demand and a consequent decrease in long-term demand for software products. Additionally, Year 2000 issues could cause a significant number of companies, including our customers, to reevaluate their current software needs and as a result switch to other systems or suppliers. Any of the foregoing could result in a material adverse effect on our business, financial condition and results of operations.

Our directors, executive officers and key employees together control approximately 80.7% of our outstanding common stock. In particular, Alan J. Dabbiere, the Chairman of the Board, Chief Executive Officer and President, controls approximately 45.6% of our common stock. As a result, these shareholders, if they act together, are able to influence the management and affairs of our company and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of the common stock.

We May Require Additional Capital

We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements will depend on many factors, including:

- demand for our products;
- the timing of and extent to which we invest in new technology;
- the level and timing of revenue;
- the expenses of sales and marketing and new product development;
- the success and related expense of increasing our brand awareness;
- the extent to which competitors are successful in developing new products and increasing their market share; and
- the costs involved in maintaining and enforcing intellectual property rights.

To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. Our inability to raise capital when needed could have a material adverse effect on our business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our Company by our shareholders would be diluted.

Our Articles Of Incorporation And Bylaws And Georgia Law May Inhibit A Takeover Of Our Company

Our basic corporate documents and Georgia law contain provisions that might enable our management to resist a takeover of our Company. These provisions might discourage, delay or prevent a change in the control of our Company or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of the common stock.

Our Stock Price Has Been Highly Volatile

The trading price of our common stock has fluctuated significantly since our initial public offering in April 1998. In addition, the trading price of our common stock could be subject to wide fluctuations in response to various factors, including:

- quarterly variations in operating results;
- announcements of technological innovations or new products by us or our competitors;
- developments with respect to patents or proprietary rights; and
- changes in financial estimates by securities analysts.

In addition, the stock market has experienced volatility that has particularly affected the market prices of equity securities of many technology companies and that often has been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common stock.