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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

[Mark One]

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

For the quarterly period ended September 30, 2003

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**

(State or Other Jurisdiction of Incorporation or Organization)

**58-2373424**

(I.R.S. Employer Identification No.)

**2300 Windy Ridge Parkway, Suite 700**

**Atlanta, Georgia**

(Address of Principal Executive Offices)

**30339**

(Zip Code)

**Registrant's Telephone Number, Including Area Code: (770) 955-7070**

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  No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the Issuer's class of capital stock outstanding as of November 12, 2003, the latest practicable date, is as follows:  
29,950,503 shares of common stock, \$0.01 par value per share.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**FORM 10-Q**  
**Quarter Ended September 30, 2003**

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**PART I  
FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share amounts)

	September 30, 2003	December 31, 2002
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 136,564	\$ 64,664
Short-term investments	2,219	57,193
Accounts receivable, net of allowance for doubtful accounts of \$3,355 and \$5,173 at September 30, 2003 and December 31, 2002, respectively	35,979	32,384
Prepaid expenses and other current assets	5,378	4,967
<b>Total current assets</b>	<b>180,140</b>	<b>159,208</b>
Property and equipment, net	12,439	12,352
Long-term investments	11,163	—
Acquisition-related intangible assets, net	11,684	13,321
Goodwill, net	30,746	30,702
Other assets	6,882	4,613
<b>Total assets</b>	<b>\$ 253,054</b>	<b>\$ 220,196</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,860	\$ 6,754
Accrued liabilities	3,860	3,357
Accrued compensation and benefits	6,266	7,814
Current portion of capital lease obligations	164	164
Income taxes payable	1,064	1,122
Deferred revenue	18,109	15,318
<b>Total current liabilities</b>	<b>36,323</b>	<b>34,529</b>
Deferred income taxes	253	141
Long-term portion of capital lease obligations	66	240
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding at September 30, 2003 and December 31, 2002	—	—
Common stock, \$.01 par value; 100,000,000 shares authorized, 29,855,250 and 29,031,107 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	299	290
Additional paid-in capital	138,523	122,977
Retained earnings	77,127	61,808
Accumulated other comprehensive income	467	253
Deferred compensation	(4)	(42)
<b>Total shareholders' equity</b>	<b>216,412</b>	<b>185,286</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 253,054</b>	<b>\$ 220,196</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

Item 1. Financial Statements (continued)

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited and in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Revenue:</b>				
Software and hosting fees	\$ 9,636	\$ 10,038	\$ 31,152	\$ 29,650
Services	33,546	28,407	97,171	82,964
Hardware and other	7,045	4,418	18,198	17,505
Recovery relating to bankrupt customer	—	—	848	—
<b>Total revenue</b>	<b>50,227</b>	<b>42,863</b>	<b>147,369</b>	<b>130,119</b>
<b>Costs and Expenses:</b>				
Cost of software and hosting fees	1,027	507	3,372	1,369
Cost of services	13,911	11,737	40,761	35,167
Cost of hardware and other	6,016	3,694	15,572	14,553
Research and development	6,822	5,471	20,583	15,715
Sales and marketing	7,276	6,899	23,456	19,649
General and administrative	6,041	5,149	17,644	15,550
Amortization of acquisition-related intangibles	866	534	2,454	1,602
Acquisition-related expenses	885	—	885	—
Restructuring charge	—	—	893	—
<b>Total costs and expenses</b>	<b>42,844</b>	<b>33,991</b>	<b>125,620</b>	<b>103,605</b>
Operating income	7,383	8,872	21,749	26,514
Other income, net	402	679	2,014	1,866
Income before income taxes	7,785	9,551	23,763	28,380
Income tax provision	2,795	3,579	8,444	10,652
<b>Net income</b>	<b>\$ 4,990</b>	<b>\$ 5,972</b>	<b>\$ 15,319</b>	<b>\$ 17,728</b>
Basic net income per share	\$ 0.17	\$ 0.21	\$ 0.52	\$ 0.62
Diluted net income per share	\$ 0.16	\$ 0.20	\$ 0.50	\$ 0.58
<b>Weighted average number of shares:</b>				
Basic	29,750	28,875	29,389	28,578
Diluted	31,208	30,301	30,746	30,483

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1. Financial Statements (continued)

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited and in thousands)

	Nine Months Ended September 30,	
	2003	2002
<b>Operating activities:</b>		
Net income	\$ 15,319	\$ 17,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,931	5,021
Amortization of acquisition-related intangibles	2,454	1,602
Stock compensation	38	48
Loss on disposal of equipment	—	11
Tax benefit of options exercised	8,609	11,120
Deferred income taxes	(437)	(319)
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,041)	(3,896)
Other assets	(542)	41
Accounts payable and accrued liabilities	(1,136)	(636)
Income taxes	(100)	1,967
Deferred revenue	2,709	810
	29,804	33,497
<b>Investing activities:</b>		
Purchase of property and equipment	(5,529)	(4,540)
Net maturities (purchases) of investments	43,796	(22,295)
Investment in Alien Technology Corp.	(2,000)	—
Payments in connection with the acquisition of ReturnCentral	(817)	—
	35,450	(26,835)
<b>Financing activities:</b>		
Repayment of note payable	—	(5,250)
Payment of capital lease obligations	(174)	(136)
Purchase of Manhattan common stock	—	(4,110)
Proceeds from issuance of common stock from options exercised	6,946	6,276
	6,772	(3,220)
Foreign currency impact on cash	(126)	84
	71,900	3,526
Cash and cash equivalents at beginning of period	64,664	84,029
	\$136,564	\$ 87,555
<b>Supplemental cash flow disclosures:</b>		
Net cash paid (received) for income taxes	\$ 278	\$ (2,641)
Cash paid for interest	\$ 12	\$ 241

See accompanying Notes to Condensed Consolidated Financial Statements.

## MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements September 30, 2003 (unaudited)

#### 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of our management, these condensed consolidated financial statements contain all normal adjustments considered necessary for a fair presentation of the financial position at September 30, 2003, the results of operations for the three and nine month periods ended September 30, 2003 and 2002 and changes in cash flows for the nine month periods ended September 30, 2003 and 2002. The results for the three month and nine month periods ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2002.

#### 2. Principles of Consolidation

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

#### 3. Revenue Recognition

Our revenue consists of Software and Hosting Fees, which consist of revenue from the licensing and hosting of software and revenue from funded research and development efforts; Services Revenue, which consist of fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions; and Hardware and Other Revenue, which consists of sales of hardware and reimbursed project expenses.

We recognize software license revenue under Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"), specifically when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. SOP 98-9 requires recognition of revenue using the "residual method" when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2, other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized under the percentage of completion method. We estimate the percentage of completion utilizing hours incurred to date as a percentage of total estimated hours to complete the project. We provide for project losses in their entirety in the period in which they become known. Hosting fees, which consist of fees for the license of our software and maintenance of the software and related hardware, are generally paid in advance and recognized ratably over the term of the hosting arrangement. We occasionally enter into funded research and development agreements for the enhancement of existing products or for the development of new products. Revenues from these funded development efforts are recognized under the percentage of completion method and included in the Software and Hosting Fees line item in our statement of operations. The costs associated with the

funded development efforts are included in the research and development line item in our statement of operations.

Our services revenue consists of fees generated from professional services, customer support services and software enhancement subscriptions related to our software products. Fees for our professional services are generally billed on an hourly basis, and revenue is recognized as we perform the services. Professional services are sometimes rendered under agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement, but only in instances when the scope of the project is reasonably quantifiable. We recognize revenue related to fixed-fee based contracts on a percent complete basis based on the hours incurred. We provide for project losses in their entirety in the period in which they become known. Fees related to customer support services and software enhancement subscriptions are generally paid in advance and recognized ratably over the term of the 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 solution, our customers frequently purchase hardware from us in conjunction with the licensing of software. These products include computer hardware, radio frequency terminal networks, bar code printers and scanners, and other peripherals. We recognize hardware revenue upon shipment to the customer when title passes. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

On January 22, 2002, a significant customer for 2001 filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, we recorded an allowance of \$4.3 million in 2001 to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. We recorded a recovery of approximately \$2.2 million of the allowance in the fourth quarter of 2002. Upon receiving the final cash settlement in June 2003, subsequent to the significant customer emerging from bankruptcy, we recovered the remaining \$848,000 of the allowance during the second quarter of 2003. The recovery was recorded as a separate revenue line item in the condensed consolidated statements of income and a reduction to the allowance for doubtful accounts in the condensed consolidated balance sheets during the second quarter of 2003.

#### **4. Investments**

Our investments in marketable securities consist of debt instruments of the U.S. Treasury, U.S. government agencies and corporate commercial paper. Investments with original maturities of less than 90 days are classified as cash equivalents, investments with original maturities of greater than 90 days but less than one year are classified as short-term investments, and those with original maturities of greater than one year are classified as long-term investments. Our long-term investments consist of debt instruments of U.S. government agencies and mature after one year through five years.

On July 11, 2003, we made a cash investment of \$2 million in Alien Technology Corp., a provider of ultra-low cost radio frequency identification (RFID) tags and hardware. The investment represents approximately a 1.5% ownership interest in the privately-held corporation. The investment has been accounted for under the cost method.

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## 5. Stock-Based Compensation

We account for our 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, record 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 consolidated balance sheets and is amortized over the periods to be benefited, generally the vesting period of the options. Effective in fiscal year 1996, we adopted the pro forma disclosure option for stock-based compensation issued to employees pursuant to Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123").

Pro forma information regarding net income and net income per share is required by SFAS No. 123, which requires that the information be determined as if we had accounted for our 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. The following pro forma information adjusts the net income and net income per share of common stock for the impact of SFAS No. 123:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands)		(in thousands)	
Net income:				
As reported	\$ 4,990	\$ 5,972	\$ 15,319	\$ 17,728
Add: Stock-based employee compensation expense included in reported net income	28	15	38	48
Deduct: Stock-based employee compensation expense determined under the fair-value method for all awards	\$(7,109)	\$(6,666)	\$(20,590)	\$(19,998)
Pro forma in accordance with SFAS No. 123	\$(2,091)	\$ (679)	\$ (5,233)	\$ (2,222)
Basic net income per share:				
As reported	\$ 0.17	\$ 0.21	\$ 0.52	\$ 0.62
Pro forma in accordance with SFAS No. 123	\$ (0.07)	\$ (0.02)	\$ (0.18)	\$ (0.08)
Diluted net income per share:				
As reported	\$ 0.16	\$ 0.20	\$ 0.50	\$ 0.58
Pro forma in accordance with SFAS No. 123	\$ (0.07)	\$ (0.02)	\$ (0.18)	\$ (0.08)

## 6. Comprehensive Income

Comprehensive income includes net income, foreign currency translation adjustments and unrealized gains and losses on investments that have been previously excluded from net income and reflected in shareholders' equity.

The following table sets forth the calculation of comprehensive income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands)		(in thousands)	
Net income	\$4,990	\$5,972	\$15,319	\$17,728
Other comprehensive income, net of tax:				
Unrealized loss on investments, net of taxes	(11)	(15)	(9)	(9)
Foreign currency translation adjustment, net of taxes	90	(19)	223	266
Total other comprehensive income, net of taxes	79	(34)	214	257
Comprehensive income	\$5,069	\$5,938	\$15,533	\$17,985



## 7. Net Income Per Share

Basic net income per share is computed using 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 net income divided by Weighted Shares plus common equivalent shares ("CESs") outstanding for each period presented using the treasury stock method.

The following is a reconciliation of the shares used in the computation of net income per share:

	Three Months Ended September 30, 2003		Three Months Ended September 30, 2002	
	Basic	Diluted	Basic	Diluted
	(in thousands)		(in thousands)	
Weighted Shares	29,750	29,750	28,875	28,875
Effect of CESs	—	1,458	—	1,426
	<u>29,750</u>	<u>31,208</u>	<u>28,875</u>	<u>30,301</u>

  

	Nine Months Ended September 30, 2003		Nine Months Ended September 30, 2002	
	Basic	Diluted	Basic	Diluted
	(in thousands)		(in thousands)	
Weighted Shares	29,389	29,389	28,578	28,578
Effect of CESs	—	1,357	—	1,905
	<u>29,389</u>	<u>30,746</u>	<u>28,578</u>	<u>30,483</u>

Weighted average shares issuable upon the exercise of stock options that were not included in the calculation of diluted earnings per share were 1,015,252 and 2,684,303 for the three months ended September 30, 2003 and 2002, respectively, and 2,361,056 and 1,219,275 for the nine months ended September 30, 2003 and 2002, respectively. Such shares were not included because they were antidilutive.

## 8. Foreign Operations

Total international revenue was approximately \$27.6 million and \$22.8 million for the nine months ended September 30, 2003 and 2002, respectively, which represents approximately 19% and 18% of total revenue, respectively. International revenue includes all revenue associated with sales of software, services and hardware outside the United States.

Total revenue for European operations was approximately \$22.9 million and \$18.7 million for the nine months ended September 30, 2003 and 2002, respectively, which represents approximately 16% and 14% of total revenue, respectively. Total net income for European operations was approximately \$0.2 million and \$0.5 million for the nine months ended September 30, 2003 and 2002, respectively. Total long-lived assets for European operations were approximately \$2.3 million and \$2.5 million as of September 30, 2003 and December 31, 2002, respectively.

## 9. Reclassifications

Certain reclassifications were made to the prior year's financial statements to conform to the 2003 presentation.

## 10. Acquisition

On June 30, 2003, we acquired certain assets of ReturnCentral, Inc. for a cash payment of approximately \$817,000. The purchase price includes the earnout recorded through September 30, 2003, and will be further adjusted for additional potential earnout based upon the total ReturnCentral software and services fees received and recognized by us prior to August 31, 2005. The earnout payment for the first twelve months is the sum of: (i) 30% of all ReturnCentral software fees up to and including \$800,000; plus 33% of all ReturnCentral software fees greater than \$800,000 and up to and including \$1.3 million; plus 36% of all ReturnCentral software fees greater than \$1.3 million and up to and including \$2.0 million; plus 40% of all ReturnCentral software fees greater than \$2.0 million; and (ii) 13% of all ReturnCentral service fees. The earnout payment, if any, for the following fourteen month period will be the sum of: (i) 30% of all ReturnCentral software fees up to and including \$2.0 million; plus 33% of all ReturnCentral software fees greater than \$2.0 million and up to and including \$3.0 million; plus 36% of all ReturnCentral software fees greater than \$3.0 million and up to and including \$4.0 million; plus 40% of all ReturnCentral software fees greater than \$4.0 million; and (ii) 13% of all ReturnCentral service fees. ReturnCentral provides reverse supply chain software and solutions. Through this acquisition, we will expand our reverse logistics capabilities to provide customers with an end-to-end returns management solution, which encompasses inbound returns management, returns processing management and outbound returns management. The entire purchase price has been allocated to acquired developed technology based on management's judgment. The acquisition has been accounted for under the purchase method of accounting, and the results of operations are included in our operations after June 30, 2003.

## 11. Restructuring Charge

During the quarter ended June 30, 2003, we recorded a restructuring charge relating to an internal reorganization of \$893,000. The restructuring charge is presented as a separate line item in the condensed consolidated statements of income. The reorganization more closely aligns our customer advocates with our implementation teams, and our customer support organization with our technical teams. The charge consists primarily of one-time severance payments to 25 employees. We anticipate that there will be no further costs relating to this reorganization in future quarters.

	2003 Charge	Utilized	To Be Utilized
Employee severance-related costs	\$893,000	\$786,000	\$ 107,000

## 12. Acquisition-Related Expenses

During the quarter ended September 30, 2003, we recorded expenses of approximately \$885,000 relating to fees incurred in connection with two potential acquisitions that we chose not to close. The acquisition-related expenses are presented as a separate line item in the condensed consolidated statements of income. The expenses consist primarily of legal, accounting and travel expenses associated with the two transactions.

## 13. New Accounting Pronouncements

In November 2002, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") issued EITF 00-21, "Revenue Arrangements with Multiple Deliverables," which addresses certain aspects of the accounting for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. Under EITF 00-21, revenue arrangements with multiple deliverables should be divided into separate units of accounting if the deliverables meet certain criteria, including whether the fair value of the delivered items can be determined and whether there is evidence of fair value of the undelivered items. In addition, the consideration should be allocated among the separate units of accounting based on their fair values, and the applicable revenue recognition criteria should be considered separately for each of the separate units of accounting. EITF 00-21 is effective for revenue arrangements we entered into after June 30, 2003. We

adopted EITF 00-21 on July 1, 2003. The adoption of this statement did not have a material effect on our condensed consolidated statements of income, financial position or liquidity.

In November 2002, the FASB issued Financial Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, which is an interpretation of SFAS Nos. 5, 57, and 107 and rescission of FASB Interpretation No. 34. The Interpretation requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. The Interpretation also requires additional disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees it has issued. The accounting requirements for the initial recognition of guarantees are applicable on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements were effective during the first quarter of 2003 for all guarantees outstanding, regardless of when they were issued or modified. Adoption of this interpretation did not have a material effect on our condensed consolidated statements of income or financial position. The following is a summary of our agreements that we have determined are within the scope of FIN 45:

Our sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with patent, copyright or trade secret infringement claims made by third parties with respect to the customer's authorized use of our products and services. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer, as well as our modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. Our sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by our personnel or contractors in the course of performing services to customers. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with death, personal injury and property damage claims made by third parties with respect to actions of our personnel or contractors. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer. The indemnity obligations contained in sales agreements generally have no specified expiration date and no specified monetary limitation on the amount of award covered. We have not previously incurred costs to settle claims or pay awards under these indemnification obligations. The Company accounts for these indemnity obligations in accordance with SFAS No. 5, *Accounting for Contingencies*, and records a liability for these obligations when a loss is probable and reasonably estimable. The Company has not recorded any liabilities for these agreements as of September 30, 2003.

We warrant that our software products will perform in all material respects in accordance with our standard published specifications in effect at the time of delivery of the licensed products to the customer for 90 days. Additionally, we warrant that our services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, we would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history, however, we have not incurred significant recurring expense under our product or service warranties. As a result, we believe the estimated fair value of these agreements is nominal. Accordingly, we have no liabilities recorded for these agreements as of September 30, 2003.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities—An Interpretation of Accounting Research Bulletin No. 51*. FIN 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual interests or other financial interests in the entity. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied during the first interim or annual period beginning after June 15, 2003. We adopted FIN 46 effective February 1, 2003.

We are evaluating whether Alien Technology Corp. is a variable interest entity. If that entity were a variable interest entity, we would not be the primary beneficiary and would not be required by FIN 46 to consolidate it. Our exposure to loss is limited to our \$2 million investment. See Note 4 for further details on the investment.

#### **14. Subsequent Event**

On October 14, 2003, we closed an Asset Purchase Agreement with Streamsoft L.L.C. ("Streamsoft"), a provider of warehouse optimization software. We acquired substantially all of the assets of Streamsoft for a purchase price of approximately \$1.5 million in cash plus a potential earnout based upon the total Streamsoft software fees received and recognized by us during the period starting on October 1, 2003 and ending on September 30, 2005. The earnout payment, if any, shall be calculated as 10% of all net software fees recognized, and is subject to additional terms and conditions, as defined in the purchase agreement. The acquisition will be accounted for under the purchase method of accounting, and the results of operations will be included in our operations after October 14, 2003.

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Forward-Looking Statements**

Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements related to plans for future business development activities, anticipated costs of revenues, product mix and service revenues, research and development and selling, general and administrative activities, and liquidity and capital needs and resources. When used in this report, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly Report. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see Exhibit 99.1 to our Annual Report on Form 10-K for the year ended December 31, 2002. Investors are cautioned that any 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.

### **Overview**

We are a leading global provider of technology-based solutions to improve the effectiveness of and the efficiencies within and across the supply chain. Our solutions, which consist of software, services and hardware, enhance distribution and transportation efficiencies through the real-time integration of supply chain constituents, including manufacturers, distributors, retailers, suppliers, transportation providers and consumers. Our software provides solutions for the four principal elements of supply chain execution, or SCE: warehouse management; transportation management; trading partner management; and performance management. Warehouse management solutions include the performance of the many processes that take place in the warehouse and distribution center, beginning with the placement of an order by a customer and ending with the order fulfillment process. Transportation management solutions include functionality that allows a company to optimally procure, plan and execute transportation services, including the delivery of the order to the end customer. Trading partner management solutions provide real-time synchronization of key processes and their associated information flows across the supply chain, including customer process synchronization, supplier process management, global inventory visibility, supply chain event management and returns management. Performance management solutions use analytic tools that allow distribution center managers to monitor events within the supply chain cycle, analyze historical data and generate reports. We also provide services, including design, configuration, implementation and training services, plus customer support services and software enhancement subscriptions.

### **Critical Accounting Policies and Estimates**

The condensed consolidated financial statements include our accounts and the accounts of our subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying condensed consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

## Revenues and Revenue Recognition

Our revenue consists of Software and Hosting Fees, which consist of revenue from the licensing and hosting of software and revenue from funded research and development efforts; Services Revenue, which consist of fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions; and Hardware and Other Revenue, which consists of sales of hardware and reimbursed project expenses.

Revenue recognition rules for software companies are very complex. Although we follow very specific and detailed guidelines in measuring revenue, the application of those guidelines require judgment including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence ("VSOE") of fair value exists for those elements. For arrangements that require the use of the percentage of completion method, the complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage of completion method of accounting affect the amounts of revenue and related expenses reported in our consolidated financial statements. A number of internal and external factors can affect our estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes.

We recognize software fees in accordance with Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. SOP 98-9 requires recognition of revenue using the "residual method" when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized under the percentage of completion method. We estimate the percentage of completion utilizing hours incurred to date as a percentage of total estimated hours to complete the project. We provide for project losses in their entirety in the period in which they become known. Hosting fees, which consist of fees for the license of our software and maintenance of the software and related hardware, are generally paid in advance and recognized ratably over the term of the hosting arrangement. We occasionally enter into funded research and development agreements for the enhancement of existing products or for the development of new products. Revenues from these funded development efforts are recognized under the percentage of completion method and included in the Software and Hosting Fees line item in our statement of operations. The costs associated with the funded development efforts are included in the research and development line item in our statement of operations.

Most of our software arrangements include professional services. Professional services revenues are generally accounted for separately from the software license revenues because the arrangements qualify as "service transactions" as defined by SOP 97-2. The most significant factors considered in determining whether the revenue should be accounted for separately include the nature of the services ( *i.e.*, consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors and timing of payments. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. From time to time, we will enter into professional services agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement. Revenue related to fixed-fee based contracts is recognized on a percent complete basis based on the hours incurred. Project losses are provided for in their entirety in the period in which they become known. Fees from customer support services and software enhancement subscriptions are

generally paid in advance and recognized as revenue ratably over the term of the agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, which are integrated with and complementary to our software solutions. These products include computer equipment, radio frequency terminal networks, bar code printers and scanners and other peripherals. We generally purchase hardware from our vendors only after receiving an order from a customer, and revenue is recognized upon shipment by the vendor to the customer.

#### *Accounts Receivable*

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Our top five customers for the respective years in aggregate accounted for 17% of total revenue for each of the nine months ended September 30, 2003 and 2002. No single customer accounted for more than 10% of total revenue during the nine months ended September 30, 2003 and 2002.

#### *Valuation of long-lived and intangible assets and goodwill*

Our business acquisitions have resulted in, and future acquisitions typically will result in, the recording of goodwill, which represents the excess of the purchase price over the fair value of assets acquired, as well as capitalized technology and other definite-lived intangible assets.

In 2002, Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142") became effective and as a result, we ceased amortizing goodwill and other intangible assets with indefinite lives. In lieu of amortization, we perform annual impairment reviews. We completed the initial impairment review of our goodwill and other intangible assets with indefinite lives on June 30, 2002 as required by SFAS No. 142 and no impairment losses were recognized. Additionally, we performed a periodic review of our goodwill and other intangible assets for impairment as of December 31, 2002, and did not identify any asset impairment as a result of the review. We will continue to test for impairment on an annual basis as of December 31, or on an interim basis if circumstances change that would indicate the possibility of an impairment. The impairment review requires an analysis of future projections and assumptions about our operating performance. Should such review indicate the assets are impaired, we would record an expense for the impaired assets.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. This new Statement also supercedes certain aspects of APB 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," with regard to reporting the effects of a disposal of a segment of a business. SFAS No. 144 requires that we evaluate long-lived assets based on the net future cash flow expected to be generated from the asset on an undiscounted basis whenever significant events or changes in circumstances occur that indicate that the carrying amount of an asset may not be recoverable. In addition, SFAS No. 144 requires expected future operating losses from discontinued operations to be reported as discontinued operations in the period incurred (rather than as of the measurement date as presently required by APB 30). In addition, more dispositions may qualify for discontinued operations treatment.

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## Acquisitions

On December 31, 2002, we acquired certain assets of Logistics.com, Inc. from Internet Capital Group for a cash payment of approximately \$21.2 million. The acquisition has been accounted for under the purchase method of accounting. The purchase price has been allocated to net assets assumed of \$0.7 million, acquired in-process research and development of \$1.5 million, acquired developed technology of \$1.5 million, and other intangible assets of \$17.5 million. Values assigned to the acquired in-process research and development ("IPRD") were determined using the income approach. To determine the value of the IPRD, we considered, among other factors, the state of development of each project, the time and costs required to complete each project, expected income and associated risks, which included the inherent difficulties and uncertainties in completing the project and achieving technological feasibility and risks related to the viability of and potential changes in future target markets. To date, there have been no material changes to the assumptions used in initially valuing the IPRD. This analysis resulted in amounts assigned to IPRD for projects that had not yet reached technological feasibility and do not have alternative future uses. Acquired developed technology is being amortized over the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. Approximately \$2.9 million, \$1.9 million and \$0.4 million of other intangible assets are being amortized over seven-year, five-year and two-year useful lives, respectively. The remaining \$12.3 million of goodwill will not be amortized, but will be reviewed for impairment on an annual basis. The allocation of purchase price is based on preliminary estimates of the fair value and the estimated useful life of the acquired assets and is subject to revision based upon the finalization of management's assessment of the fair value and estimated useful life of the acquired net assets, particularly intangible assets. Changes in the allocation of purchase price will be limited to changes to the estimated useful lives of other identified intangible assets, possibly resulting in a change in the allocation between indefinite-lived assets, which are not amortized, but rather are tested for impairment, and definite-lived assets, which are amortized over their useful lives.

On June 30, 2003, we acquired certain assets of ReturnCentral for a cash payment of approximately \$817,000. The purchase price includes the earnout recorded through September 30, 2003, and will be further adjusted for additional potential earnout based upon the total ReturnCentral software and services fees received and recognized by us prior to August 31, 2005. The earnout payment for the first twelve months is the sum of: (i) 30% of all ReturnCentral software fees up to and including \$800,000; plus 33% of all ReturnCentral software fees greater than \$800,000 and up to and including \$1.3 million; plus 36% of all ReturnCentral software fees greater than \$1.3 million and up to and including \$2.0 million; plus 40% of all ReturnCentral software fees greater than \$2.0 million; and (ii) 13% of all ReturnCentral service fees. The earnout payment, if any, for the following fourteen month period will be the sum of: (i) 30% of all ReturnCentral software fees up to and including \$2.0 million; plus 33% of all ReturnCentral software fees greater than \$2.0 million and up to and including \$3.0 million; plus 36% of all ReturnCentral software fees greater than \$3.0 million and up to and including \$4.0 million; plus 40% of all ReturnCentral software fees greater than \$4.0 million; and (ii) 13% of all ReturnCentral service fees. The entire purchase price has been allocated to acquired developed technology based on management's judgment. The acquisition has been accounted for under the purchase method of accounting, and the results of operations are included in our operations after June 30, 2003.

On October 14, 2003, we closed an Asset Purchase Agreement with Streamsoft, a provider of warehouse optimization software. We acquired substantially all of the assets of Streamsoft for a purchase price of approximately \$1.5 million in cash plus a potential earnout based upon the total Streamsoft software fees received and recognized by us during the period starting on October 1, 2003 and ending on September 30, 2005. The earnout payment, if any, shall be calculated as 10% of all net software fees recognized, and is subject to additional terms and conditions, as defined in the purchase agreement. The acquisition will be accounted for under the purchase method of accounting, and the results of operations will be included in our operations after October 14, 2003.



## Results of Operations

### Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

#### Revenue

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment, which are considered non-strategic. Total revenue increased 17% to \$50.2 million for the quarter ended September 30, 2003, from \$42.9 million for the quarter ended September 30, 2002. Software and hosting fees decreased by 4%, while services revenue and hardware and other revenue increased by 18% and 59%, respectively, as compared to the third quarter of 2002. The revenue growth during the third quarter of 2003 is attributable to revenue generated from our expanded product suite that includes our historical products and the products, including enhancements and modifications, we acquired from Logistics.com in December 2002 and ReturnCentral in June 2003. In spite of the increase in revenue over the comparable quarter of the prior year, we have continued to experience effects from a weak spending environment for information technology in the United States and Europe, in the form of delayed and cancelled buying decisions by customers for our software, services and hardware, deferrals by customers of service engagements previously scheduled and pressure by our customers and competitors to discount our offerings. We believe that prolonged continuation of or further deterioration in the current business climates, and the continued delay in capital spending within the United States and/or other geographic regions in which we operate, principally the United Kingdom and continental Europe, could have a material adverse impact on our future operations. There remains much uncertainty as to the future macro-economic and business environmental conditions, making forecasting difficult.

*Software and Hosting Fees.* Software and hosting fees decreased to \$9.6 million for the quarter ended September 30, 2003, from \$10.0 million for the quarter ended September 30, 2002, a decrease of \$0.4 million or 4%. The decrease was attributable to delayed and cancelled buying decisions by customers during the quarter as a result of the continued lower economic activity in the United States and Europe and reduced capital spending.

*Services.* Services revenue increased to \$33.5 million for the quarter ended September 30, 2003, from \$28.4 million for the quarter ended September 30, 2002, an increase of \$5.1 million or 18%. The increase in services revenue was principally due to: (i) increases in engagements required to implement software sold in the first six months of 2003 and to upgrade existing customers to more current versions of our offerings; and (ii) renewals of customer support services and software enhancement subscription agreements on a growing installed base. We have experienced some pricing pressures with regard to our services. We believe that the pricing pressures are attributable to global macro-economic conditions and competitive pressures.

*Hardware and other.* Hardware and other revenue increased to \$7.0 million for the quarter ended September 30, 2003, from \$4.4 million for the quarter ended September 30, 2002, an increase of \$2.6 million or 59%. Sales of hardware increased \$2.4 million to approximately \$5.3 million in the third quarter of 2003 from approximately \$2.9 million in the third quarter of 2002. Sales of hardware are non-strategic and largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in

hardware and other revenue. For the quarters ended September 30, 2003 and 2002, reimbursements by customers for out-of-pocket expenses were approximately \$1.7 million and \$1.5 million, respectively.

## **Costs and Expenses**

*Cost of Software and Hosting Fees.* Cost of software and hosting fees consists of the costs associated with software reproduction; hosting services; media, packaging and delivery, documentation and other related costs; royalties on third-party software sold with or as part of our products; and the amortization of capitalized research and development costs. Cost of software and hosting fees increased to \$1.0 million, or 11% of software and hosting fees, for the quarter ended September 30, 2003, from \$507,000, or 5% of software and hosting fees, for the quarter ended September 30, 2002. The increase in cost of software and hosting fees in the quarter ended September 30, 2003 is principally attributable to the costs associated with hosting our software solutions and to the mix of products sold, which resulted in higher royalties. We did not offer hosting services during 2002.

*Cost of Services.* Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. Cost of services increased by 19% to \$13.9 million, or 41% of services revenue, for the quarter ended September 30, 2003, from \$11.7 million, or 41% of services revenue, for the quarter ended September 30, 2002. The increase in cost of services is principally due to an increase in salary-related costs resulting from a 15% increase in the number of services personnel dedicated to the delivery of professional and technical services and annual compensation increases of approximately 5%.

*Cost of Hardware and Other.* Cost of hardware and other increased by 63% to \$6.0 million, or 85% of hardware and other revenue, for the quarter ended September 30, 2003, from \$3.7 million, or 84% of hardware and other revenue, for the quarter ended September 30, 2002. Cost of hardware and other increased as a direct result of higher sales of hardware. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately \$1.7 million and \$1.5 million for the quarters ended September 30, 2003 and 2002, respectively.

*Research and Development.* Research and development expenses principally consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Our research and development expenses increased by 25% to \$6.8 million, or 14% of total revenue, for the quarter ended September 30, 2003, from \$5.5 million, or 13% of total revenue, for the quarter ended September 30, 2002. The increase in research and development expenses for the third quarter of 2003 as compared to the third quarter of 2002 is principally attributable to an increase in the average number of full-time and contracted personnel dedicated to our ongoing research and development activities, including personnel related to transportation management, and the expansion of our offshore development center in India. Domestic research and development personnel increased by approximately 11%, while the number of personnel related to our offshore development center increased to 147 at September 30, 2003 from 23 at September 30, 2002. Our principal research and development activities in the third quarter of 2003 focused on the integration of the new products acquired from Logistics.com and ReturnCentral. In addition, certain research and development personnel were utilized to enhance existing products or develop new products for clients under funded development arrangements. Approximately \$120,000 of costs relating to funded development was included in research and development. The fees received for such efforts were included in software and hosting fees.

*Sales and Marketing.* Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing programs and related activities. Sales and marketing expenses increased by 5% to \$7.3 million, or 14% of total revenue, for the quarter ended September 30, 2003, from \$6.9 million, or 16% of total revenue, for the quarter ended September 30, 2002. The increase in sales and marketing expenses is principally

attributable to a slight increase in salary-related costs resulting from a 4% increase in the number of international and domestic sales and marketing personnel.

*General and Administrative.* General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources and administrative personnel, as well as facilities, depreciation and amortization, legal, insurance, accounting and other administrative expenses. General and administrative expenses increased by 17% to \$6.0 million, or 12% of total revenue, for the quarter ended September 30, 2003, from \$5.1 million, or 12% of total revenue, for the quarter ended September 30, 2002. The increase in general and administrative expenses is principally attributable to increased depreciation and amortization expense and administrative costs and personnel needed to grow our business and improve our infrastructure. General and administrative personnel increased by approximately 25% from September 30, 2002 to September 30, 2003. Depreciation expense included in general and administrative expenses was \$1.9 million and \$1.5 million for the quarters ended September 30, 2003 and 2002, respectively.

*Amortization of Acquisition-Related Intangibles.* We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions including the acquisitions of Logistics.com in December 2002 and ReturnCentral in June 2003. Amortization of acquisition-related intangibles which have finite lives and are separable from goodwill increased to \$866,000 for the quarter ended September 30, 2003, or 1.7% of total revenue, from \$534,000 for the quarter ended September 30, 2002, or 1.2% of total revenue. The increase in 2003 was attributable to amortization expense associated with the acquisitions of Logistics.com and ReturnCentral. Effective January 1, 2002, we adopted SFAS No. 142, which requires that goodwill and certain intangible assets, including those recorded in past business combinations and existing as of September 30, 2001, no longer be amortized to earnings, but instead be tested for impairment at least annually.

*Acquisition-Related Expenses.* During the quarter ended September 30, 2003, we recorded expenses of \$885,000, or 1.8% of total revenue, relating to fees incurred in connection with two potential acquisitions that we chose not to close. The acquisition-related expenses are presented as a separate line item in the condensed consolidated statements of income. The expenses consist primarily of legal, accounting and travel expenses associated with the two transactions.

#### **Other Income, net**

Other income, net decreased to \$0.4 million for the quarter ended September 30, 2003 from \$0.7 million for the quarter ended September 30, 2002. Other income, net for the third quarters of 2003 and 2002 include foreign exchange gains of approximately \$50,000 and \$200,000, respectively. Lower market interest rates have continued to reduce our return on invested cash, cash equivalents and investments. Our weighted-average interest rate on investment securities at September 30, 2003 approximated 1.1%, as compared to approximately 1.7% at September 30, 2002.

#### **Income Taxes**

The provision for income taxes was \$2.8 million, or 35.9% of taxable income, for the quarter ended September 30, 2003, compared to \$3.6 million, or 37.5% of taxable income, for the quarter ended September 30, 2002. The quarterly income tax rates reflect our estimated annual effective income tax rates and considers the source of estimated taxable income, effective state and international income tax rates and anticipated tax credits. The decrease to 35.9% in 2003 from 37.5% in 2002 is principally due to more anticipated income from international sources in 2003 along with an increase in research and development credits. The provision for income taxes for the quarters ending September 30, 2003 and

2002 does not include the \$2.8 million and \$3.5 million tax benefits realized from stock options exercised during the quarters, respectively. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

### Net Income Per Share

Diluted net income per share for the quarters ended September 30, 2003 and 2002 was \$0.16 and \$0.20, respectively, on fully diluted shares outstanding of 31,208,000 and 30,301,000, respectively. Excluding the tax-effected acquisition-related expenses and amortization of acquisition-related intangibles, diluted net income was \$6.1 million, or 12% of total revenue and \$0.20 per fully diluted share, for the quarter ended September 30, 2003. This compares to diluted net income of \$6.3 million, excluding tax-effected amortization of acquisition-related intangibles, or 15% of total revenue and \$0.21 per fully diluted share, for the quarter ended September 30, 2002. See reconciliation of non-GAAP net income included below.

### Adjusted Results of Operations

The following summary of adjusted consolidated selected statement of income data presents our non-GAAP results of operations for the three months ended September 30, 2003 and 2002, excluding the acquisition-related expenses and amortization of acquisition-related intangibles. We believe the exclusion of these items provide shareholders and potential investors a relevant summary of the results of our operations as they relate to our ongoing core business, and we use these measures internally to evaluate our operating performance. This information is not to be construed as a measurement of profitability under accounting principles generally accepted in the United States and is not to be accepted or used as an alternative to net income. Additionally, the adjusted results of operations, as presented, may not be consistent with measures used by other companies.

	Three Months Ended September 30,	
	2003	2002
	(In thousands, except per share data)	
<b>Adjusted Consolidated Statement of Income Data:</b>		
Revenues	\$ 50,227	\$ 42,863
Costs and expenses	41,093	33,457
Income from operations	9,134	9,406
Other income, net	402	679
Income before income taxes	9,536	10,085
Income tax expense:		
Tax provision	3,424	3,779
Net income	\$ 6,112	\$ 6,306
Diluted net income per share	\$ 0.20	\$ 0.21
Shares used in computing diluted net income per share	31,208	30,301

The following is a reconciliation of income from operations and net income to the amounts presented above:

	Three Months Ended September 30,	
	2003	2002
	(In thousands)	
GAAP income from operations	\$ 7,383	\$ 8,872
Acquisition-related expenses	885	—
Amortization of acquisition-related intangibles	866	534
Adjusted income from operations	\$ 9,134	\$ 9,406
GAAP net income	\$ 4,990	\$ 5,972
Acquisition-related expenses	885	—
Amortization of acquisition-related intangibles	866	534
Income tax effect of excluded items	(629)	(200)
Net effect of adjustments	1,122	334

Adjusted net income

\$ 6,112

\$ 6,306

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## Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

### Revenue

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment, which are considered non-strategic. Total revenue increased 13% to \$147.4 million for the nine months ended September 30, 2003, from \$130.1 million for the nine months ended September 30, 2002. Software and hosting fees, services revenue and hardware and other revenue increased by 5%, 17% and 4%, respectively, as compared to the nine months ended September 30, 2002. The revenue growth during 2003 is attributable to revenue generated from increased sales of our expanded product suite that includes our historical products and the products, including enhancements and modifications, we acquired from Logistics.com in December 2002 and ReturnCentral in June 2003. In spite of the increase in software and hosting fees and services revenue over the comparable nine months of the prior year, we have continued to experience effects from a weak spending environment for information technology in the United States and Europe, in the form of delayed and cancelled buying decisions by customers for our software, services and hardware, deferrals by customers of service engagements previously scheduled and pressure by our customers and competitors to discount our offerings. We believe that prolonged continuation of or further deterioration in the current business climates, and the continued delay in capital spending within the United States and/or other geographic regions in which we operate, principally the United Kingdom and continental Europe, could have a material adverse impact on our operations. There remains much uncertainty as to the future macro-economic and business environmental conditions, making forecasting difficult.

*Software and Hosting Fees.* Software and hosting fees increased to \$31.2 million for the nine months ended September 30, 2003, from \$29.7 million for the nine months ended September 30, 2002, an increase of \$1.5 million or 5%. The increase was attributable to hosting fees and revenue from funded development efforts. Hosting fees and funded development for the nine months ended September 30, 2003 were approximately \$2.8 million and \$0.5 million, respectively. There were no hosting fees or funded development in the nine months ended September 30, 2002.

*Services.* Services revenue increased to \$97.2 million for the nine months ended September 30, 2003, from \$83.0 million for the nine months ended September 30, 2002, an increase of \$14.2 million or 17%. The increase in services revenue was principally due to: (i) increases in engagements required to implement software sold in late 2002 and the first six months of 2003 and to upgrade existing customers to more current versions of our offerings; and (ii) renewals of customer support services and software enhancement subscription agreements on a growing installed base. We have experienced some pricing pressures with regard to our services. We believe that the pricing pressures are attributable to global macro-economic conditions and competitive pressures.

*Hardware and Other.* Hardware and other revenue increased to \$18.2 million for the nine months ended September 30, 2003, from \$17.5 million for the nine months ended September 30, 2002, an increase of \$0.7 million or 4%. Sales of hardware increased \$0.1 million to approximately \$13.5 million in the nine months ended September 30, 2003 from approximately \$13.4 million in the nine months ended September 30, 2002. Sales of hardware are non-strategic and largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. For the nine months ended September 30, 2003 and 2002, reimbursements by customers for out-of-pocket expenses were approximately \$4.7 million and \$4.1 million, respectively.

*Recovery relating to Bankrupt Customer.* On January 22, 2002, a significant customer for 2001 filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, we recorded an allowance of \$4.3 million in 2001 to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. We recorded a recovery of approximately \$2.2 million of the allowance in the fourth quarter of 2002. Upon receiving the final cash settlement in June 2003, subsequent to the significant customer emerging from bankruptcy, we recovered the remaining \$848,000 of the allowance during the third quarter of 2003. The recovery was recorded as a separate revenue line item in the condensed consolidated statements of income and a reduction to the allowance for doubtful accounts in the condensed consolidated balance sheets during the second quarter of 2003.

## **Costs and Expenses**

*Cost of Software and Hosting Fees.* Cost of software and hosting fees consists of the costs associated with software reproduction; hosting services; media, packaging and delivery, documentation and other related costs; royalties on third-party software sold with or as part of our products; and the amortization of capitalized research and development costs. Cost of software and hosting fees increased to \$3.4 million, or 11% of software and hosting fees, for the nine months ended September 30, 2003, from \$1.4 million, or 5% of software and hosting fees, for the nine months ended September 30, 2002. The increase in cost of software and hosting fees in the nine months ended September 30, 2003 is principally attributable to the costs associated with hosting our software solutions and to the mix of products sold, which resulted in higher royalties. As discussed above, we did not offer hosting services during 2002.

*Cost of Services.* Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. Cost of services increased by 16% to \$40.8 million, or 42% of services revenue, for the nine months ended September 30, 2003, from \$35.2 million, or 42% of services revenue, for the nine months ended September 30, 2002. The increase in cost of services is principally due to an increase in salary-related costs resulting from a 15% increase in the number of services personnel dedicated to the delivery of professional and technical services and annual compensation increases.

*Cost of Hardware and Other.* Cost of hardware and other increased by 7% to \$15.6 million, or 86% of hardware and other revenue, for the nine months ended September 30, 2003, from \$14.6 million, or 83% of hardware and other revenue, for the nine months ended September 30, 2002. Cost of hardware and other increased as a direct result of higher sales of hardware. The increase in the cost of hardware and other as a percentage of hardware and other revenue is due to an increase in the percentage of hardware products sold with relatively lower gross margins during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately \$4.7 million and \$4.1 million for the nine months ended September 30, 2003 and 2002, respectively.

*Research and Development.* Research and development expenses principally consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Our research and development expenses increased by 31% to \$20.6 million, or 14% of total revenue, for the nine months ended September 30, 2003, from \$15.7 million, or 12% of total revenue, for the nine months ended September 30, 2002. The increase in research and development expenses for the first nine months of 2003 as compared to the first nine months of 2002 is principally attributable to an increase in the average number of full-time and contracted personnel dedicated to our ongoing research and development activities, including personnel related to transportation management, and the expansion of our offshore development center in India. Domestic research and development personnel increased by

approximately 11%, while the number of personnel related to our offshore development center increased to 147 at September 30, 2003 from 23 at September 30, 2002. Our principal research and development activities in 2003 focused on the integration of the new products acquired from Logistics.com and ReturnCentral and the synchronized product release, which included expanded product functionality, interoperability and testing. In addition, certain research and development personnel were utilized to enhance existing products or develop new products for clients under funded development arrangements. Approximately \$480,000 of costs relating to funded development was included in research and development. The fees received for such efforts were included in software and hosting fees.

*Sales and Marketing.* Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing programs and related activities. Sales and marketing expenses increased by 19% to \$23.5 million, or 16% of total revenue, for the nine months ended September 30, 2003, from \$19.6 million, or 15% of total revenue, for the nine months ended September 30, 2002. The increase in sales and marketing expenses is principally attributable to: (i) an increase in salary-related costs resulting from a 4% increase in the number of international and domestic sales and marketing personnel; (ii) greater incentive compensation paid on a greater level of sales; and (iii) continued expansion of our sales and marketing programs, including the re-branding of our product suite in the second quarter of 2003.

*General and Administrative.* General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources and administrative personnel, as well as facilities, depreciation and amortization, legal, insurance, accounting and other administrative expenses. General and administrative expenses increased by 13% to \$17.6 million, or 12% of total revenue, for the nine months ended September 30, 2003, from \$15.6 million, or 12% of total revenue, for the nine months ended September 30, 2002. The increase in general and administrative expenses is principally attributable to increased depreciation and amortization expense and administrative costs and personnel needed to grow our business and improve our infrastructure. General and administrative personnel increased by approximately 25% from September 30, 2002 to September 30, 2003. Depreciation expense included in general and administrative expenses was \$5.7 million and \$5.0 million for the nine months ended September 30, 2003 and 2002, respectively.

*Amortization of Acquisition-Related Intangibles.* We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions including the acquisitions of Logistics.com in December 2002 and ReturnCentral in June 2003. Amortization of acquisition-related intangibles which have finite lives and are separable from goodwill increased to \$2.5 million for the nine months ended September 30, 2003, or 1.7% of total revenue, from \$1.6 million for the nine months ended September 30, 2002, or 1.2% of total revenue. The increase in 2003 was attributable to amortization expense associated with the acquisitions of Logistics.com and ReturnCentral. Effective January 1, 2002, we adopted SFAS No. 142, which requires that goodwill and certain intangible assets, including those recorded in past business combinations and existing as of September 30, 2001, no longer be amortized to earnings, but instead be tested for impairment at least annually.

*Acquisition-Related Expenses.* During the nine months ended September 30, 2003, we recorded expenses of \$885,000, or 0.6% of total revenue, relating to fees incurred in connection with two potential acquisitions that we chose not to close. The acquisition-related expenses are presented as a separate line item in the condensed consolidated statements of income. The expenses consist primarily of legal, accounting and travel expenses associated with the two transactions.



**Restructuring Charge.** During the nine months ended September 30, 2003, we recorded a restructuring charge relating to an internal reorganization of \$893,000, or 0.6% of total revenue. The reorganization more closely aligns our customer advocates with our implementation teams, and our customer support organization with our technical teams. The charge consists primarily of severance payments. Approximately \$786,000 was paid prior to September 30, 2003 and the remaining \$107,000 was accrued for and will be paid out within the next six months. We anticipate that there will be no further costs relating to this reorganization in future quarters.

#### **Other Income, net**

Other income, net increased to \$2.0 million for the nine months ended September 30, 2003 from \$1.9 million for the nine months ended September 30, 2002. Other income, net for the nine months ended September 30, 2003 and 2002 include foreign exchange gains of approximately \$900,000 and \$500,000, respectively. Lower market interest rates have continued to reduce our return on invested cash, cash equivalents and investments. Our weighted-average interest rate on investment securities at September 30, 2003 approximated 1.1%, as compared to approximately 1.7% at September 30, 2002.

#### **Income Taxes**

The provision for income taxes was \$8.4 million, or 35.5% of taxable income, for the nine months ended September 30, 2003, compared to \$10.7 million, or 37.5% of taxable income, for the nine months ended September 30, 2002. The income tax rates reflect our estimated annual effective income tax rates and considers the source of estimated taxable income, effective state and international income tax rates and anticipated tax credits. The decrease to 35.5% in 2003 from 37.5% in 2002 is principally due to more anticipated income from international sources in 2003 along with an increase in research and development credits. The provision for income taxes for the nine months ending September 30, 2003 and 2002 does not include the \$8.6 million and \$11.1 million tax benefits realized from stock options exercised during the first nine months of each year, respectively. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

#### **Net Income Per Share**

Diluted net income per share for the nine months ended September 30, 2003 and 2002 was \$0.50 and \$0.58, respectively, on fully diluted shares outstanding of 30,764,000 and 30,483,000, respectively. Excluding the tax-effected recovery relating to the bankrupt customer, acquisition-related expenses, restructuring charge and amortization of acquisition-related intangibles, diluted net income was \$17.5 million, or 12% of total revenue and \$0.57 per fully diluted share, for the nine months ended September 30, 2003. This compares to diluted net income of \$18.7 million, excluding tax-effected amortization of acquisition-related intangibles, or 14% of total revenue and \$0.61 per fully diluted share, for the nine months ended September 30, 2002. See reconciliation of non-GAAP net income included below.

## Adjusted Results of Operations

The following summary of adjusted consolidated selected statement of income data presents our non-GAAP results of operations for the nine months ended September 30, 2003 and 2002, excluding the recovery relating to the bankrupt customer, acquisition-related expenses, restructuring charge and amortization of acquisition-related intangibles. We believe the exclusion of these items provide shareholders and potential investors a relevant summary of the results of our operations as they relate to our ongoing core business, and we use these measures internally to evaluate our operating performance. This information is not to be construed as a measurement of profitability under accounting principles generally accepted in the United States and is not to be accepted or used as an alternative to net income. Additionally, the adjusted results of operations, as presented, may not be consistent with measures used by other companies.

	Nine Months Ended September 30,	
	2003	2002
(In thousands, except per share data)		
<b>Adjusted Consolidated Statement of Income Data:</b>		
Revenues	\$ 146,521	\$ 130,119
Costs and expenses	121,388	102,003
Income from operations	25,133	28,116
Other income, net	2,014	1,866
Income before income taxes	27,147	29,982
Income tax expense:		
Tax provision	9,650	11,253
Net income	\$ 17,497	\$ 18,729
Diluted net income per share	\$ 0.57	\$ 0.61
Shares used in computing diluted net income per share	30,746	30,483

The following is a reconciliation of income from operations and net income to the amounts presented above:

	Nine Months Ended September 30,	
	2003	2002
(In thousands)		
GAAP revenue	\$ 147,369	\$ 130,119
Recovery relating to bankrupt customer	(848)	—
Adjusted revenue	\$ 146,521	\$ 130,119
GAAP income from operations	\$ 21,749	\$ 26,514
Recovery relating to bankrupt customer	(848)	—
Acquisition-related expenses	885	—
Restructuring charge	893	—
Amortization of acquisition-related intangibles	2,454	1,602
Adjusted income from operations	\$ 25,133	\$ 28,116
GAAP net income	\$ 15,319	\$ 17,728
Recovery relating to bankrupt customer	(848)	—
Acquisition-related expenses	885	—
Restructuring charge	893	—
Amortization of acquisition-related intangibles	2,454	1,602
Income tax effect of excluded items	(1,206)	(601)
Net effect of adjustments	2,178	1,001
Adjusted net income	\$ 17,497	\$ 18,729



## Liquidity and Capital Resources

We have funded our operations primarily through cash generated from operations. As of September 30, 2003, we had approximately \$149.9 million in cash, cash equivalents and investments, as compared to approximately \$121.9 million at December 31, 2002.

Our operating activities provided cash of approximately \$29.8 million for the nine months ended September 30, 2003 and \$33.5 million for the nine months ended September 30, 2002. Cash from operating activities for the nine months ended September 30, 2003 arose principally from operating income, increases in prepayments of professional services, customer support services and software enhancement subscriptions, and income tax benefits arising from exercises of stock options by employees, offset by an increase in accounts receivable and a decrease in accrued compensation and benefits. Days sales outstanding increased to 66 days at September 30, 2003 from 65 days at December 31, 2002.

Our investing activities provided cash of approximately \$35.5 million for the nine months ended September 30, 2003 and used cash of approximately \$26.8 million for the nine months ended September 30, 2002. Cash from investing activities for the nine months ended September 30, 2003 arose principally from the sale of short-term investments (investments with original maturities greater than 90 days). Partially off-setting these sales, we purchased approximately \$5.5 million of capital equipment to support our business and infrastructure and also invested \$2.0 million in Alien Technology. As of September 30, 2003, we had approximately \$11.2 million in long-term investments (investments with original maturities greater than one year), as compared to \$0 at December 31, 2002. The increase was due to our decision during 2003 to invest a portion of our cash in long-term investments based on the higher interest rates.

Our financing activities provided cash of approximately \$6.8 million for the nine months ended September 30, 2003 and used cash of approximately \$3.2 million for the nine months ended September 30, 2002. The principal source of cash provided by financing activities in 2003 was from the proceeds of the issuance of common stock pursuant to the exercise of stock options. The principal use of cash for financing activities in 2002 was for repurchases of shares of our common stock pursuant to our previously amended stock repurchase program. On August 14, 2003, we announced a new stock repurchase program covering up to \$20 million of our common stock until July 17, 2004, and terminated our existing program.

We believe there are opportunities to grow our business through the acquisition of complementary and synergistic companies, products and technologies. Any material acquisition could result in a decrease to our working capital depending on the amount, timing and nature of the consideration to be paid.

We believe that our existing liquidity and expected cash flows from operations will satisfy our capital requirements for the foreseeable future. We believe that 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, although there can be no assurance that this will be the case.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

#### **Foreign Business**

Our 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, our future results could be materially adversely impacted by changes in these or other factors.

Total international revenue was approximately \$27.6 million and \$22.8 million for the nine months ended September 30, 2003 and 2002, respectively, which represents approximately 19% and 18% of our total revenue, respectively. International revenue includes all revenue associated with sales of software, services and hardware outside the United States.

To date, we have conducted our direct European operations out of offices in the United Kingdom, Holland and Germany, consisting of over 125 employees. Total revenue for European operations was approximately \$22.9 million and \$18.7 million for the nine months ended September 30, 2003 and 2002, respectively, which represents approximately 16% and 14% of total revenue, respectively. Total net income for European operations was approximately \$0.2 million and \$0.5 million for the nine months ended September 30, 2003 and 2002, respectively. These transactions are typically denominated in British Pounds and Euros. A fluctuation of 10% in the average exchange rate of the British Pound and Euro relative to the U.S. dollar during the nine months ended September 30, 2003 would have resulted in an increase or decrease in net income of approximately \$18,000.

We recognized foreign exchange rate gains of approximately \$882,000 and \$539,000 during the nine months ended September 30, 2003 and 2002, respectively. Foreign exchange rate transaction gains and losses are classified in "Other income, net" on our Condensed Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at September 30, 2003 relative to the U.S. dollar would result in approximately a \$700,000 change in the reported foreign currency gain.

#### **Interest Rates**

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating 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 derived from operations.

Interest income on our investments is classified in "Other income, net" on our Condensed Consolidated Statements of Income. We account for our investment instruments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). All of the cash equivalents and investments are treated as available-for-sale under SFAS No. 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, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if forced to sell securities that have seen a decline in market value due to changes in interest rates. The weighted-average interest rate on investment securities held at September 30, 2003 was approximately 1.1%, as compared to 1.7% at September 30, 2002. The fair value of cash equivalents and investments held at September 30, 2003 was \$143.3

million. Based on the average investments outstanding during 2003, an increase or decrease of 25 basis points would result in an increase or decrease to interest income of approximately \$200,000 from the reported interest income for the nine months ended September 30, 2003.

#### **Item 4. Controls and Procedures.**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of management, the effectiveness of our disclosure controls and procedures. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

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

On May 28, 2003, and February 10, 2003, we, along with four of our employees, were named as defendants in two separate lawsuits filed by EXE Technologies, Inc., a Delaware corporation, in the 191st Judicial District Court of Dallas County, Texas, and the Chancery Division of the Superior Court of Hudson County, New Jersey. These complaints allege unfair and anticompetitive business practices and misappropriation of EXE's proprietary information. In both lawsuits, EXE is seeking damages in an unspecified amount. Additionally, in New Jersey, EXE is seeking injunctive relief, and in Texas, EXE is seeking an accounting of the profits from any use of the proprietary information. We have filed counterclaims against EXE in both New Jersey and Texas alleging that EXE has abused the legal process, tortuously interfered with our employment relations, made defamatory statements outside of the legal process, and engaged in unfair competition. We are seeking damages in an unspecified amount, as well as other equitable relief. We believe that the allegations raised by EXE are without merit and are not material to our financial condition. No assurance can be given as to the ultimate outcome of these legal proceedings. We were not a party to any other material legal proceedings during the quarter covered by this report.

#### **Item 2. Changes in Securities and Use of Proceeds.**

No events occurred during the quarter covered by the report that would require a response to this item.

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**Item 3. Defaults Upon Senior Securities.**

No events occurred during the quarter covered by the report that would require a response to this item.

**Item 4. Submission of Matters to a Vote of Security Holders.**

No events occurred during the quarter covered by the report that would require a response to this item.

**Item 5. Other Information.**

No events occurred during the quarter covered by the report that would require a response to this item.

**Item 6. Exhibits and Reports on Form 8-K.**

(a) Exhibits.

Exhibit 3.2	Bylaws of the Registrant.
Exhibit 10.1	Executive Employment Agreement Second Modification by and between the Company and Richard M. Haddrill, effective November 10, 2003
Exhibit 31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports to be filed on Form 8-K.

On July 23, 2003, the Company filed a Current Report on Form 8-K providing disclosure on Items 7 and 9 of that Form.

On July 29, 2003, the Company filed a Current Report on Form 8-K providing disclosure on Item 9 of that Form.

\* In accordance with Release No. 34-47986, this exhibit is hereby furnished to the SEC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

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## SIGNATURES

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

### MANHATTAN ASSOCIATES, INC

Date: November 14, 2003

/s/ Richard M. Hadrill

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*Richard M. Hadrill*  
Chief Executive Officer, President and Director  
(Principal Executive Officer)

Date: November 14, 2003

/s/ Edward K. Quibell

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*Edward K. Quibell*  
Senior Vice President, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

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## EXHIBIT INDEX

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BYLAWS  
OF  
MANHATTAN ASSOCIATES, INC.  
COMPOSITE EFFECTIVE OCTOBER 27, 2003

BYLAWS  
OF  
MANHATTAN ASSOCIATES, INC.

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BYLAWS

OF

MANHATTAN ASSOCIATES, INC.

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References in these Bylaws of MANHATTAN ASSOCIATES, INC., a Georgia corporation (the "Corporation") (these "Bylaws") to "Articles of Incorporation" are to the Articles of Incorporation of the Corporation as amended and restated from time to time.

All of these Bylaws are subject to contrary provisions, if any, of the Articles of Incorporation (including provisions designating the preferences, limitations, and relative rights of any class or series of shares), the Georgia Business Corporation Code (the "Code"), and other applicable law, as in effect on and after the effective date of these Bylaws. References in these Bylaws to "Sections" shall refer to sections of the Bylaws, unless otherwise indicated.

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ARTICLE ONE

OFFICE

1.1 REGISTERED OFFICE AND AGENT. The Corporation shall maintain a registered office and shall have a registered agent whose business office is the same as the registered office.

1.2 PRINCIPAL OFFICE. The principal office of the Corporation shall be at the place designated in the Corporation's annual registration with

the Georgia Secretary of State.

1.3 OTHER OFFICES. In addition to its registered office and principal office, the Corporation may have offices at other locations either in or outside the State of Georgia.

## ARTICLE TWO

### SHAREHOLDERS' MEETINGS

2.1 PLACE OF MEETINGS. Meetings of the Corporation's shareholders may be held at any location inside or outside the State of Georgia designated by the Board of Directors or any other person or persons who properly call the meeting, or if the Board of Directors or such other person or persons do not specify a location, at the Corporation's principal office.

2.2 ANNUAL MEETINGS. The Corporation shall hold an annual meeting of shareholders, at a time determined by the Board of Directors, to elect directors and to transact any business that properly may come before the meeting. The annual meeting may be combined with any other meeting of shareholders, whether annual or special.

2.3 SPECIAL MEETINGS. Special meetings of shareholders of one or more classes or series of the Corporation's shares may be called at any time by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President, and shall be called by the Corporation upon the written request (in compliance with applicable requirements of the Code) of the holders of shares representing not less than 35% or more of the votes entitled to be cast on each issue proposed to be considered at the special meeting. The business that may be transacted at any special meeting of shareholders shall be limited to that proposed in the notice of the special meeting given in accordance with Section 2.4 (including related or incidental matters that may be necessary or appropriate to effectuate the proposed business).

2.4 NOTICE OF MEETINGS. In accordance with Section 9.5 and subject to waiver by a shareholder pursuant to Section 2.5, the Corporation shall give written notice of the date, time, and place of each annual and special shareholders' meeting no fewer than 10 days nor more than 60 days before the meeting date to each shareholder of record entitled to vote at the meeting. The notice of an annual meeting need not state the purpose of the meeting unless these Bylaws require otherwise. The notice of a special meeting shall state the purpose for which the meeting is called. If an annual or special shareholders' meeting is adjourned to a different date, time, or location, the Corporation shall give shareholders notice of the new date, time, or location of the adjourned meeting, unless a quorum of shareholders was present at the meeting and information regarding the adjournment was announced before the meeting was adjourned; provided, however, that if a new record date is or must be fixed in accordance with Section 7.6, the Corporation must give notice of the adjourned meeting to all shareholders of record as of the new record date who are entitled to vote at the adjourned meeting.

2.5 WAIVER OF NOTICE. A shareholder may waive any notice required by the Code, the Articles of Incorporation, or these Bylaws, before or after the date and time of the matter to which the notice relates, by delivering to the Corporation a written waiver of notice signed by the shareholder entitled to the notice. In addition, a shareholder's attendance at a meeting shall be (a) a waiver of objection to lack of notice or defective notice of the meeting unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (b) a waiver of objection to consideration of a particular matter at the meeting that is not within the purpose stated in the meeting notice, unless the shareholder objects to considering the matter when it is presented. Except as otherwise required by the Code, neither the purpose of nor the business transacted at the meeting need be specified in any waiver.

2.6 VOTING GROUP; QUORUM; VOTE REQUIRED TO ACT. (a) Unless

otherwise required by the Code or the Articles of Incorporation, all classes or series of the Corporation's shares entitled to vote generally on a matter shall for that purpose be considered a single voting group (a "Voting Group"). If either the Articles of Incorporation or the Code requires separate voting by two or more Voting Groups on a matter, action on that matter is taken only when voted upon by each such Voting Group separately. At all meetings of shareholders, any Voting Group entitled to vote on a matter may take action on the matter only if a quorum of that Voting Group exists at the meeting, and if a quorum exists, the Voting Group may take action on the matter notwithstanding the absence of a quorum of any other Voting Group that may be entitled to vote

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separately on the matter. Unless the Articles of Incorporation, these Bylaws, or the Code provides otherwise, the presence (in person or by proxy) of shares representing a majority of votes entitled to be cast on a matter by a Voting Group shall constitute a quorum of that Voting Group with regard to that matter. Once a share is present at any meeting other than solely to object to holding the meeting or transacting business at the meeting, the share shall be deemed present for quorum purposes for the remainder of the meeting and for any adjournments of that meeting, unless a new record date for the adjourned meeting is or must be set pursuant to Section 7.6 of these Bylaws.

(b) Except as provided in Section 3.4, if a quorum exists, action on a matter by a Voting Group is approved by that Voting Group if the votes cast within the Voting Group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, a provision of these Bylaws that has been adopted pursuant to Section 14-2-1021 of the Code (or any successor provision), or the Code requires a greater number of affirmative votes.

2.7 VOTING OF SHARES. Unless otherwise required by the Code or the Articles of Incorporation, each outstanding share of any class or series having voting rights shall be entitled to one vote on each matter that is submitted to a vote of shareholders.

2.8 PROXIES. A shareholder entitled to vote on a matter may vote in person or by proxy pursuant to an appointment executed in writing by the shareholder or by his or her attorney-in-fact. An appointment of a proxy shall be valid for 11 months from the date of its execution, unless a longer or shorter period is expressly stated in the appointment form.

2.9 PRESIDING OFFICIAL. Except as otherwise provided in this Section 2.9, the Chairman of the Board, and in his or her absence or disability the Chief Executive Officer, and in his or her absence or disability the President, shall preside at every shareholders' meeting (and any adjournment thereof) as its chairman, if either of them is present and willing to serve. If neither the Chairman of the Board, nor the Chief Executive Officer nor the President is present and willing to serve as chairman of the meeting, and if the Chairman of the Board has not designated another person who is present and willing to serve, then a majority of the Corporation's directors present at the meeting shall be entitled to designate a person to serve as chairman. If no director of the Corporation is present at the meeting or if a majority of the directors who are present cannot be established, then a chairman of the meeting shall be selected by a majority vote of (a) the shares present at the meeting that would be entitled to vote in an election of directors, or (b) if no such shares are present at the meeting, then the shares present at the meeting comprising the Voting Group with the largest number of shares present at the meeting and entitled to vote on a matter properly proposed to be considered at the meeting. The chairman of the meeting may designate other persons to assist with the meeting.

2.10 ADJOURNMENTS. At any meeting of shareholders (including an adjourned meeting), a majority of shares of any Voting Group present and entitled to vote at the meeting (whether or not those shares constitute a quorum) may adjourn the meeting, but only with respect to that Voting Group, to

reconvene at a specific time and place. If more than one Voting Group

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is present and entitled to vote on a matter at the meeting, then the meeting may be continued with respect to any such Voting Group that does not vote to adjourn as provided above, and such Voting Group may proceed to vote on any matter to which it is otherwise entitled to do so; provided, however, that if (a) more than one Voting Group is required to take action on a matter at the meeting and (b) any one of those Voting Groups votes to adjourn the meeting (in accordance with the preceding sentence), then the action shall not be deemed to have been taken until the requisite vote of any adjourned Voting Group is obtained at its reconvened meeting. The only business that may be transacted at any reconvened meeting is business that could have been transacted at the meeting that was adjourned, unless further notice of the adjourned meeting has been given in compliance with the requirements for a special meeting that specifies the additional purpose or purposes for which the meeting is called. Nothing contained in this Section 2.10 shall be deemed or otherwise construed to limit any lawful authority of the chairman of a meeting to adjourn the meeting.

2.11 CONDUCT OF THE MEETING. At any meeting of shareholders, the chairman of the meeting shall be entitled to establish the rules of order governing the conduct of business at the meeting.

2.12 INSPECTORS OF ELECTION. The Corporation shall appoint one or more persons, each of whom may be an officer or employee of the Corporation, to act as an inspector at each meeting of shareholders. At each such meeting of shareholders, the inspector shall be responsible for (i) ascertaining the number of shares outstanding and the voting power of each; (ii) determining the shares represents at such meeting; (iii) determining the validity of proxies and ballots; (iv) counting all votes; (v) determining the result of all votes; and (vi) making a written report of his or her determinations. In addition, such inspector shall take and sign an oath to execute faithfully his or her duties with strict impartiality and according to the best of his or her ability.

2.13 ACTION OF SHAREHOLDERS WITHOUT A MEETING. Action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if the action is taken by all shareholders entitled to vote on the action or, if permitted by the Articles of Incorporation, by persons who would be entitled to vote at a meeting shares having voting power to cast the requisite number of votes (or numbers, in the case of voting by groups) that would be necessary to authorize or take the action at a meeting at which all shareholders entitled to vote were present and voted. The action must be evidenced by one or more written consents describing the action taken, signed by shareholders entitled to take action without a meeting, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Such consents shall be executed by shareholders sufficient to act by written consent and received by the Corporation within sixty days of the date upon which such consent is dated. Where required by Section 14-2-704 or other applicable provision of the Code, the Corporation shall provide shareholders with written notice of actions taken without a meeting.

2.14 MATTERS CONSIDERED AT ANNUAL MEETINGS. Notwithstanding anything to the contrary in these Bylaws, the only business that may be conducted at an annual meeting of shareholders shall be business brought before the meeting (a) by or at the direction of the Board of Directors prior to the meeting, (b) by or at the direction of the Chairman of the Board, the

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Chief Executive Officer or the President, or (c) by a shareholder of the Corporation who is entitled to vote with respect to the business and who

complies with the notice procedures set forth in this Section 2.14. For business to be brought properly before an annual meeting by a shareholder, the shareholder must have given timely notice of the business in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered or mailed to and received at the principal offices of the Corporation, not less than 60 days before the date of the meeting at which the director(s) are to be elected or the proposal is to be considered; however, if less than 70 days notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the shareholder, to be timely, must be delivered or received not later than the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting is mailed to shareholders or public disclosure of the date of such meeting is made. A shareholder's notice to the Secretary shall set forth a brief description of each matter of business the shareholder proposes to bring before the meeting and the reasons for conducting that business at the meeting; the name, as it appears on the Corporation's books, and address of the shareholder proposing the business; the series or class and number of shares of the Corporation's capital stock that are beneficially owned by the shareholder; and any material interest of the shareholder in the proposed business. The chairman of the meeting shall have the discretion to declare to the meeting that any business proposed by a shareholder to be considered at the meeting is out of order and that such business shall not be transacted at the meeting if (i) the chairman concludes that the matter has been proposed in a manner inconsistent with this Section 2.14 or (ii) the chairman concludes that the subject matter of the proposed business is inappropriate for consideration by the shareholders at the meeting.

### ARTICLE THREE

#### BOARD OF DIRECTORS

3.1 GENERAL POWERS. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by, the Board of Directors, subject to any limitation set forth in the Articles of Incorporation, in bylaws approved by the shareholders, or in agreements among all the shareholders that are otherwise lawful.

3.2 NUMBER, ELECTION AND TERM OF OFFICE. The number of directors of the Corporation shall be fixed by resolution of the Board of Directors or of the shareholders from time to time and, until otherwise determined, shall be two; provided, however, that no decrease in the number of directors shall have the effect of shortening the term of an incumbent director. Except as provided in the Articles of Incorporation, elsewhere in this Section 3.2 and in Section 3.4, the directors shall be elected at each annual meeting of shareholders, or at a special meeting of shareholders called for purposes that include the election of directors, by a plurality of the votes cast by the shares entitled to vote and present at the meeting. Despite the expiration of a director's term, he or she shall continue to serve until his or her successor, if there is to be any, has been elected and has qualified.

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3.3 REMOVAL OF DIRECTORS. The entire Board of Directors or any individual director may be removed, with or without cause, by the shareholders, provided that Directors elected by a particular Voting Group may be removed only by the shareholders in that Voting Group. Removal action may be taken only at a shareholder's meeting for which notice of the removal action has been given. A removed director's successor, if any, may be elected at the same meeting to serve the unexpired term.

3.4 VACANCIES. A vacancy occurring in the Board of Directors may be filled for the unexpired term, unless the shareholders have elected a successor, by the affirmative vote of a majority of the remaining directors, whether or not the remaining directors constitute a quorum; provided, however, that if the vacant office was held by a director elected by a particular Voting Group, only the holders of shares of that Voting Group or the remaining directors elected by that Voting Group shall be entitled to fill the vacancy;

provided further, however, that if the vacant office was held by a director elected by a particular Voting Group and there is no remaining director elected by that Voting Group, the other remaining directors or director (elected by another Voting Group or Groups) may fill the vacancy during an interim period before the shareholders of the vacated director's Voting Group act to fill the vacancy. A vacancy or vacancies in the Board of Directors may result from the death, resignation, disqualification, or removal of any director, or from an increase in the number of directors.

3.5 COMPENSATION. Directors may receive such compensation for their services as directors as may be fixed by the Board of Directors from time to time. A director may also serve the Corporation in one or more capacities other than that of director and receive compensation for services rendered in those other capacities.

3.6 COMMITTEES OF THE BOARD OF DIRECTORS. The Board of Directors may designate from among its members an executive committee or one or more other standing or ad hoc committees, each consisting of one or more directors, who serve at the pleasure of the Board of Directors. Subject to the limitations imposed by the Code, each committee shall (i) have the authority set forth in the resolution establishing the committee or in any other resolution of the Board of Directors specifying, enlarging, or limiting the authority of the committee and (ii) conduct itself in accordance with the mechanical requirements of this Article Three.

3.7 QUALIFICATION OF DIRECTORS. No person elected to serve as a director of the Corporation shall assume office and begin serving unless and until duly qualified to serve, as determined by reference to the Code, the Articles of Incorporation, and any further eligibility requirements established in these Bylaws.

3.8 CERTAIN NOMINATION REQUIREMENTS. No person may be nominated for election as a director at any annual or special meeting of shareholders unless (a) the nomination has been or is being made pursuant to a recommendation or approval of the Board of Directors of the Corporation or a properly constituted committee of the Board of Directors previously delegated authority to recommend or approve nominees for director; (b) the person is nominated by a shareholder of the Corporation who is entitled to vote for the election of the nominee at the subject meeting, and the nominating shareholder has furnished written notice to the Secretary of

the Corporation, at the Corporation's principal office, not less than 60 days before the date of the meeting at which the director(s) are to be elected or the proposal is to be considered; however, if less than 70 days notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the shareholder, to be timely, must be delivered or received not later than the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting is mailed to shareholders or public disclosure of the date of such meeting is made and the notice (i) sets forth with respect to the person to be nominated his or her name, age, business and residence addresses, principal business or occupation during the past five years, any affiliation with or material interest in the Corporation or any transaction involving the Corporation, and any affiliation with or material interest in any person or entity having an interest materially adverse to the Corporation, and (ii) is accompanied by the sworn or certified statement of the shareholder that the nominee has consented to being nominated and that the shareholder believes the nominee will stand for election and will serve if elected; or (c) (i) the person is nominated to replace a person previously identified as a proposed nominee (in accordance with the provisions of subpart (b) of this Section 3.8) who has since become unable or unwilling to be nominated or to serve if elected, (ii) the shareholder who furnished such previous identification makes the replacement nomination and delivers to the Secretary of the Corporation (at the time of or prior to making the replacement nomination) an affidavit or other sworn statement affirming that the shareholder had no reason to believe the



original nominee would be so unable or unwilling, and (iii) such shareholder also furnishes in writing to the Secretary of the Corporation (at the time of or prior to making the replacement nomination) the same type of information about the replacement nominee as required by subpart (b) of this Section 3.8 to have been furnished about the original nominee. The chairman of any meeting of shareholders at which one or more directors are to be elected, for good cause shown and with proper regard for the orderly conduct of business at the meeting, may waive in whole or in part the operation of this Section 3.8.

#### ARTICLE FOUR

##### MEETINGS OF THE BOARD OF DIRECTORS

4.1 REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held in conjunction with each annual meeting of shareholders. In addition, the Board of Directors may hold regular meetings at other times established by prior resolution.

4.2 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the President, or any two directors in office at that time.

4.3 PLACE OF MEETINGS. Directors may hold their meetings at any place in or outside the State of Georgia that the Board of Directors may establish from time to time.

4.4 NOTICE OF MEETINGS. Directors need not be provided with notice of any regular meeting of the Board of Directors. Unless waived in accordance with Section 4.10, the

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Corporation shall give at least two days' notice to each director of the date, time, and place of each special meeting. Notice of a meeting shall be deemed to have been given to any director in attendance at any prior meeting at which the date, time, and place of the subsequent meeting was announced.

4.5 QUORUM At meetings of the Board of Directors, the greater of (a) a majority of the directors then in office, or (b) one-third of the number of directors fixed in accordance with these Bylaws shall constitute a quorum for the transaction of business.

4.6 VOTE REQUIRED FOR ACTION. If a quorum is present when a vote is taken, the vote of a majority of the directors present at the time of the vote will be the act of the Board of Directors, unless the vote of a greater number is required by the Code, the Articles of Incorporation, or these Bylaws. A director who is present at a meeting of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (a) he or she objects at the beginning of the meeting (or promptly upon his or her arrival) to holding the meeting or transacting business at it; (b) his or her dissent or abstention from the action taken is entered in the minutes of the meeting; or (c) he or she delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.7 PARTICIPATION BY CONFERENCE TELEPHONE. Members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment through which all persons participating may hear and speak to each other. Participation in a meeting pursuant to this Section 4.7 shall constitute presence in person at the meeting.

4.8 ACTION BY DIRECTORS WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken

without a meeting if a written consent, describing the action taken, is signed by each director and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. The consent may be executed in counterpart, and shall have the same force and effect as a unanimous vote of the Board of Directors at a duly convened meeting.

4.9 ADJOURNMENTS. A meeting of the Board of Directors, whether or not a quorum is present, may be adjourned by a majority of the directors present to reconvene at a specific time and place. It shall not be necessary to give notice to the directors of the reconvened meeting or of the business to be transacted, other than by announcement at the meeting that was adjourned, unless a quorum was not present at the meeting that was adjourned, in which case notice shall be given to directors in the same manner as for a special meeting. At any such reconvened meeting at which a quorum is present, any business may be transacted that could have been transacted at the meeting that was adjourned.

4.10 WAIVER OF NOTICE. A director may waive any notice required by the Code, the Articles of Incorporation, or these Bylaws before or after the date and time of the matter to which

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the notice relates, by a written waiver signed by the director and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Attendance by a director at a meeting shall constitute waiver of notice of the meeting, except where a director at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

## ARTICLE FIVE

### OFFICERS

5.1 OFFICERS. The officers of the Corporation shall consist of a President, a Secretary, and a Treasurer, and may include a Chief Executive Officer separate from the President, each of whom shall be elected or appointed by the Board of Directors. The Board of Directors may also elect a Chairman of the Board from among its members, which may be upon election designated an officer of the Corporation or a non-executive Chairman of the Board. The Board of Directors from time to time may, or may authorize the Chief Executive Officer or the President to, create and establish other offices and the duties thereof and may, or may authorize the Chief Executive Officer or the President to, elect or appoint, or authorize specific senior officers to appoint, the persons who shall hold such other offices, including one or more Vice Presidents (including Executive Vice Presidents, Senior Vice Presidents, Assistant Vice Presidents, and the like), one or more Assistant Secretaries, and one or more Assistant Treasurers. Whether or not so provided by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President may appoint one or more Assistant Secretaries, and one or more Assistant Treasurers. Any two or more offices may be held by the same person.

5.2 TERM. Each officer shall serve at the pleasure of the Board of Directors (or, if appointed by the Chief Executive Officer, the President, or a senior officer pursuant to this Article Five, at the pleasure of the Board of Directors, the Chief Executive Officer, the President, or the senior officer authorized to have appointed the officer) until his or her death, resignation, or removal, or until his or her replacement is elected or appointed in accordance with this Article Five.

5.3 COMPENSATION. The compensation of all officers of the Corporation shall be fixed by the Board of Directors or by a committee or officer appointed by the Board of Directors. Officers may serve without compensation.

5.4 REMOVAL. All officers (regardless of how elected or appointed)

may be removed, with or without cause, by the Board of Directors, and any officer appointed by the Chief Executive Officer, the President, or another senior officer may also be removed, with or without cause, by the Chief Executive Officer, the President, or by any senior officer authorized to have appointed the officer to be removed. Removal will be without prejudice to the contract rights, if any, of the person removed, but shall be effective notwithstanding any damage claim that may result from infringement of such contract rights.

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5.5 CHAIRMAN OF THE BOARD. The Chairman of the Board (if there be one), whether an officer or a non-executive Chairman of the Board, shall preside at and serve as chairman of meetings of the shareholders and of the Board of Directors (unless another person is selected under Section 2.9 to act as chairman). The Chairman of the Board shall perform other duties and have other authority as may from time to time be delegated by the Board of Directors.

5.6 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall be charged with the general and active management of the Corporation, shall see that all orders and resolutions of the Board of Directors are carried into effect, shall have the authority to select and appoint employees and agents of the Corporation, and shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board. The Chief Executive Officer shall perform any other duties and have any other authority as may be delegated from time to time by the Board of Directors, and shall be subject to the limitations fixed from time to time by the Board of Directors.

5.7 PRESIDENT. If there shall be no separate Chief Executive Officer of the Corporation, then the President shall be the chief executive officer of the Corporation and shall have all the duties and authority given under these Bylaws to the Chief Executive Officer. The President shall otherwise be the chief operating officer of the Corporation and shall, subject to the authority of the Chief Executive Officer, have responsibility for the conduct and general supervision of the business operations of the Corporation. The President shall perform such other duties and have such other authority as may from time to time be delegated by the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chief Executive Officer, the President shall perform the duties and exercise the powers of the Chief Executive Officer.

5.8 VICE PRESIDENTS. The Vice President (if there be one) shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, whether the duties and powers are specified in these Bylaws or otherwise. If the Corporation has more than one Vice President, the one designated by the Board of Directors or the Chief Executive Officer (in that order of precedence) shall act in the event of the absence or disability of the President. Vice Presidents shall perform any other duties and have any other authority as from time to time may be delegated by the Board of Directors, the Chief Executive Officer, or the President.

5.9 SECRETARY. The Secretary shall be responsible for preparing minutes of the meetings of shareholders, directors, and committees of directors and for authenticating records of the Corporation. The Secretary or any Assistant Secretary shall have authority to give all notices required by law or these Bylaws. The Secretary shall be responsible for the custody of the corporate books, records, contracts, and other documents. The Secretary or any Assistant Secretary may affix the corporate seal to any lawfully executed documents requiring it, may attest to the signature of any officer of the Corporation, and shall sign any instrument that requires the Secretary's signature. The Secretary or any Assistant Secretary shall perform any other duties and

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have any other authority as from time to time may be delegated by the Board of Directors, the Chief Executive Officer, or the President.

5.10 TREASURER. Unless otherwise provided by the Board of Directors, the Treasurer shall be responsible for the custody of all funds and securities belonging to the Corporation and for the receipt, deposit, or disbursement of these funds and securities under the direction of the Board of Directors. The Treasurer shall cause full and true accounts of all receipts and disbursements to be maintained and shall make reports of these receipts and disbursements to the Board of Directors, the Chief Executive Officer and President upon request. The Treasurer or Assistant Treasurer shall perform any other duties and have any other authority as from time to time may be delegated by the Board of Directors, the Chief Executive Officer, or the President.

## ARTICLE SIX

### DISTRIBUTIONS AND DIVIDENDS

Unless the Articles of Incorporation provide otherwise, the Board of Directors, from time to time in its discretion, may authorize or declare distributions or share dividends in accordance with the Code.

## ARTICLE SEVEN

### SHARES

7.1 SHARE CERTIFICATES. The interest of each shareholder in the Corporation shall be evidenced by a certificate or certificates representing shares of the Corporation, which shall be in such form as the Board of Directors from time to time may adopt in accordance with the Code. Share certificates shall be in registered form and shall indicate the date of issue, the name of the Corporation, that the Corporation is organized under the laws of the State of Georgia, the name of the shareholder, and the number and class of shares and designation of the series, if any, represented by the certificate. Each certificate shall be signed by the President or a Vice President (or in lieu thereof, by the Chairman of the Board or Chief Executive Officer, if there be one) and may be signed by the Secretary or an Assistant Secretary; provided, however, that where the certificate is signed (either manually or by facsimile) by a transfer agent, or registered by a registrar, the signatures of those officers may be facsimiles.

7.2 RIGHTS OF CORPORATION WITH RESPECT TO REGISTERED OWNERS. Prior to due presentation for transfer of registration of its shares, the Corporation may treat the registered owner of the shares (or the beneficial owner of the shares to the extent of any rights granted by a nominee certificate on file with the Corporation pursuant to any procedure that may be established by the Corporation in accordance with the Code) as the person exclusively entitled to vote the shares, to receive any dividend or other distribution with respect to the shares, and for all other purposes; and the Corporation shall not be bound to recognize any equitable or other claim

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to or interest in the shares on the part of any other person, whether or not it has express or other notice of such a claim or interest, except as otherwise provided by law.

7.3 TRANSFERS OF SHARES. Transfers of shares shall be made upon the books of the Corporation kept by the Corporation or by the transfer agent designated to transfer the shares, only upon direction of the person named in the certificate or by an attorney lawfully constituted in writing. Before a new certificate is issued, the old certificate shall be surrendered for cancellation or, in the case of a certificate alleged to have been lost, stolen, or destroyed, the provisions of Section 7.5 of these Bylaws shall have been

complied with.

7.4 DUTY OF CORPORATION TO REGISTER TRANSFER. Notwithstanding any of the provisions of Section 7.3 of these Bylaws, the Corporation is under a duty to register the transfer of its shares only if: (a) the share certificate is endorsed by the appropriate person or persons; (b) reasonable assurance is given that each required endorsement is genuine and effective; (c) the Corporation has no duty to inquire into adverse claims or has discharged any such duty; (d) any applicable law relating to the collection of taxes has been complied with; (e) the transfer is in fact rightful or is to a bona fide purchaser; and (f) the transfer is in compliance with applicable provisions of any transfer restrictions of which the Corporation shall have notice.

7.5 LOST, STOLEN, OR DESTROYED CERTIFICATES. Any person claiming a share certificate to be lost, stolen, or destroyed shall make an affidavit or affirmation of this claim in such a manner as the Corporation may require and shall, if the Corporation requires, give the Corporation a bond of indemnity in form and amount, and with one or more sureties satisfactory to the Corporation, as the Corporation may require, whereupon an appropriate new certificate may be issued in lieu of the one alleged to have been lost, stolen or destroyed.

7.6 FIXING OF RECORD DATE. For the purpose of determining shareholders (a) entitled to notice of or to vote at any meeting of shareholders or, if necessary, any adjournment thereof, (b) entitled to receive payment of any distribution or dividend, or (c) for any other proper purpose, the Board of Directors may fix in advance a date as the record date. The record date may not be more than 70 days (and, in the case of a notice to shareholders of a shareholders' meeting, not less than 10 days) prior to the date on which the particular action, requiring the determination of shareholders, is to be taken. A separate record date may be established for each Voting Group entitled to vote separately on a matter at a meeting. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting, unless the Board of Directors shall fix a new record date for the reconvened meeting, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

7.7 RECORD DATE IF NONE FIXED. If no record date is fixed as provided in Section 7.6, then the record date for any determination of shareholders that may be proper or required by law shall be, as appropriate, the date on which notice of a shareholders' meeting is mailed, the date on which the Board of Directors adopts a resolution declaring a dividend or authorizing a distribution, or the date on which any other action is taken that requires a determination of shareholders.

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## ARTICLE EIGHT

### INDEMNIFICATION

8.1 INDEMNIFICATION OF DIRECTORS. The Corporation shall indemnify and hold harmless any director of the Corporation (an "Indemnified Person") who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, whether formal or informal, including any action or suit by or in the right of the Corporation (for purposes of this Article Eight, collectively, a "Proceeding") because he or she is or was a director, officer, employee, or agent of the Corporation, against any judgment, settlement, penalty, fine, or reasonable expenses (including, but not limited to, attorneys' fees and disbursements, court costs, and expert witness fees) incurred with respect to the Proceeding (for purposes of this Article Eight, a "Liability"), provided, however, that no indemnification shall be made for: (a) any appropriation by a director, in violation of the director's duties, of any business opportunity of the corporation; (b) any acts or omissions of a director that involve intentional misconduct or a knowing violation of law; (c) the types of liability set forth in Code Section 14-2-832; or (d) any transaction from which the director received an improper personal benefit.

8.2 INDEMNIFICATION OF OTHERS. The Board of Directors shall have the power to cause the Corporation to provide to officers, employees, and agents of the Corporation all or any part of the right to indemnification permitted for such persons by appropriate provisions of the Code. Persons to be indemnified may be identified by position or name, and the right of indemnification may be different for each of the persons identified. Each officer, employee, or agent of the Corporation so identified shall be an "Indemnified Person" for purposes of the provisions of this Article Eight.

8.3 OTHER ORGANIZATIONS. The Corporation shall provide to each director, and the Board of Directors shall have the power to cause the Corporation to provide to any officer, employee, or agent, of the Corporation who is or was serving at the Corporation's request as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise all or any part of the right to indemnification and other rights of the type provided under Sections 8.1, 8.2, 8.4, and 8.10 of this Article Eight (subject to the conditions, limitations, and obligations specified in those Sections) permitted for such persons by appropriate provisions of the Code. Persons to be indemnified may be identified by position or name, and the right of indemnification may be different for each of the persons identified. Each person so identified shall be an "Indemnified Person" for purposes of the provisions of this Article Eight.

8.4 ADVANCES. Expenses (including, but not limited to, attorneys' fees and disbursements, court costs, and expert witness fees) incurred by an Indemnified Person in defending any Proceeding of the kind described in Sections 8.1 or 8.3, as to an Indemnified Person who is a director of the Corporation, or in Sections 8.2 or 8.3, as to other Indemnified

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Persons, if the Board of Directors has specified that advancement of expenses be made available to any such Indemnified Person, shall be paid by the Corporation in advance of the final disposition of such Proceeding as set forth herein. The Corporation shall promptly pay the amount of such expenses to the Indemnified Person, but in no event later than 10 days following the Indemnified Person's delivery to the Corporation of a written request for an advance pursuant to this Section 8.4, together with a reasonable accounting of such expenses; provided, however, that the Indemnified Person shall furnish the Corporation a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct and a written undertaking and agreement to repay to the Corporation any advances made pursuant to this Section 8.4 if it shall be determined that the Indemnified Person is not entitled to be indemnified by the Corporation for such amounts. The Corporation may make the advances contemplated by this Section 8.4 regardless of the Indemnified Person's financial ability to make repayment. Any advances and undertakings to repay pursuant to this Section 8.4 may be unsecured and interest-free.

8.5 NON-EXCLUSIVITY. Subject to any applicable limitation imposed by the Code or the Articles of Incorporation, the indemnification and advancement of expenses provided by or granted pursuant to this Article Eight shall not be exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any provision of the Articles of Incorporation, or any Bylaw, resolution, or agreement specifically or in general terms approved or ratified by the affirmative vote of holders of a majority of the shares entitled to be voted thereon.

8.6 INSURANCE. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who, while serving in such a capacity, is also or was also serving at the request of the Corporation as a director, officer, trustee, partner, employee, or agent of any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise,

against any Liability that may be asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article Eight.

8.7 NOTICE. If the Corporation indemnifies or advances expenses to a director under any of Sections 14-2-851 through 14-2-854 of the Code in connection with a Proceeding by or in the right of the Corporation, the Corporation shall, to the extent required by Section 14-2-1621 or any other applicable provision of the Code, report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders' meeting.

8.8 SECURITY. The Corporation may designate certain of its assets as collateral, provide self-insurance, establish one or more indemnification trusts, or otherwise secure or facilitate its ability to meet its obligations under this Article Eight, or under any indemnification agreement or plan of indemnification adopted and entered into in accordance with the provisions of this Article Eight, as the Board of Directors deems appropriate.

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8.9 AMENDMENT. Any amendment to this Article Eight that limits or otherwise adversely affects the right of indemnification, advancement of expenses, or other rights of any Indemnified Person hereunder shall, as to such Indemnified Person, apply only to Proceedings based on actions, events, or omissions (collectively, "Post Amendment Events") occurring after such amendment and after delivery of notice of such amendment to the Indemnified Person so affected. Any Indemnified Person shall, as to any Proceeding based on actions, events, or omissions occurring prior to the date of receipt of such notice, be entitled to the right of indemnification, advancement of expenses, and other rights under this Article Eight to the same extent as if such provisions had continued as part of the Bylaws of the Corporation without such amendment. This Section 8.9 cannot be altered, amended, or repealed in a manner effective as to any Indemnified Person (except as to Post Amendment Events) without the prior written consent of such Indemnified Person.

8.10 AGREEMENTS. The provisions of this Article Eight shall be deemed to constitute an agreement between the Corporation and each Indemnified Person hereunder. In addition to the rights provided in this Article Eight, the Corporation shall have the power, upon authorization by the Board of Directors, to enter into an agreement or agreements providing to any Indemnified Person indemnification rights substantially similar to those provided in this Article Eight.

8.11 CONTINUING BENEFITS. The rights of indemnification and advancement of expenses permitted or authorized by this Article Eight shall, unless otherwise provided when such rights are granted or conferred, continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

8.12 SUCCESSORS. For purposes of this Article Eight, the term "Corporation" shall include any corporation, joint venture, trust, partnership, or unincorporated business association that is the successor to all or substantially all of the business or assets of this Corporation, as a result of merger, consolidation, sale, liquidation, or otherwise, and any such successor shall be liable to the persons indemnified under this Article Eight on the same terms and conditions and to the same extent as this Corporation.

8.13 SEVERABILITY. Each of the Sections of this Article Eight, and each of the clauses set forth herein, shall be deemed separate and independent, and should any part of any such Section or clause be declared invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall in no way render invalid or unenforceable any other part thereof or any separate Section or clause of this Article Eight that is not

declared invalid or unenforceable.

8.14 ADDITIONAL INDEMNIFICATION. In addition to the specific indemnification rights set forth herein, the Corporation shall indemnify each of its directors and such of its officers as have been designated by the Board of Directors to the full extent permitted by action of the Board of Directors without shareholder approval under the Code or other laws of the State of Georgia as in effect from time to time.

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## ARTICLE NINE

### MISCELLANEOUS

9.1 INSPECTION OF BOOKS AND RECORDS. The Board of Directors shall have the power to determine which accounts, books, and records of the Corporation shall be available for shareholders to inspect or copy, except for those books and records required by the Code to be made available upon compliance by a shareholder with applicable requirements, and shall have the power to fix reasonable rules and regulations (including confidentiality restrictions and procedures) not in conflict with applicable law for the inspection and copying of accounts, books, and records that by law or by determination of the Board of Directors are made available. Unless required by the Code or otherwise provided by the Board of Directors, a shareholder of the Corporation holding less than two percent of the total shares of the Corporation then outstanding shall have no right to inspect the books and records of the Corporation.

9.2 FISCAL YEAR. The Board of Directors is authorized to fix the fiscal year of the Corporation and to change the fiscal year from time to time as it deems appropriate.

9.3 CORPORATE SEAL. The corporate seal will be in such form as the Board of Directors may from time to time determine. The Board of Directors may authorize the use of one or more facsimile forms of the corporate seal. The corporate seal need not be used unless its use is required by law, by these Bylaws, or by the Articles of Incorporation.

9.4 ANNUAL STATEMENTS. Not later than four months after the close of each fiscal year, and in any case prior to the next annual meeting of shareholders, the Corporation shall prepare (a) a balance sheet showing in reasonable detail the financial condition of the Corporation as of the close of its fiscal year, and (b) a profit and loss statement showing the results of its operations during its fiscal year. Upon receipt of written request, the Corporation promptly shall mail to any shareholder of record a copy of the most recent such balance sheet and profit and loss statement, in such form and with such information as the Code may require.

9.5 NOTICE. (a) Whenever these Bylaws require notice to be given to any shareholder or to any director, the notice may be given by mail, in person, by courier delivery, by telephone, or by telecopier, telegraph, or similar electronic means. Whenever notice is given to a shareholder or director by mail, the notice shall be sent by depositing the notice in a post office or letter box in a postage-prepaid, sealed envelope addressed to the shareholder or director at his or her address as it appears on the books of the Corporation. Any such written notice given by mail shall be effective: (i) if given to shareholders, at the time the same is deposited in the United States mail; and (ii) in all other cases, at the earliest of (x) when received or when delivered, properly addressed, to the addressee's last known principal place of business or residence, (y) five days after its deposit in the mail, as evidenced by the postmark, if mailed with first-class postage prepaid and correctly addressed, or (z) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of



the addressee. Whenever notice is given to a shareholder or director by any means other than mail, the notice shall be deemed given when received.

(b) In calculating time periods for notice, when a period of time measured in days, weeks, months, years, or other measurement of time is prescribed for the exercise of any privilege or the discharge of any duty, the first day shall not be counted but the last day shall be counted.

ARTICLE TEN

AMENDMENTS

Except as otherwise provided below or under the Code, the Board of Directors shall have the power to alter, amend, or repeal these Bylaws or adopt new Bylaws. Notwithstanding any other provision of these Bylaws, the Corporation's Articles of Incorporation or law, neither Section 2.3, 2.14 or 3.8, nor Article Eight hereof nor this Article Ten may be amended or repealed except upon the affirmative vote of holders of at least a majority of the total number of votes of the then outstanding shares of capital stock of the Company that are entitled to vote generally in the election of directors, voting together as a single class. Any Bylaws adopted by the Board of Directors may be altered, amended, or repealed, and new Bylaws adopted, by the shareholders. The shareholders may prescribe in adopting any Bylaw or Bylaws that the Bylaw or Bylaws so adopted shall not be altered, amended, or repealed by the Board of Directors.

EXECUTIVE EMPLOYMENT AGREEMENT  
SECOND MODIFICATION

The purpose of this letter is to modify and amend the Executive Employment Agreement (the "Agreement") by and between Manhattan Associates, Inc. a Georgia corporation ("Company"), and Richard Haddrill ("Executive") that was entered into the 11th day of October 1999, as modified by the Executive Employment Agreement Modification (the "First Modification") effective as of July 19, 2001, which remains in full force and effect other than as modified herein. This modification (the "Second Modification") shall be effective as of the date of execution. In the event of a conflict between this Second Modification and the Agreement as previously modified by the First Modification, the terms of this Second Modification shall control. Capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement.

WHEREAS, the Executive currently serves as President and Chief Executive Officer of the Company; and

WHEREAS, Executive has agreed to continue in the employ of the Company through December 31, 2004, in the position of President and Chief Executive Officer or such other position as may be designated by the Board of Directors of the Company upon the hiring of Executive's successor as Chief Executive Officer. In light of this agreement, Company has agreed to modify the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment and Duties.

A. Company shall continue to employ Executive as President and Chief Executive Officer through December 31, 2004. Executive hereby accepts employment on the terms set forth herein and in the Agreement as modified hereby. Executive shall continue to report to the Board of Directors.

B. Executive shall continue with the duties that have been established and as are normally associated with the duties of President and Chief Executive Officer. Specifically, Executive shall have overall primary responsibility for the functions of the Company.

C. Notwithstanding the foregoing, in the event that the Company hires a new Chief Executive Officer, Executive shall have such positions, titles, duties, and responsibilities as may be designated by the Board of Directors of the Company, which change will not constitute an event giving rise to Constructive Termination. Executive shall continue to report to the Board of Directors.

2. Term. The term of both this Second Modification and the Agreement will expire on December 31, 2004, and the Agreement will not be further extended under Section 4 of the Agreement.

3. Compensation.

A. Base Salary. During his employment hereunder, Company shall continue to pay Executive a base salary ("Base Salary") at the rate of \$29,775 per month (\$357,305 annualized), such amounts to be increased by 6% beginning January 1, 2004, subject to all standard employment deductions.

B. Option Grant. In addition to the stock option compensation provided to Executive pursuant to paragraphs 3.D. of the Agreement and 2.C. of the First Modification, the Company has granted Executive a nonqualified option (the "Option" and, collectively with such other option grants, the "Stock Options") to purchase 300,000 shares of the Company's common stock with a 10 year term at an exercise price per share of \$17.90, which amount was equal to the fair market value of a share of the Company's common stock as of the date of grant of the Option. The Option is subject to the terms and conditions set forth

in the Stock Option Grant, dated October 23, 2002, which memorializes the Option. Notwithstanding the foregoing, in the event that the

Executive is no longer serving as an officer or director of the Company, other than for Cause as defined in 5.A. of the Agreement, the entire Option or such portion thereof which shall have vested must be exercised within 2 years of the date that he is no longer an officer or director of the Company. In the event the Executive's employment is terminated for Cause or in the event of a volitional termination as defined in 5.B. of the Agreement prior to December 31, 2004, Executive shall have 30 days after such termination to exercise any vested Options. Notwithstanding any provision to the contrary and in lieu of any other provisions in the Agreement or the First Modification, in the event of a termination of Executive's employment, after October 1, 2004 and prior to January 1, 2005, by the Company other than for Cause or by Executive which constitutes Constructive Termination, all of Executive's options shall vest and all other terms including any restrictions on the Executive's outstanding Options shall continue in full force and effect.

C. Performance-Related Bonus. This paragraph supersedes Paragraph 2.B. of the First Modification and Paragraph 3.B. of the Agreement. For fiscal years 2003 and 2004, Executive shall be eligible to receive a performance-related bonus equal to 1.5% of the pre-tax operating income (as defined in the Agreement) for the respective year. The bonus amount for 2003 and 2004 shall be paid on or before March 31, 2004 and 2005, respectively; provided, however, that in the event of a termination of Executive's employment, prior to January 1, 2004 or 2005, respectively, by the Company for Cause or by Executive which does not constitute Constructive Termination, or Executive's failure to remain in the position of Chief Executive Officer for the entire 2003 or 2004 fiscal year, respectively, Executive shall forfeit any bonus, accrued or otherwise, for such year. In the event of a termination of Executive's employment, prior to January 1, 2004 or 2005, respectively, by the Company other than for Cause or by Executive which constitutes Constructive Termination, then Executive shall receive the bonus accrued for the period up to the last completed financial quarter preceding such Termination, payable within 30 days of such Termination or if the quarterly audit has not been completed by the Company's auditors, payable within 30 days of the completion of such audit. In no event, however, shall Executive's total compensation for any year (calculated as Base Salary plus performance-related or other cash bonuses) exceed \$1,000,000.

4. Severance. Notwithstanding any provision to the contrary and in lieu of any other provisions in the Agreement or the First Modification, in the event of a termination of Executive's employment, prior to December 31, 2004, by the Company other than for Cause or by Executive which constitutes Constructive Termination, the Company shall continue to pay Executive an amount equal to twice his annual Base Salary (in effect at the time of termination). Any severance payment hereunder shall be subject to all required deductions, and the Company's obligation to make the severance payments shall be conditioned upon Executive's (i) execution of a release agreement in the form attached to the Agreement as Exhibit A, and (ii) compliance with the restrictive covenants and all post-termination obligations contained in the Agreement. No severance shall be due for any termination upon or following the expiration of this Second Modification and the Agreement on December 31, 2004. Section 5.C. of the Agreement is hereby deleted in its entirety.

5. Constructive Termination. Notwithstanding any provision to the contrary in the Agreement or the First Modification, neither the assignment of Executive to a new position, having such title, duties, responsibilities, and reporting requirements as may be designated by the Board upon the hiring of a new Chief Executive Officer, nor (b) the changes to Executive's compensation provided in this Second Modification shall constitute Constructive Termination. Section 1.G., clause (A)(i) of the Agreement is hereby amended and replaced with the following: "the Executive is directed to report to other than the Board or the Executive is not timely paid his compensation under this Agreement".

6. Miscellaneous. Except as hereby modified and amended, the

Agreement, as modified by the First Modification, shall remain in full force and effect. Except to the extent preempted by federal law, and without regard to conflict of laws principles, the laws of the State of Georgia shall govern this Second Modification in all respects, whether as to its validity, construction, capacity, performance or otherwise. This Second Modification may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

Manhattan Associates, Inc.

By: /s/ John Huntz

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Name: John Huntz  
Title: Chairman  
Date: 11/10/03

EXECUTIVE:

/s/ Richard Haddrill

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Richard Haddrill  
Date: 11/04/03

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard M. Hadrill, Chief Executive Officer of Manhattan Associates, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of November, 2003.

/s/ Richard M. Hadrill

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Richard M. Hadrill, Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a)/15d-14(d), AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Edward K. Quibell, Chief Financial Officer of Manhattan Associates, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of November, 2003.

/s/ Edward K. Quibell

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Edward K. Quibell, Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal Procedures) of the United States Code and shall not be relied on by any person for any other purpose.

The undersigned, who are the Chief Executive Officer and Chief Financial Officer, respectively, of Manhattan Associates, Inc. (the "Company"), hereby each certify that, to the undersigned's knowledge:

The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2003 (the "Report"), which accompanies this Certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 14th day of November, 2003.

/s/ Richard M. Hadrill

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Richard M. Hadrill, Chief Executive Officer

/s/ Edward K. Quibell

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Edward K. Quibell, Chief Financial Officer