Table of Contents

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

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: 000-23999

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

Georgia	**58-2373424**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
2300 Windy Ridge Parkway, Suite 700 Atlanta, Georgia	**30339**
(Address of Principal Executive Offices)	*(Zip Code)*

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

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2006 was $541,525,106, which was calculated based upon a closing sales price of $20.29 per share of the Common Stock as reported by the Nasdaq Stock Market on the same day. As of March 13, 2007, the Registrant had outstanding 26,858,914 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 18, 2007 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

MANHATTAN ASSOCIATES, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2006
Table of Contents

Forward-Looking Statements

In addition to historical information, this Annual Report may contain "forward-looking statements" relating to Manhattan Associates, Inc. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are delays in product development, undetected software errors, competitive pressures, technical difficulties, market acceptance, availability of technical personnel, changes in customer requirements and general economic conditions. Additional factors are set forth in the *"Risk Factors"* in Part I, Item 1A of this Annual Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results. Our Annual Report on Form 10-K is available through our Website at www.manh.com.

PART I

Item 1. *Business*

Overview

We are a leading developer and provider of technology-based supply chain software solutions that help companies manage the effectiveness and efficiency of their supply chain. Our solutions consist of software, services and hardware and are used for both the planning and execution of supply chain activities. These solutions help coordinate the actions and communication of manufacturers, suppliers, distributors, retailers, transportation providers and consumers.

All of our solutions also include services such as design, configuration, implementation, product assessment and training as well as customer support and software enhancement subscriptions. Some key benefits of implementing our solutions include:

- Optimizing inventory levels;
- Improving inventory and order accuracy;
- Improving compliance with customer requirements, including radio frequency identification (RFID) and electronic product code (EPC) requirements;
- Facilitating multi-channel planning and fulfillment;
- Improving visibility of inventory, order status and delivery status;
- Enhancing communication with other participants in the supply chain, including suppliers, customers and transportation providers;
- Increasing the productivity of labor, facilities and materials-handling equipment; and
- Lowering transportation costs.

We are a Georgia corporation formed in February 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC, our predecessor. References in this filing to the "Company," "Manhattan," "Manhattan Associates," "we," "our," and "us" refer to Manhattan Associates, Inc., our predecessors, and our wholly-owned and consolidated subsidiaries. Our principal executive offices are located at 2300 Windy Ridge Parkway, Suite 700, Atlanta, Georgia 30339, and our telephone number is 770-955-7070.

Industry Background

Modern companies face increased globalization, outsourcing, channel convergence and regulatory and security requirements. In addition, technological innovations, such as RFID, rising logistics costs, increasing competition and smaller margins are causing companies to closely examine their supply chain operations. These companies have realized that, if planned and executed properly, the supply chain can be a major competitive differentiator.

The traditional push methodology, where companies would dictate customers' options, has given way to a more customer demand-driven, pull methodology. The result has been an increased need for better plans, increased communication with trading partners and a closer examination of business processes and systems. Unlike in the past, when companies were looking to simply establish supply chain management systems, they are now looking to maximize their investments across the supply chain. In doing so, they are seeking to solve specific operational inefficiencies with solutions that can scale as their business grows and integrate with other systems, such as their enterprise resource planning (ERP) system, material handling equipment or other solutions. In addition, companies are increasingly seeking to reduce the number of vendors they work with and increase overall integration without compromising quality or performance.

Manhattan Associates' Solutions and Services

Solutions. Our solutions are designed to enable our customers to manage their supply chain. They include planning components that allow companies to plan inventory, create forecasts and replenish inventory on an ongoing basis. They also include execution components that help companies manage the efficient flow of goods through distribution centers and transportation networks, while maintaining ongoing communication with trading partners. Our solutions operate across the Unix, System i (iSeries, AS/400) and Microsoft .NET computing platforms. Our solutions operate on multiple hardware platforms utilizing various hardware systems and inter-operate with many third-party software applications and legacy systems. This interfacing and open system capability enables customers to continue using their existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies. We provide adapters for most ERP systems to enhance communication and reduce implementation costs between our core products and our clients' host systems. We currently offer interfacing adapters to systems developed by Oracle, SAP, Lawson, JDA Software, Essentus and Intentia.

We call the combination of our supply chain planning solutions *Integrated Planning Solutions*™ which consist of the following:

- *Advanced Planning* allows companies to plan their inventory using several methodologies. Included in *Advanced Planning* are the following planning components:
  - *Financial and Item Planning*, which enables companies to develop top-down and bottom-up plans across multiple channels and multiple levels of the product hierarchy;
  - *Assortment Planning*, which supports defining, building and managing assortments to meet financial goals;
  - *Catalog Planning* and *Web Planning*, which support the unique planning requirements of the catalog and Web channels; and
  - *Promotion Planning*, which allows companies to plan and manage promotional events and assortments.
- *Demand Forecasting* enables companies to generate and maintain forecasts at different levels of product data. It also includes a *Promotion Forecasting* solution which generates a promotion forecast and promotional lift based on historical sales.
- *Replenishment* helps companies regulate, maintain and deploy inventory. It is also offered to companies for *Vendor Managed Inventory***,** as a solution to allow them to manage their own replenishment.

We refer to the combination of our supply chain execution solutions as *Integrated Logistics Solutions*™ which consist of the following:

- *Distributed Order Management* manages the order fulfillment process, capturing and allocating orders across multiple supply chain channels to balance supply with demand.
- *Warehouse Management* manages the processes that take place in a distribution center, beginning with the placement of an order by a customer and ending with the order fulfillment process. It includes a dynamic billing solution called *Billing Management*, which captures information from supply chain systems to enable logistics service providers to track and bill clients for inventory handling, storage, fulfillment and transportation activities.
- *Slotting Optimization* helps determine the optimal layout and placement of products in a distribution facility.
- *Labor Management* enables the tracking, monitoring and management of employee activities within the warehouse.
- *Transportation Management* allows companies to plan, procure and execute transportation services. Within Transportation Management are the following solutions: *Transportation Procurement*—which enables the development and management of a transportation strategy that considers business factors while soliciting bids from transportation providers and designing the execution plan around it; *Transportation Planning and Execution*—which allows shippers to execute on transportation plans and adjust their transportation network in real time based on events; Fleet Management—which allows companies to manage both private and dedicated fleets; *Audit Payment and Claims*—which automates freight invoicing processing, payment and reconciliation to provide closed loop financial reconciliation of transportation processes; and *Carrier Management*—which allows carriers to manage their overall transportation network and their use of resources and assets.
- *Yard Management* plans, executes, tracks and audits all incoming and outgoing loads, providing visibility into yard activities and managing both the yard and dock doors.
- *Trading Partner Management* synchronizes the business processes and communication of suppliers, manufacturers, distributors, logistics service providers and customers. It includes *Supplier Enablement*—which extends execution capabilities to vendors and factories trading partners through purchase order management and fulfillment and shipping management; *Logistics Hub Management*—which extends execution capabilities to hubs, enabling them to manage and create advance ship notices; *Carrier Enablement*—which provides visibility to in-transit shipments and allows carriers to provide shipment status to create greater visibility; and *Customer/Store Enablement*—which provides order and inventory visibility and Web-based order entry for both customers and shippers.
- *Reverse Logistics Management* manages and automates the returns process—tracking, storing, referencing and reporting on returned merchandise to increase net asset recovery.
- *RFID Solutions* help capture and track EPC data and utilize this information to better manage and track inventory. They include: *EPC Manager*—which captures and tracks unique EPC event data and integrates with other applications and existing systems to share this data; *Enterprise EPC Manager*—which collects EPC data across the entire enterprise into a single repository; and *Integration Manager for RFID*—which enables the integration of RFID capabilities with other solutions, includes other Manhattan Associates' solutions.

Our business intelligence solution is called *Performance Management*. Performance Management captures transaction-related data from our planning and execution solutions and transforms that data into actionable information.

Our business process platform, which we call *Logistics Event Management Architecture*™ (LEMA), manages the flow of data between our solutions.

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

Although our professional services are optional, substantially all of our customers use at least some portion of these services for the implementation and ongoing support of our software solutions. Professional services are typically rendered under time and materials-based contracts, with services typically billed on an hourly basis. Professional services are sometimes rendered under fixed-fee based contracts, with payments due on specific dates or milestones. We believe that increased sales of our software solutions will drive higher demand for our consulting services.

Our professional services group consists of business consultants, systems analysts and technical personnel devoted to assisting customers in all phases of the implementation of our systems, including planning and design, customer-specific configuring of modules, and on-site implementation or conversion from existing systems. Our consulting personnel undergo extensive training on supply chain operations and our products. We believe that this training enables us to productively use newly-hired consulting personnel. At times, we use third-party consultants, such as those from major systems integrators, to assist our customers in certain implementations.

We have developed a proprietary, standardized implementation methodology called PRISM, which leverages our solutions' architecture with the knowledge and expertise gained from completing more than 2,500 installations worldwide. The modular design of our solutions significantly reduces the complexities associated with integrating to existing systems, including ERP, Supply Chain Management (SCM), Customer Relationship Management (CRM), e-business systems and complex material handling systems. As a result, we have been able to deploy a fully automated inbound and outbound supply chain execution system in less than two months.

Customer Support Services and Software Enhancements. We offer a comprehensive program that provides our customers with software upgrades that offer additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. Over the last three years, our annual renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. We have the ability to remotely access the customer's system in order to perform diagnostics, on-line assistance and assist in software upgrades. We offer 24x7 customer support plus software upgrades for an annual fee paid in advance, determined based on the level of service needed by the customer. Our upgrades are provided under this program on a when-and-if available basis.

Training. We offer training in a structured environment for new and existing users. Training programs are provided on a per-person, per-class basis at fixed fees. We currently have courses available to provide training on solution use, configuration, implementation and system administration. We have also developed several computer-based training programs that can be purchased for a fixed fee for use at client sites.

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

Strategy

Our objective is to extend our position as a leading supply chain solutions provider. These solutions help global manufacturers, wholesalers, retailers and logistics providers successfully manage growing demands as well as the increasing complexity and volatility of their local and global supply chains. Our solutions are advanced, highly functional, highly scalable and allow our customers to improve relationships with suppliers, customers and logistics providers, leverage their investments across the supply chain, effectively manage costs and meet dynamically changing customer requirements. Our strategies to accomplish our objective include the following:

Develop and Enhance Software Solutions. We intend to continue to focus our product development resources on the development and enhancement of our software solutions. We offer what we believe to be the broadest solution set in the supply chain solutions marketplace, to address all aspects of advanced planning, demand forecasting, replenishment, distributed order management, warehouse management, slotting optimization, labor management, yard management, transportation management, trading partner management, reverse logistics management, RFID and performance management. In order to provide additional functionality and value to our solutions, we plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify further enhancements to our solutions and opportunities for new solutions through our customer support organization as well as ongoing customer consulting engagements and implementations, interactions with our user groups and participation in industry standards and research committees. Our solutions address the needs of customers in various vertical markets including retail, consumer goods, food and grocery, logistics service providers, industrial and wholesale, high technology and electronics, life sciences and government. We intend to continue to enhance the functionality of our solutions to meet the dynamic requirements of these vertical markets as well as new vertical markets.

Expand International Sales. We believe that our solutions offer significant benefits to customers in international markets. We have over 900 employees outside the United States focused on international sales, servicing our international clients and product development. We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, Middle East, and Asia. Our international strategy includes leveraging the strength of our relationships with current customers that also have significant overseas operations and the pursuit of strategic marketing partnerships with international systems integrators and third-party software application providers.

Expand Our Strategic Alliances and Indirect Sales Channels. We currently sell our products primarily through our direct sales personnel and select resellers. We have worked on joint projects and joint sales initiatives with industry-leading consultants and software systems implementers, including most of the large consulting firms and other systems consulting firms specializing in our targeted industries, to supplement our direct sales force and professional services organization. We have been expanding our indirect sales channels through reseller agreements, marketing agreements, agreements with third-party logistics providers and Microsoft business partners. These alliances extend our market coverage and provide us with new business leads and access to trained implementation personnel. We have strategic alliances with complementary software providers, third party integrators/consultants and hardware vendors including CSC Consulting, HP Technology, IBM, KSA Consulting, Microsoft, Q4 Logistics, Sedlak, Tompkins, UPS Technology and Vocollect.

Acquire or Invest in Complementary Businesses. We intend to pursue strategic acquisitions of technologies, solutions and businesses that enable us to enhance and expand our supply chain planning and execution solutions and service offerings. More specifically, we intend to pursue acquisitions that will provide us with complementary solutions and technologies, expand our geographic presence and distribution channels, extend our presence into other vertical markets with similar challenges and requirements of those we currently meet and/or further solidify our leadership position within the primary components of supply chain planning and execution.

Sales and Marketing

We employ multiple discipline sales teams that consist of professionals with industry experience in sales and technical sales support. To date, we have generated the majority of our revenue from sales of software through our direct sales force. We plan to continue to invest significantly to expand our sales, services and marketing organizations within the United States, Europe, the Middle East and Africa (“EMEA”) and Asia Pacific and to pursue strategic marketing partnerships. We conduct comprehensive marketing programs that include lead generation, public relations, trade shows, joint programs with vendors and consultants and ongoing customer communication programs. The sales cycle typically begins with the generation of a sales lead, through in-house telemarketing efforts, trade shows or other means of referral, or the receipt of a request for proposal from a prospective customer. The sales lead or request for proposal is followed by the qualification of the lead or prospect, an assessment of the customer’s requirements, a formal response to the request for proposal, presentations and product demonstrations, site visits to an existing customer using our supply chain solutions and contract negotiation. The sales cycle can vary substantially from customer to customer, but typically requires three to nine months.

In addition to new customer sales, we will continue to leverage our existing customer base to provide for system upgrades, sales of additional licenses of purchased solutions and sales of new or add-on solutions. We also plan to further develop and expand our indirect sales channels, including sales through reseller agreements, marketing agreements and agreements with third-party logistics providers. To extend our market coverage and to provide us with new business leads and access to trained implementation personnel, we further intend to develop and expand our strategic alliances with systems integrators capable of performing implementations of our solutions. Business referrals and leads helping us to grow our business continue to be positively influenced by systems integrators, which include most of the large consulting firms and other systems consulting firms specializing in our targeted industries. We believe that our leadership position in providing supply chain solutions perpetuates the willingness of systems integrators to recommend our solutions where appropriate.

We have an established program intended to foster joint sales and marketing efforts with our business partners. In some cases, this includes joint development work to make our products and our partner's products interface seamlessly. Among others, partnerships arising from our Manhattan Associates Partner Program (MAP2) include: Accenture—a global management consulting, technology services, and outsourcing company committed to delivering innovation; CSC Consulting—global information technology (IT) services company; Hewlett-Packard—technology solutions provider to consumers, businesses and institutions globally; IBM—world's largest information technology company which develops, manufactures and markets semiconductor and interconnect technologies, products and services; KSA Consulting—premier global management consulting firm offering integrated strategy, process and technology deployment solutions to the consumer products and retail industries; Microsoft—worldwide leader in software, services and solutions that help people and businesses realize their full potential; Q4, a division of Fortna—supply chain design and implementation solutions provider; Sedlak—a supply chain consulting company; Tompkins—a leading operations-focused consulting and integration firm, specializing in end-to-end supply chain solutions; UPS Technology—the world's largest package delivery company and a leading global provider of specialized transportation and logistics services; and Vocollect—a global leader in voice-directed work.

Customers

To date, our customers have been suppliers, manufacturers, distributors, retailers and logistics providers in a variety of industries. The following table sets forth a representative list of customers that contracted to purchase solutions and services from us in 2006.

Industries
Aldes
Alidi
Alliance Boots
Alshaya Trading
Alternativa
Anderson Media
Argos Limited
ASICS AMERICA
Associated Food Stores
Associated Wholesale Grocers
AtomicBox
Barnes Distribution
Bidvest Group
Blair Corporation
Botanic
Build-A-Bear Workshop
Bulova Corporation
C&J Clark America
C.S. Brooks World Carpets
Cabela’s Incorporated
CargoCare
Carole Hochman Designs
Catering Engros
Central Grocers
Cingular Wireless
Con-Way Truckload Services
Cornerstone Brands
Croscill
Custom Building Products, Inc.
David’s Bridal
DeCA
Del Monte Fresh Produce
Deluxe Film Services
DHL Logistics Singapore Pte Ltd
Donaldson Company, Inc.
Electronics for Imaging
Ergon SCM de Mexico SA de CV
Exel
Family Dollar
Fiskars Brands
Fitness Quest
Fowler Welch Coolchain
Fujitsu Asia Pte. Ltd.
GAZAL Apparel Pty Limited
Genuine Parts
Godiva Chocolatier
Goodman Global Holding
Gopher Sport
H&O Distribution
H.D. Smith Wholesale Drug Co.
Halfords
Hanesbrands
Henkel Consumer Adhesives
Holiday
Hot Springs
Hudd Distribution Services
IFC Warehousing & Distribution
Innotrac Corporation
Inter-Fab, Inc
Interstate Distributor Co.
IP Budin
Jack Link’s Beef Jerky
Kangxin Logistics Co., Ltd.,
Kohl’s Departments Stores
Kontena
Lenta
Lianozovo Dairy
Meyer Group Ltd
MGA Entertainment, Inc.
MOL Logistics
Mothercare UK
Nature’s Best
Newark Electronics
Nissin Corporation
Northern Safety Co.
Office Depot
Okaidi
Pacific Sunwear of California, Inc.
Paris S.A.
Payless ShoeSource
Perfect 10 Satellite Distribution
Performance Team Freight Systems
Phillips Van Heusen Corporation
PJ Food Service
PT Matahari Putra Pima Tbk
PUMA North America
Recreational Equipment, Inc.
Rocky Brands
Ronco
Sara Lee Corporation
School Apparel
Sentry Logistics
Servicios Empresariales Zimag S.A. de C.V.
Shanghai Paradise Electrical Appliances Co., Ltd
Shenzhen Jin Tian Logistics Technology
Speed Transportation
Springs Global US, Inc.
Sturm Foods, Inc.
StyleMark
Sumifru Corporation
Sunrise Technologies
Sysco Corporation
Systems Material Handling
Teva Pharmaceuticals
The Hillman Group
The Jay Group
The Orvis Company
The Tranzonic Company
Thermwell Products Co., Inc.
TNT Logistics
Toshiba TEC America
Transtar Industries, Inc.
Tyco Healthcare Group
Under Armour, Inc.
US Foodservice
UWT Logistics LLC
Ventura Foods
Vera Bradley Designs
VF
Walls Industries
Warnaco,Inc.

Our top five customers in aggregate accounted for 16%, 14% and 14% of total revenue for each of the years ended December 31, 2006, 2005 and 2004, respectively. No single customer accounted for more than 10% of revenue in 2006, 2005 or 2004.

Product Development

Our development efforts are focused on adding new functionality to existing solutions, integrating the various solution offerings, enhancing the operability of our solutions across distributed and alternative hardware platforms, operating systems and database systems and developing new solutions. We believe that our future success depends in part upon our ability to continue to enhance existing solutions, to respond to dynamically changing customer requirements and to develop new or enhanced solutions that incorporate new technological developments and emerging supply chain and industry standards. To that end, our development efforts frequently focus on base system enhancements and the incorporation into our solutions of new user requirements and features identified and created through customer and industry interactions and systems implementations. As a result, we are able to continue to offer our customers a packaged, highly configurable solution with increasing functionality rather than a custom-developed software program. We have also developed interface toolkits for most major ERP systems to enhance communication and improve data flows between our core solutions and our clients' host systems.

We plan to principally conduct our development efforts internally in order to retain development knowledge and promote the continuity of programming standards; however, some projects that can be performed separately and/or require special skills may be outsourced. Periodically, we use third-party research and development companies to localize our products into Chinese, Danish, French, German, Japanese, Korean, Spanish and Swedish. We also established a development center in Bangalore, India during 2002, which now has approximately 480 research and development professionals.

We continue to devote a significant portion of our research and development efforts to the enhancement and integration of all of our solutions. We have developed a release program for all solutions, which provides our customers with updates to our solutions. Our product development efforts will principally be focused on enhancement of our existing solutions, development of new solutions and modules and continued localization of our solutions into various international markets.

Our research and development expenses for the years ended December 31, 2006, 2005 and 2004 were $41.5 million, $34.1 million and $28.8 million, respectively. We intend to continue to invest significantly in product development.

Competition

Our solutions are targeted at the supply chain planning and execution markets, which are rapidly consolidating, intensely competitive and characterized by rapid technological change. The principal competitive factors affecting the market for our solutions include:

- Vendor and product reputation;
- Compliance with industry standards;
- Solution architecture;
- Solution functionality and features;
- Integration experience, particularly with ERP providers and material handling equipment providers;
- Industry expertise;
- Ease and speed of implementation;
- Return on investment;
- Solution quality and performance;
- Total cost of ownership;
- Solution price; and
- Level of support.

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

- the corporate information technology departments of current or potential customers capable of internally developing solutions;
- supply chain execution vendors, including Catalyst International, Inc., RedPrairie Corporation, and Highjump (3M), among others;
- supply chain planning vendors including Compass, DemandTec, Lawson and SAS/Marketmax, among others;
- enterprise resource planning (ERP) or supply chain management (SCM) application vendors with products or modules of their product suite offering varying degrees of supply chain execution (SCE) functionality, such as Infor, JDA Software Group, Inc., i2 Technologies, Oracle Corp. and SAP AG; and
- smaller independent companies that have developed or are attempting to develop distribution center management software that competes with our SCE solutions.

We will continue to face competition in the future from ERP and supply chain management applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. To the extent such ERP and supply chain management vendors develop or acquire systems with functionality comparable or superior to our solutions, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide a significant competitive advantage over our solutions. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share. Both Oracle and SAP have entered the market for supply chain management applications. We believe that the domain expertise required to compete provides us with a competitive advantage and is a significant barrier to market entry. However, some of our competitors have significant resources at their disposal, and the degree to which we will compete with these new products in the marketplace is still undetermined.

Some of our competitors and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition and a larger installed base of customers than we do. In order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations. We cannot assure you that our current or potential competitors will not develop solutions comparable or superior in terms of price and performance features to those developed by us. In addition, we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Increased competition may result in reductions in market share, pressure for price reductions and related reductions in gross margins, any of which could materially and adversely affect our ability to achieve our financial and business goals. We cannot give assurance that in the future we will be able to successfully compete against current and future competitors.

International Operations

Our international revenue was approximately $59.0 million, $54.7 million and $48.7 million for the years ended December 31, 2006, 2005 and 2004, respectively, which represents approximately 20%, 22% and 23% of our total revenue for the years ended December 31, 2006, 2005 and 2004, respectively. International revenue includes all revenue derived from sales to customers outside the

United States. We now have over 900 employees outside the United States. We have offices in Australia, China, France, Germany, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America.

Proprietary Rights

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have registered trademarks for PkMS, PickTicket Management System, PTRS, Have/Needs Analysis, LogisticsPRO, InfoLink, InfoLink Order, Infolink Source, PkCost, PkView, PkAllocate, WorkInfo, SmartInfo, SlotInfo, SystemLink, DCMS, Logistics.com, RFID in a Box, Integrated Logistics Solutions, Integrated Planning Solutions, Manhattan Associates and the Manhattan Associates logo. We generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license our solutions to our customers and restrict the customer’s use for internal purposes without the right to sublicense the solutions. However, we believe that this provides us only limited protection. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure you that we will successfully deter misappropriation or independent third-party development of our technology or prevent an unauthorized third party from copying or obtaining and using our products or technology. In addition, policing unauthorized use of our solutions is difficult, and while we are unable to determine the extent to which piracy of our software solutions exist, software piracy could become a problem.

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

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

Employees

As of December 31, 2006, we employed 1,965 full time employees, including 203 in sales and marketing, 902 in services, 713 in R&D and 147 in general and administration. By geography, we have 1,040 employees based in the Americas, 674 employees in India, 134 employees in EMEA, and 117 employees in APAC.

Available Information

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the "SEC" or the "Commission"). These materials can be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of these materials may also be obtained by mail at prescribed rates from the SEC's Public Reference Room at the above address. Information about the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is www.sec.gov.

On our website, www.manh.com, we provide free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as soon as reasonably practicable after they have been electronically filed or furnished to the SEC. Information contained on our website is not part of this Form 10-K or our other filings with the SEC.

Item 1A. *Risk Factors*

You should consider the following factors in evaluating our business or an investment in our common stock. If any of the following or other risks actually occurs, our business, financial condition and results of operations could be adversely affected. In such case, the trading price of our common stock could decline.

Our operating results are difficult to predict and could cause our stock price to fall. Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Our quarterly revenue is difficult to forecast for several reasons, including the following:

- the varying sales cycle for our products and services from customer to customer;
- demand for our products;
- customers' budgeting and purchasing cycles;
- delays in our implementations at customer sites;
- timing of hiring new services employees and the rate at which these employees become productive;
- development and performance of our distribution channels; and
- timing of any acquisitions and related costs.

As a result of these and other factors, our license revenue is difficult to predict. Because our revenue from services is largely correlated to our license revenue, a decline in license revenue could also cause a decline in our services revenue in the same quarter or in subsequent quarters. In addition, an increase or decrease in hardware sales, which provide us with lower gross margins than sales of software licenses or services, may cause variations in our quarterly operating results.

Most of our expenses, including employee compensation and rent, are relatively fixed. In addition, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. Although we have grown significantly during the past six years, we do not believe that our prior growth rates are sustainable or a good indicator of future operating results. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

Delays in implementations of our products could adversely impact us. Due to the size of most of our software implementations, our implementation cycle can be lengthy and may result in delays. These delays could cause customer dissatisfaction, which could harm our reputation. Additional delays could result if we fail to attract, train and retain services personnel, or if our alliance companies fail to commit sufficient resources towards implementing our software. These delays and resulting customer dissatisfaction could harm our reputation and cause our revenue to decline.

Our ability to successfully compete with other companies may fail. We compete in markets that are intensely competitive and are expected to become more competitive as current competitors expand their product offerings and new competitors enter the market. Our current competitors come from many segments of the software industry and offer a variety of solutions directed at various aspects of the extended supply chain, as well as the enterprise as a whole. We face competition for product sales from:

- the corporate information technology departments of current or potential customers capable of internally developing solutions;
- supply chain execution vendors, including Catalyst International, Inc., RedPrairie Corporation, Optum, Inc., Provia Software, Inc., Highjump (3M) and SSA Global Technologies, Inc. among others;
- supply chain planning vendors including Compass, DemandTec, Lawson and SAS/Marketmax, among others;
- enterprise resource planning (ERP) or supply chain management (SCM) application vendors with products or modules of their product suite offering varying degrees of supply chain execution (SCE) functionality, such as Retek, Inc., Manugistics Group, Inc., i2 Technologies, Oracle Corp. and SAP AG; and
- smaller independent companies that have developed or are attempting to develop distribution center management software that competes with our SCE solutions.

We may face competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their product offerings by internally developing or by acquiring or partnering with independent developers of supply chain execution software. To the extent such ERP and SCM vendors develop or acquire systems with functionality comparable or superior to our products, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide a significant competitive advantage over our products. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share. Both Oracle and SAP have entered the market for SCM applications. We believe that the domain expertise required to compete provides us with a competitive advantage and is a significant barrier to market entry. However, some of our competitors have significant resources at their disposal, and the degree to which we will compete with these new products in the marketplace is still undetermined.

Many of our competitors and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition and a larger installed base of customers than we do. In order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations. We cannot assure you that our current or potential competitors will not develop products comparable or superior in terms of price and performance features to those developed by us. In addition, we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Increased competition may result in reductions in market share, pressure for price reductions and related reductions in gross margins, any of which could materially and adversely affect our ability to achieve our financial and business goals. We cannot give assurance that in the future we will be able to successfully compete against current and future competitors.

Our performance may be negatively impacted by macro-economic or other external influences. _We are a technology company selling technology-based solutions with total pricing, including software and services, in many cases, exceeding $1.0 million. Reductions in the capital budgets of our customers and prospective customers could have an adverse impact on our ability to sell our solutions. During 2006, we continued to experience effects from a weak spending environment for information technology in 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. We believe that a deterioration in the current business climate within the United States and/or other geographic regions in which we operate, continued delays in capital spending, or the timing of deals closed could have a material adverse impact on our business and our ability to compete, and is likely to further intensify in our already intensely competitive markets.

Our international operations have many associated risks. We continue to expand our international operations, and these efforts require significant management attention and financial resources. We may not be able to successfully penetrate international markets or if we do, there can be no assurance that we will grow these markets at the same rate as in North America. Because of the complex nature of this expansion, it may adversely affect our business and operating results.

In the last several years, we opened new international offices in China, Germany, France, Australia, India, Singapore and Japan. These openings constituted a substantial expansion of our international presence, which, prior to 2002, consisted principally of offices in the United Kingdom and the Netherlands. We have committed resources to the opening and integration of international sales offices and the expansion of international sales and support channels. Our efforts to develop and expand international sales and support channels may not be successful. International sales are subject to many risks, including the following:

- building and maintaining a competitive presence in new markets;
- difficulties in staffing and managing foreign operations;
- difficulties in managing international systems integrators;
- difficulties and expenses associated with complying with a variety of foreign laws;
- difficulties in producing localized versions of our products;
- import and export restrictions and tariffs;
- difficulties in collecting accounts receivable;
- unexpected changes in regulatory requirements;
- currency fluctuations; and
- political and economic instability abroad.

Seasonal fluctuations may arise from the lower sales that typically occur during the summer months in Europe and other parts of the world.

Our operating results are substantially dependent on one line of business. We continue to derive a substantial portion of our revenues from sales of our software and related services and hardware. Any factor adversely affecting the markets for SCM solutions could have an adverse effect on our business, financial condition and results of operations. Accordingly, our future operating results will depend on the demand for our products and related services and hardware by our customers, including new and enhanced releases that we subsequently introduce. We cannot assure you that the market will continue to demand our current products or that we will be successful in marketing any new or enhanced products. If our competitors release new products that are superior to our products in performance or price, demand for our products may decline. A decline in demand for our products as a result of competition, technological change or other factors would reduce our total revenues and harm our ability to maintain profitability.

Our failure to manage growth of operations may adversely affect us. We plan to continue to increase the scope of our operations domestically and internationally. This growth may place a significant strain on our management systems and resources. If we are unable to manage our growth effectively, our business, financial condition and results of operations will be adversely affected. We may further expand domestically or internationally through internal growth or through acquisitions of related companies and technologies. For us to effectively manage our growth, we must continue to:

- maintain continuity in our executive officers;
- improve our operational, financial and management controls;
- improve our reporting systems and procedures;
- enhance management and information control systems;
- develop the management skills of our managers and supervisors; and
- train and motivate our employees.

Our inability to attract, integrate and retain management and other personnel may adversely affect us. Our success greatly depends on the continued service of our executives, as well as our other key senior management, technical and sales personnel. Our success will depend on the ability of our executive officers to work together as a team. The loss of any of our senior management or other key professional services, research and development, sales and marketing personnel, particularly if lost to competitors, could impair our ability to grow our business. We do not maintain key man life insurance on any of our executive officers. Our future success will depend in large part upon our ability to attract, retain and motivate highly skilled employees. We face significant competition for individuals with the skills required to perform the services we offer. We cannot assure you that we will be able to attract and retain sufficient numbers of these highly skilled employees or to motivate them. Because of the complexity of the SCM market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

Fluctuations in our hardware sales may adversely affect us. A portion of our revenue in any period is comprised of the resale of a variety of third-party hardware products to purchasers of our software. Our customers may choose to purchase this hardware directly from manufacturers or distributors of these products. We view sales of hardware as non-strategic. We perform this service to our customers seeking a single source for their supply chain execution needs. Hardware sales are difficult to forecast and fluctuate from quarter to quarter, leading to unusual comparisons of total revenue and fluctuations in profits. Revenue from hardware sales as a percentage of total revenue increased in 2006, but decreased in 2005 and 2004. If we are not able to increase our revenue from software licenses and services or maintain our hardware revenue, our profitability may be adversely affected.

Our employee retention and hiring may be hindered by immigration restrictions. A number of our employees are Indian nationals employed pursuant to non-immigrant work-permitted visas issued by the United States Immigration and Naturalization Service, or INS. There have been many changes within the INS as a result of the events of September 11, 2001. We anticipate that there will be additional restrictions placed on non-immigrant work-permitted visas, and we do not know how such changes may affect us. In 2003, the INS reduced the number of new non-immigrant work-permitted visas that will be issued each year. In years in which this limit is reached, we may be unable to retain or hire additional foreign employees. If we are unable to retain or hire additional foreign employees, we may incur additional labor costs and expenses or not have sufficient qualified personnel to carry on our business, which could harm our ability to successfully continue and grow our business.

Our business and our profitability may be adversely affected if we cannot integrate acquired companies. We may from time to time acquire companies with complementary products and services. These acquisitions will expose us to increased risks and costs, including the following:

- difficulties in assimilating new operations and personnel;
- diverting financial and management resources from existing operations; and
- difficulties in integrating acquired technologies.

We may not be able to generate sufficient revenue from any of these acquisitions to offset the associated acquisition costs. We will also be required to maintain uniform standards of quality and service, controls, procedures and policies. Our failure to achieve any of these standards may hurt relationships with customers, employees and new management personnel. In addition, future acquisitions may result in additional issuances of stock that could be dilutive to our shareholders.

We may also evaluate joint venture relationships with complementary businesses. Any joint venture we enter into would involve many of the same risks posed by acquisitions, particularly the following:

- risks associated with the diversion of resources;
- the inability to generate sufficient revenue;
- the management of relationships with third parties; and
- potential additional expenses.

Many acquisition candidates have significant intangible assets, and an acquisition of these businesses would likely result in significant amounts of goodwill and other intangible assets. Under new accounting rules, goodwill and certain other intangible assets will no longer be amortized to income, but will be subject to at least annual impairment reviews. If the acquisitions do not perform as planned, future charges to income arising from such impairment reviews could be significant. Likewise, future quarterly and annual earnings could be significantly adversely affected. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges. During 2005, we recorded expenses of approximately $0.5 million relating to fees incurred in connection with a potential acquisition that we decided not to consummate.

Our growth is dependent upon the successful development of our direct and indirect sales channels. We believe that our future growth also will depend on developing and maintaining successful strategic relationships with systems integrators and other technology companies. Our strategy is to continue to increase the proportion of customers served through these indirect channels. We are currently investing, and plan to continue to invest, significant resources to develop these indirect channels. This investment could adversely affect our operating results if these efforts do not generate license and service revenue necessary to offset this investment. Also, our inability to partner with other technology companies and qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, increased indirect sales could reduce our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels will reduce our consulting service revenues, as the third-party systems integrators provide these services. As indirect sales increase, our direct contact with our customer base will decrease, and we may have more difficulty accurately forecasting sales, evaluating customer satisfaction and recognizing emerging customer requirements. In addition, these systems integrators and third-party software providers may develop, acquire or market products competitive with our products.

Our strategy of marketing our products directly to customers and indirectly through systems integrators and other technology companies may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent different systems integrators target the same customers, systems integrators may also come into conflict with each other. Any channel conflicts that develop may have a material adverse effect on our relationships with systems integrators or harm our ability to attract new systems integrators.

Our technology must be advanced if we are to remain competitive. The market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, changes in customer demands and evolving industry standards. Our existing products could be rendered obsolete if we fail to continue to advance our technology. We have also found that the technological life cycles of our products are difficult to estimate, partially because of changing demands of other participants in the supply chain. We believe that our future success will depend upon our ability to continue to enhance our current product line while we concurrently develop and introduce new products that keep pace with competitive and technological developments. These developments require us to continue to make substantial product development investments. Although we are presently developing a number of product enhancements to our product sets, we cannot assure you that these enhancements will be completed on a timely basis or gain customer acceptance.

Our liability to clients may be substantial if our systems fail. Our products are often critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions, this coverage may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurer may disclaim coverage as to any future claim. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurer imposes premium increases, large deductibles or co-insurance requirements on us, our business and results of operations could be adversely affected.

Our software may contain undetected errors or "bugs," resulting in harm to our reputation and operating results. Software products as complex as those offered by us might contain undetected errors or failures when first introduced or when new versions are released. We cannot assure you, despite testing by us and by current and prospective customers, that errors will not be found in new products or product enhancements after commercial release. Any errors found may cause substantial harm to our reputation and result in additional unplanned expenses to remedy any defects as well as a loss in revenue.

Our failure to adequately protect our proprietary rights may adversely affect us. Our success and ability to compete is dependent in part upon our proprietary technology. We cannot assure you that we will be able to protect our proprietary rights against unauthorized third-party copying or use. We rely on a combination of copyright, trademark and trade secret laws, as well as confidentiality agreements and licensing arrangements, to establish and protect our proprietary rights. Despite our efforts to protect our proprietary rights, existing copyright, trademark and trade secret laws afford only limited protection. In addition, the laws of certain foreign countries do not protect our rights to the same extent, as do the laws of the United States. Attempts may be made to copy or reverse engineer aspects of our products or to obtain and use information that we regard as proprietary. Any infringement of our proprietary rights could negatively impact our future operating results. Furthermore, policing the unauthorized use of our products is difficult, and litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and could negatively impact our future operating results.

Our liability for intellectual property claims can be costly and result in the loss of significant rights. It is possible that third parties will claim that we have infringed their current or future products. We expect that SCM software developers like us will increasingly be subject to infringement claims as the number of products grows. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements, any of which could negatively impact our operating results. We cannot assure you that these royalty or licensing agreements, if required, would be available on terms acceptable to us, if at all. We cannot assure you that legal action claiming patent infringement will not be commenced against us, or that we would prevail in litigation given the complex technical issues and inherent uncertainties in patent litigation. If a patent claim against us was successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non-infringing software.

Our business may require additional capital. We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements may be impacted by many factors, including:

- demand for our products;
- the timing of and extent to which we invest in new technology;
- the timing of and extent to which we acquire other companies;
- the level and timing of revenue;
- the expenses of sales and marketing and new product development;
- the success and related expense of increasing our brand awareness;
- the cost of facilities to accommodate a growing workforce;
- the extent to which competitors are successful in developing new products and increasing their market share; and
- the costs involved in maintaining and enforcing intellectual property rights.

To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. Our inability to raise capital when needed could have a material adverse effect on our business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our company by our current shareholders would be diluted.

Our stock price has been highly volatile. The trading price of our common stock has fluctuated significantly since our initial public offering in April 1998. In addition, the trading price of our common stock could be subject to wide fluctuations in response to various factors, including:

- quarterly variations in operating results;
- announcements of technological innovations or new products by us or our competitors;
- developments with respect to patents or proprietary rights; and
- changes in financial estimates by securities analysts.

In addition, the stock market has experienced volatility that has particularly affected the market prices of equity securities of many technology companies and that often has been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common stock.

Our articles of incorporation and bylaws and Georgia law may inhibit a takeover of our company. Our basic corporate documents and Georgia law contain provisions that might enable our management to resist a takeover of our company. These provisions might discourage, delay or prevent a change in the control of our company or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. The existence of these provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

Item 1B. *Unresolved Staff Comments*

As of December 31, 2006, we do not have any unresolved written comments which we received from the SEC not less than 180 days before December 31, 2006.

Item 2. *Properties*

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 137,868 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through September 30, 2018. We have additional offices throughout the United States under multi-year agreements in California, Massachusetts, Indiana and Delaware. We also occupy facilities outside of the United States under multi-year agreements in the United Kingdom, the Netherlands, Japan, China, Singapore, India and Australia. We also occupy offices under short-term agreements in other geographical regions. Our office space is adequate to meet our immediate needs; however, we may expand into additional facilities in the future.

Item 3. *Legal Proceedings*

Many of our installations involve products that are critical to the operations of our clients' businesses. Any failure in our products 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.

During the second quarter of 2005, we recorded a significant write-off of $2.8 million in accounts receivable from a customer located in Germany resulting from a legal dispute over the implementation of our software. During the fourth quarter of 2006, we recorded settlement costs of $2.9 million related to this matter in addition to another legal matter with a domestic customer regarding implementation of our warehouse management systems. The write-off and subsequent settlements are not common occurrences due to the unusual nature of the litigation. We do not believe that these items are indicative of ongoing operating results.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2006.

PART II

Item 5. *Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities*

Our common stock is traded on the Nasdaq National Market under the symbol "MANH". The following table sets forth the high and low closing sales prices of the common stock as reported by the Nasdaq National Market for the periods indicated:

Fiscal Period	High Price	Low Price
2006		
First Quarter	$ 22.46	$ 20.74
Second Quarter	21.90	18.52
Third Quarter	25.49	18.05
Fourth Quarter	30.81	23.60
2005		
First Quarter	$ 24.02	$19.29
Second Quarter	22.38	17.44
Third Quarter	23.53	19.30
Fourth Quarter	23.79	20.48

On March 13, 2007, the last reported sales price of our common stock on the Nasdaq National Market was $26.18 per share. The number of shareholders of record of our common stock as of March 13, 2007 was approximately 39.

We do not intend to declare or pay cash dividends in the foreseeable future. Our management anticipates that all earnings and other cash resources, if any, will be retained by us for investment in our business.

The following table provides information regarding our current equity compensation plans as of December 31, 2006:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	6,308,359	$ 24.80	1,961,651
Equity compensation plans not approved by security holders	—	—	—
Total	6,308,359	$ 24.80	1,961,651

Additional information regarding our equity compensation plans can be found in Note 2 of the Notes to our Consolidated Financial Statements.

The following table provides information regarding our purchases under our publicly-announced repurchase program for the quarter ended December 31, 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 – October 31, 2006	—	—	—	$ 42,935,950
November 1 – November 30, 2006	—	—	—	42,935,950
December 1 – December 31, 2006	—	—	—	42,935,950
Total	—	$ 0.00	—	$ 42,935,950

(1) In February 2005, our Board of Directors authorized us to purchase up to $20 million of our common stock, including the amount that had previously been approved but not yet repurchased, over a period ending no later than February 3, 2006. In July 2005, our Board of Directors authorized us to purchase an additional $50 million of our common stock, over a period ending no later than July 21, 2006. In July 2006, our Board of Directors authorized us to purchase an additional $50 million of our common stock, over a period ending no later than July 20, 2007.

Item 6. *Selected Consolidated Financial Data*

You should read the following selected consolidated financial data in conjunction with our Consolidated Financial Statements and related Notes thereto and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2006, 2005 and 2004, and the balance sheet data as of December 31, 2006 and 2005, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2003 and 2002 and the balance sheet data as of December 31, 2004, 2003, and 2002 are derived from the audited financial statements not included herein. Historical results are not necessarily indicative of results to be expected in the future.

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(in thousands, except per share data)				
Statement of Income Data:					
License revenue	$ 66,543	$ 57,119	$ 49,886	$ 43,229	$ 40,233
Total revenue	$288,868	$246,404	$214,919	$196,814	$175,721
Operating income (1)	$ 30,755	$ 30,277	$ 31,609	$ 30,494	$ 35,585
Net income	$ 19,331	$ 18,635	$ 21,634	$ 20,581	$ 23,605
Earnings per diluted share	$ 0.69	$ 0.64	$ 0.70	$ 0.67	$ 0.78

(1) The results for 2006 reflect the adoption of SFAS No. 123(R). During 2006, we recorded stock option expense of $6.6 million. Prior to 2006, we did not record expense for employee stock options. The results for 2006 also include $2.9 million in legal settlements resulting from disputes over the implementation of our software, $1.5 million of employee retention bonuses associated with the acquisition of Evant, and a $0.3 million impairment charge against our $2 million investment in a technology company.

The results for 2005 include a bad debt provision of $2.8 million for amounts due from a large customer with whom we settled in 2006; $1.9 million of severance-related costs and employee retention bonuses associated with the acquisition of Evant; $1.1 million in severance-related costs associated with the consolidation of our European operations into the Netherlands, United Kingdom and France; and $0.5 million in acquisition-related costs associated with an attempted acquisition that did not close.

The results for 2003 include $0.9 million of fees incurred in connection with two potential acquisitions that we decided not to consummate and a restructuring charge of $0.9 million related to an internal reorganization. The results for 2002 include $1.5 million of in-process research and development expense from the acquisition of Logistics.com.

	December 31,				
	2006	2005	2004	2003	2002
			(In thousands)		
Balance Sheet Data:					
Cash, cash equivalents and investments	$131,057	$ 93,675	$172,656	$ 155,403	$121,857
Total assets	$314,893	$273,398	$ 290,239	$266,608	$ 221,864
Debt	$ —	$ —	$ 148	$ 288	$ 240
Shareholders' equity	$ 237,140	$205,398	$ 239,017	$ 224,158	$179,618

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

All statements, trend analyses and other information contained in the following discussion relative to markets for our products and trends in revenue, gross margins and anticipated expense levels, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," and "intend" and other similar expressions constitute forward-looking statements. These forward-looking statements are subject to business and economic risks and uncertainties, including those discussed under the caption "Risk Factors" in Item 1A of this Form 10-K, and our actual results of operations may differ materially from those contained in the forward-looking statements.

Business Overview

We are a leading developer and provider of technology-based supply chain software solutions that help companies manage the effectiveness and efficiency of their supply chain. Our business is organized into three geographical reporting segments: Americas (North America and Latin America), EMEA (Europe, Middle East and Africa), and APAC (Asia Pacific). Each of these reporting segments have unique characteristics and faces different challenges and opportunities. In each of these segments, we provide solutions that consist of a combination of software, services, and hardware used for planning and execution of supply chain activities. These solutions help coordinate the actions and communication of manufacturers, suppliers, distributors, retailers, transportation providers and consumers. Our solutions consist of two main areas—supply chain planning and supply chain execution, which on a combined basis represent our supply chain management solution.

We call the combination of our supply chain planning solutions Integrated Planning Solutions™. Integrated Planning Solutions consist of Advanced Planning, Demand Forecasting and Replenishment. With our Advanced Planning solutions, Financial and Item Planning, Catalog Planning, Web Planning and Promotion Planning, companies can plan their inventory using several methodologies. Financial and Item planning enables companies to develop top-down and bottom-up plans across multiple channels and multiple levels of the product hierarchy. Catalog Planning and Web Planning support the unique planning requirements of the catalog and Web channels. With Promotion Planning, companies are able to plan and manage promotional events and assortments. Demand Forecasting enables companies to generate and maintain forecasts at different levels of product data. It also includes a Promotion Forecasting solution which generates a promotion forecast and promotional lift based on historical sales. Finally, Replenishment helps companies regulate, maintain and deploy inventory, as well as supports Vendor Managed Inventory, which allows suppliers to manage their own replenishment.

We refer to the combination of our supply chain execution solutions as Integrated Logistics Solution™. Integrated Logistics Solutions consist of Distributed Order Management, Warehouse Management, Slotting Optimization, Labor Management, Yard Management, Transportation Management Systems (TMS), Trading Partner Management (TPM), Reverse Logistics Management and RFID Solutions. Distributed Order Management manages the order fulfillment process, capturing and allocating orders across the supply chain to balance supply with demand. Warehouse Management manages the processes that take place in a distribution center, beginning with the placement of an order by a customer and ending with order fulfillment. Slotting Optimization determines the optimal layout of a facility. Labor Management enables the tracking, monitoring and management of employee activities within the warehouse. Transportation Management allows companies to optimally plan and execute transportation services. Yard Management plans, executes, tracks and audits all incoming and outgoing loads, managing both the yard and dock door. Trading Partner Management synchronizes the business processes and communication of suppliers, manufacturers, distributors, logistics service providers and customers. Reverse Logistics Management manages and automates the returns process—tracking, storing, referencing and reporting on returned merchandise to increase net asset recovery. Our RFID Solutions help capture and track EPC data and utilize this information to better manage and track inventory.

For all of our solutions, we offer services such as design, configuration, implementation, product assessment and training plus customer support and software enhancement subscriptions.

Application of Critical Accounting Policies and Estimates

The SEC defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. We believe that estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions were made. To the extent there are material differences between those estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions which we have identified as our critical accounting policies are: Revenue Recognition, Allowance for Doubtful Accounts, Valuation of Goodwill, Accounting for Income Taxes, Stock-based Compensation, and Business Combinations.

Revenue Recognition

Our revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions, and sales of hardware and other (other consists of reimbursements of out of pocket expenses incurred by professional services).

We recognize 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 using contract accounting.

The accounting related to license revenue recognition in the software industry is complex and affected by interpretations of the rules which are subject to change. Our judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience and economic market conditions. If market conditions decline, or if the financial condition of our customers deteriorate, we may be unable to determine that collectibility is probable, and we could be required to defer the recognition of revenue until we receive customer payments.

Our services revenue consists of fees generated from professional services, customer support services and software enhancement subscriptions related to our software products. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. 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. Revenue related to fixed-fee based contracts is recognized on a proportional performance basis based on the hours incurred on discreet projects within an overall services arrangement. Project losses are provided for in their entirety in the period in which they become known. Revenue 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 and other 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 and reimbursement of out of pocket expenses incurred by professional services. As part of a complete solution, our customers periodically purchase hardware from us in conjunction with the licensing of software. These products include computer hardware, radio frequency terminal networks, radio frequency identification (RFID) chip readers, bar code printers and scanners and other peripherals. Hardware revenue is recognized 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.

In accordance with the Financial Accounting Standard Board’s (“FASB’s”) Emerging Issues Task Force (“EITF”) Issue No. 01-14 (“EITF No. 01-14”), “Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred,” we recognize amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been classified to hardware and other revenue. The total amount of expense reimbursement recorded to revenue was $9.7 million, $8.1 million and $7.0 million and for 2006, 2005, and 2004, respectively.

Allowance for Doubtful Accounts

We continuously monitor collections and payments from our customers and maintain an allowance for estimated credits based upon our historical experience and any specific customer collection issues that we have identified. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. 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.

Valuation of Goodwill

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill and other intangible assets with indefinite lives. Our goodwill is subject to an annual impairment test, which requires us to estimate the fair value of our business compared to the carrying value. The impairment reviews require 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.

Annual tests or other future events could cause us to conclude that impairment indicators exist and that our goodwill is impaired. For example, if we had reason to believe that our recorded goodwill had become impaired due to decreases in the fair market value of the underlying business, we would have to take a charge to income for that portion of goodwill that we believed was impaired. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations. At December 31, 2006, our goodwill balance was $70.4 million.

Accounting for Income Taxes

We provide for the effect of income taxes on our financial position and results of operations in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under this accounting pronouncement, income tax expense is recognized for the amount of income taxes payable or refundable for the current year and for the change in net deferred tax assets or liabilities resulting from events that are recorded for financial reporting purposes in a different reporting period than recorded in the tax return. Management must make significant assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset.

Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, allowable deductions, projected tax credits and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our financial position and results of operations. Our assumptions, judgments and estimates relative to the value of our net deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus materially impacting our financial position and results of operations.

Stock-based compensation

Prior to January 1, 2006, we accounted for our employee stock option plan under the recognition and measurement provisions of APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations, as permitted by SFAS No. 123, “Accounting for Stock-Based Compensation.” No stock-based employee compensation cost related to stock options was recognized in the Statements of Income for periods prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R) for stock based compensation. As a result of adopting SFAS No. 123(R), our income before income taxes and net income for 2006 was $6.6 million and $5.3 million lower, respectively, than if we had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted earnings per share were each $0.19 lower than if we had continued to account for share-based compensation under APB Opinion No. 25.

We estimate the fair value of options granted on the date of grant using the Black-Scholes option pricing model. We base our estimate of fair value on certain assumptions, including the expected term of the option, the expected volatility of the price of the underlying share for the expected term of the option, the expected dividends on the underlying share for the expected term, and the risk-free interest rate for the expected term of the option. We base our expected volatilities on a combination of the historical volatility of our stock and the implied volatility of our publicly traded stock options. Due to the limited trading volume of our publicly traded options, we place a greater emphasis on historical volatility. We also use historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. We base the risk-free interest rate on the rate for U.S. Treasury zero-coupon issues with a term approximating the expected term.

We recognize compensation cost for awards with graded vesting using the straight-line attribution method, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. Compensation cost recognized in any period is impacted by the number of stock options granted and the vesting period (which generally is four years), as well as the underlying assumptions used in estimating the fair value on the date of grant. This estimate is dependent upon a number of variables such as the number of options awarded, cancelled or exercised and fluctuations in our share price during the year.

Business Combinations

In accordance with business combination accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets include but are not limited to future expected cash flows from customer contracts and acquired developed technologies; the acquired company’s brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company's product portfolio; and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

In connection with purchase price allocations, we estimate the fair value of the support obligations assumed in connection with acquisitions. The estimated fair value of the support obligations is determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The estimated costs to fulfill the support obligations are based on the historical direct costs related to providing the support services and to correct any errors in the software products acquired. We do not include any costs associated with selling efforts, when and if available upgrades, or research and development or the related fulfillment margins on these costs. Profit associated with selling effort is excluded because the acquired entities would have concluded the selling effort on the support contracts prior to the acquisition date. The estimated research and development costs are not included in the fair value determination, as these costs are not deemed to represent a legal obligation at the time of acquisition. The sum of the costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligation.

Recent Developments

Adoption of SFAS No. 123(R). Prior to January 1, 2006, we accounted for our employee stock option plan under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." No stock-based employee compensation cost related to stock options was recognized in the Statements of Income for periods prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective transition method. Under that transition method, compensation cost recognized on or after January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for all prior periods have not been restated. Prior to the adoption of SFAS No. 123(R), we presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires that cash flows resulting from the tax benefits generated by tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows.

As a result of adopting SFAS No. 123(R) on January 1, 2006, our income before income taxes and net income for 2006 was $6.6 million and $5.3 million lower, respectively, than if we had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted earnings per share were each $0.19 lower than if we had continued to account for share-based compensation under APB Opinion No. 25.

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model based on certain assumptions, including the expected term of the option, the expected volatility of the price of the underlying share for the expected term of the option, the expected dividends on the underlying share for the expected term, and the risk-free interest rate for the expected term of the option. Effective January 1, 2006, expected volatilities are based on a combination of historical volatility of our stock and implied volatility of our publicly traded stock options. Due to the limited trading volume of our publicly traded options, we place a greater emphasis on historical volatility. Previously, we had relied exclusively on historical volatility, disregarding periods of time in which our share price was extraordinarily volatile because of company-specific circumstances that were not expected to recur. We also use historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. The risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a term approximating the expected term. The weighted-average grant-date fair values of options granted during 2006, 2005, and 2004 were $11.26, $11.72, and $16.95, respectively. We recognize compensation cost for awards with graded vesting using the straight-line attribution method, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. At December 31, 2006, the unamortized compensation cost related to stock option awards totaled $7.2 million, which is expected to be recognized over a weighted-average period of 1.7 years.

During the fourth quarter of 2005, the Board of Directors approved an Option Acceleration Agreement that accelerated the vesting of unvested stock options held by our employees with an exercise price of $22.09 or higher. The accelerated vesting affected options for approximately 765 option holders, representing 1.9 million shares of our common stock. In order to prevent unintended personal benefits to individuals resulting from the accelerated vesting of options, we imposed sales restrictions on shares acquired upon exercise of these options that parallel the vesting requirements of the original options. These sales restrictions on the shares acquired continue following termination of employment until the original vesting dates are reached.

The accelerated vesting of these stock options with exercise prices greater than the then-current market value (“underwater”) was made primarily to avoid recognizing compensation expense in our future income statements upon the adoption of SFAS No. 123(R) for underwater options that we believed would not offer a sufficient incentive to our employees when compared to the future compensation expense that we would have incurred under SFAS No. 123(R).

Compensation cost recognized in any period is impacted by the number of stock options granted and the vesting period (which generally is four years), as well as the underlying assumptions used in estimating the fair value on the date of grant. This estimate is dependent upon a number of variables such as the number of options awarded, cancelled or exercised and fluctuations in our share price during the year.

Acquisition. On August 31, 2005, we acquired all of the issued and outstanding stock of Evant, and Evant became a wholly-owned subsidiary. Evant is a provider of demand planning and forecasting and replenishment solutions to customers in the retail, manufacturing and distribution industries. The acquisition further diversifies our product suite and expands our customer base. We paid an aggregate of $47.2 million in cash, and incurred $0.3 million in acquisition costs and $0.8 million of severance to eliminate duplicative functions. The $47.2 million includes $2.3 million of bonuses paid to employees not retained by us pursuant to an employee bonus plan approved by Evant’s management (the “Evant Bonus Plan”). In addition to the $47.2 million cash paid, we paid $2.8 million into escrow at closing for employee retention purposes pursuant to the Evant Bonus Plan to be distributed to employees upon completion of up to 12 months of service with us. The $2.8 million was recorded as a prepaid asset, and compensation expense was recognized ratably over the required employee retention period. During the third quarter of 2006, we completed the Evant retention bonus program and paid out the final bonuses.

The acquisition of Evant was accounted for using the purchase method of accounting in accordance with SFAS No. 141, “Business Combinations.” The operating results of Evant are included in our financial statements beginning September 1, 2005.

During the third quarter of 2006, we finalized our purchase price allocation for Evant resulting in a reduction of deferred tax assets of $15.2 million and a corresponding increase in goodwill. We were not able to substantiate the post-acquisition limitations on the deductibility of these assets.

Impairment Charge. In July 2003, we invested $2.0 million in a technology company. Based on our assessment of uncertainties associated with the fair value of our investment following an unsuccessful public offering during the third quarter of 2006, we have written down our investment by $0.3 million. Future impairment charges associated with this investment may be required in the event the company is unable to meet its strategic growth objectives.

Legal Settlements. During the fourth quarter of 2006, we recorded $2.9 million pre-tax ($2.5 million after tax, or $0.09 per fully diluted share) in legal settlement costs related to two litigation matters, one with a large German customer and one with a domestic customer regarding implementation of warehouse management systems. In both litigation matters, a settlement was reached in January 2007. The recorded charges represent our portion of the settlement agreed to with our insurance carrier, subsequent to December 31, 2006.

Highlights of Full Year 2006 Consolidated Financial Results

Summarized highlights for the full year 2006 results, as compared to 2005, are:

- Total revenue increased 17% to a full year $288.9 million;

- License revenue increased 16% to a full year $66.5 million;
- Services revenue increased 17% to a full year $194.5 million;

- Operating income was $30.8 million, up 2% on higher license revenue; includes $6.6 million of stock option expense for the adoption of SFAS No. 123(R) and $2.9 million of legal settlement cost;
- Diluted earnings per share were $0.69, increasing 8%;
- Cash flow from operations increased 32% to $44.1 million;
- Cash and investments on hand at December 31, 2006 was $131.1 million; and
- The Company repurchased 773,301 shares of common stock during the year totaling $16.0 million at an average price of $20.73. The Company has $42.9 million remaining in share repurchase authority.

Results of Operations

The following table summarizes selected financial data for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31,				
				% Change	
	2006	2005	2004	2006	2005
		(in thousands)			
Revenue:					
License	$ 66,543	$ 57,119	$ 49,886	16%	14%
Services	194,521	166,091	141,492	17%	17%
Hardware and other	27,804	23,194	23,541	20%	-1%
Total revenue	288,868	246,404	214,919	17%	15%
Costs and expenses (1):					
Cost of license	5,796	4,700	4,085	23%	15%
Cost of services	93,427	76,641	65,853	22%	16%
Cost of hardware and other	24,515	19,914	20,071	23%	-1%
Research and development	41,468	34,139	28,822	21%	18%
Sales and marketing	45,888	40,302	34,049	14%	18%
General and administrative	29,143	22,047	19,648	32%	12%
Depreciation and amortization	13,247	12,074	10,782	10%	12%
Settlements and accounts receivable charges (2)	2,856	2,815	—	1%	—
Severance, restructuring, and acquisition charges (3)	1,503	3,495	—	-57%	—
Impairment charge (4)	270	—	—	—	—
Total costs and expenses	258,113	216,127	183,310	19%	18%
Income from operations	$ 30,755	$ 30,277	$ 31,609	2%	-4%
Operating margin	10.6%	12.3%	14.7%		

(1) The results for 2006 reflect the adoption of SFAS No. 123(R). During 2006, we recorded stock option expense of $6.6 million which is included in the following line items above: cost of services $1.5 million; research and development $1.1 million; sales and marketing $1.5 million; and general and administrative $2.5 million. Prior to 2006, we did not record expense for employee stock options. (See Note 2 to Consolidated Financial Statements).

(2) Settlement and accounts receivable charges for 2006 represent legal settlements resulting from disputes over the implementation of our software. In 2005, these charges consisted of a bad debt provision for the entire amount of the accounts receivable due from a large customer with whom we settled in 2006.

(3) Severance, restructuring, and acquisition charges for 2006 includes employee retention bonuses associated with the acquisition of Evant. In 2005, these charges consisted of: (i) $1.9 million of severance-related costs and employee retention bonuses associated with the acquisition of Evant; (ii) approximately $1.1 million in severance-related costs associated with the consolidation of our European operations into the Netherlands, United Kingdom and France; and (iii) $0.5 million in acquisition-related costs associated with an attempted acquisition that did not close.

(4) The impairment charge for 2006 represents a charge against our $2 million investment in a technology company. Future impairment charges associated with this investment may be required in the event the Company is unable to meet its strategic growth objectives.

We manage our business based on three geographic regions: the Americas, EMEA, and Asia Pacific. Geographic revenue information is based on the location of sale. During 2006, 2005 and 2004, we derived the majority of our revenues from sales to customers within our Americas region. The following table summarizes revenue and operating profit by region:

	Year Ended December 31,				
				% Change	
	2006	2005	2004	2006	2005
		(in thousands)			
Revenue:					
License					
Americas	$ 57,579	$ 48,050	$ 40,380	20%	19%
EMEA	5,285	5,579	6,275	-5%	-11%
Asia/Pacific	3,679	3,490	3,231	5%	8%
Total License	$ 66,543	$ 57,119	$ 49,886	16%	14%
Services					
Americas	$ 158,603	$ 132,182	$ 111,600	20%	18%
EMEA	20,793	23,064	26,709	-10%	-14%
Asia/Pacific	15,125	10,845	3,183	39%	241%
Total Services	$194,521	$166,091	$ 141,492	17%	17%
Hardware and other					
Americas	$ 26,138	$ 20,690	$ 20,967	26%	-1%
EMEA	1,273	2,029	2,548	-37%	-20%
Asia/Pacific	393	475	26	-17%	—
Total Hardware and other	$ 27,804	$ 23,194	$ 23,541	20%	-1%
Total Revenue					
Americas	$ 242,320	$ 200,922	$172,947	21%	16%
EMEA	27,351	30,672	35,532	-11%	-14%
Asia/Pacific	19,197	14,810	6,440	30%	130%
Total Revenue	$288,868	$ 246,404	$214,919	17%	15%
Operating income:					
Americas	$ 32,747	$ 34,720	$ 32,623	-6%	6%
EMEA	(2,817)	(4,353)	(1,855)	35%	-135%
Asia/Pacific	825	(90)	841	—	-111%
Total Operating income (loss)	$ 30,755	$ 30,277	$ 31,609	2%	-4%

The results of our operations for 2006, 2005, and 2004 are discussed below.

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. We believe our revenue growth in the last two years is attributable to several factors, including, among others, our market leadership position as to breadth of product offerings, financial stability and a compelling return on investment proposition for our customers, increased services associated with implementations of our expanded product suite, geographic expansion, and the acquisition of Evant which provided us with a supply chain planning solution.

License revenue. License revenue increased 16% in 2006 over 2005 driven by strong growth in our Americas segment. The Americas license and hosting revenues increased $9.5 million, or 20%, in 2006 over 2005. This increase was partially offset by declines in EMEA license sales of $0.3 million, or 5%. Asia Pacific license revenue increased $0.2 million, or 5%. A number of factors impacted revenue growth in our international segments including continued weakness in the general European economy and particularly in the capital spending environment for large information technology projects. License sales mix across our product suite remained strong with approximately 60% of sales in our warehouse management solutions and 40% in non-warehouse management solutions in 2006. With our expanded suite of supply chain solutions we continued to see solid growth in both our core warehouse management solutions with 20% growth in 2006 and non-warehouse management solutions with 12% growth in 2006 over 2005. From period to period, we continue to see an increase in the diversity of products purchased from us by new and existing customers as our newer products gain greater market acceptance. This diversification is contributing to the fluctuations in the sales mix of our solutions groups.

License revenue increased $7.2 million, or 14%, in 2005 over 2004 driven primarily by growth in our Americas segment. License revenue for 2005 also includes approximately $2.2 million of our demand forecasting and replenishment solutions obtained as part of the Evant acquisition which was closed in the third quarter of 2005. The Americas license and hosting revenues increased $7.7 million, or 19%, in 2005 over 2004. Asia Pacific license revenue increased $0.3 million, or 8%, in 2005 over 2004 due to additional investments made in Australia, China, and Japan. These increases were partially offset by declines in EMEA of $0.7 million, or 11% due to delayed commitments for capital investments in supply chain solutions and overall weakness of the European economy. Our core warehouse management solutions grew 20% in 2005 and our non-warehouse management solutions grew 9% in 2005 over 2004.

Services revenue. Services revenue increased 17% in 2006 over 2005 principally due to a 16% increase of professional services revenue required to implement larger projects, increased license sales and existing customer upgrades to more current versions of our offerings and a 20% increase in revenue from software enhancement subscription agreements. The Americas segment led the growth with an increase in services revenue of $26.4 million, or 20%, from 2005 to 2006. Services revenue in Asia Pacific also increased by $4.3 million, or 39%, from 2005 to 2006. These increases were offset by a decrease in EMEA services revenue of $2.3 million, or 10%, from 2005 to 2006 due to the lack of large license deals closed in the first three quarters of 2006 as the spending environment continues to be weak in EMEA.

Services revenue increased 17% in 2005 over 2004 principally due to a 10% increase of professional services revenue and a 21% increase in software enhancement subscription agreements. A portion of the 2005 increase is attributable to the acquisition of Evant which generated an incremental $4.4 million of additional services revenue over 2004. The Americas segment experienced services revenue growth of $20.6 million, or 18%, from 2004 to 2005. Revenues for the Asia Pacific segment also increased by $7.7 million, or 241%, due to increased revenues in Australia from a large retail customer and additional investments in Australia, China, and Japan. These increases were offset by a decrease of $3.6 million, or 14%, in the EMEA segment due to the termination of our business relationship with a large customer in Germany and the weak spending environment which has put downward pressure on our license and services revenues in the region.

Over the past several years, 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. Our services revenue growth has been and will likely continue to be affected by the mix of products sold. The individual engagements involving our non-warehouse management solutions typically require less implementation services; however, the number of engagements continues to grow.

Hardware and other. Sales of hardware increased $2.9 million, or 20% in 2006 over 2005. Sales of hardware decreased $0.4 million, or 2% in 2005 compared to 2004. Over 90% of this revenue is generated from the Americas segment. Sales of hardware are largely dependent upon customer-specific desires, which fluctuate. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. For 2006, 2005 and 2004, reimbursements by customers for out-of-pocket expenses were approximately $9.7 million, $8.1 million and $7.0 million, respectively.

Cost of Revenue

Cost of License. Cost of license consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; and royalties on third-party software sold with or as part of our products. The increase in cost of license in 2006 and 2005 is attributable to a 16% and 14% increase in license revenue, respectively, which drove increases in royalties expense and hosting service costs.

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. The increase in cost of services in 2006 and 2005 was principally due to increases in salary-related costs resulting from: (i) $1.5 million of stock option expense due to the adoption of SFAS No. 123(R) on January 1, 2006; (ii) a 15% and 19% increase, respectively, in the average number of personnel dedicated to the delivery of professional services; (iii) a 57% and 95% increase, respectively, in the average number of services personnel in India; (iv) an increase of $0.7 million and $2.0 million, respectively, in bonus expense based on our cumulative performance relative to internal plans; and (v) annual compensation increases for 2006 and 2005, effective January 1, 2006 and May 1, 2005, respectively.

The decrease in the services gross margin to 52.0% in 2006 from 53.9% in 2005 was attributable to the $1.5 million of incremental stock option expense as well as further investments in new product implementations. The implementation of our newer products is more costly due to the lower maturity level of the product and limited experience of the services personnel and integration requirements with multiple third party hardware and software products.

Cost of Hardware and other. Cost of hardware increased to approximately $14.8 million in 2006 as a direct result of higher sales of hardware. Cost of hardware decreased to approximately $11.9 million in 2005 from approximately $13.1 million in 2004 due to lower sales of hardware. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $9.7 million, $8.1 million and $7.0 million for 2006, 2005 and 2004, respectively. The increase in reimbursed out-of-pocket expenses is due to increased travel related to the increase in services projects.

Operating Expenses

	Year Ended December 31,					
				% of Revenue		
	2006	2005	2004	2006	2005	2004
		(in thousands)				
Research and development	$41,468	$34,139	$28,822	14%	14%	13%
Sales and marketing	45,888	40,302	34,049	16%	16%	16%
General and administrative	29,143	22,047	19,648	10%	9%	9%
Depreciation and amortization	13,247	12,074	10,782	5%	5%	5%
Settlement and accounts receivable charges	2,856	2,815	—	1%	1%	0%
Severance, restructuring, and acquisition charges	1,503	3,495	—	1%	1%	0%
Impairment charge	270	—	—	0%	0%	0%

Research and Development. Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. The increases in research and development expenses in 2006 and 2005 are principally attributable to: (i) $1.1 million of stock compensation expense in 2006 resulting from the adoption of SFAS No. 123(R) on January 1, 2006 (ii) increases in the average number of personnel dedicated to ongoing research and development activities in our India operations; (iii) annual compensation increases for 2006 and 2005, effective January 1, 2006 and May 1, 2005, respectively; and (iv) increases in contract labor expense relating to development in the planning and replenishment area. The number of research and development personnel related to our India operations increased 35% to 479 at December 31, 2006 as compared to 355 at December 31, 2005 and 279 at December 31, 2004. Our principal research and development activities during 2006, 2005 and 2004 focused on the expansion and integration of new products acquired and new product releases and expanding the product footprint of both our comprehensive Integrated Logistics Solutions and Integrated Planning Solutions product suites. In addition, we invested in our Logistics Event Management Architecture (LEMA), the Manhattan Associates Business Process Platform which provides not only a sophisticated service oriented architecture based application framework but an integration platform that facilitates the integration with Enterprise Resource Planning (ERP) and other supply chain solutions.

For the years ended December 31, 2006, 2005, and 2004, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

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 and alliance programs and related activities. The increases in sales and marketing expenses in 2006 and 2005 are principally attributable to: (i) $1.5 million of stock compensation expense in 2006 resulting from the adoption of SFAS No. 123(R) on January 1, 2006; (ii) a 15% and 7% increase in 2006 and 2005, respectively in sales and marketing headcount; (iii) annual compensation increases for 2006 and 2005, effective January 1, 2006 and May 1, 2005, respectively; and (iv) an increase in bonus and incentive compensation expense relating to higher license fees in 2006 and 2005 over the prior year.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, depreciation, legal, insurance, accounting and other administrative expenses. The change in general and administrative expenses in from 2005 to 2006 was attributable to: (i) $2.5 million of stock compensation expense in 2006 resulting from the adoption of SFAS No. 123(R) on January 1, 2006; (ii) an increase in salary-related costs resulting from additional personnel combined with annual compensation increases, effective January 1, 2006; and (iii) an increase of approximately $0.7 million in legal fees mainly related to the legal settlements. These increases were partially offset by approximately $1.6 million of recoveries of previously expensed sales tax resulting from the expiration of the sales tax audit statutes in certain states.

The increase in general and administrative expenses from 2004 to 2005 was attributable to: (i) an increase in salary-related costs from the 15% increase in the average number of general and administrative personnel; (ii) an increase in annual bonuses of approximately $1.2 million as we achieved better financial results relative to internal plans; and (iii) additional fees of approximately $1.0 million related to audit, tax, and Sarbanes Oxley work performed by third parties. These increases were offset by approximately $1.0 million in recoveries of previously expensed sales tax resulting from the expiration of the sales tax audit statutes in certain states and lower legal fees of $0.6 million.

Depreciation and Amortization. Depreciation expense amounted to $8.4 million, $7.6 million and $7.2 million, during 2006, 2005, and 2004, respectively. Amortization of intangibles amounted to $4.9 million, $4.5 million and $3.6 million during 2006, 2005, and 2004, respectively. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions, including the acquisitions of Evant in August 2005, eebiznet in July 2004, Avere, Inc. in January 2004, ReturnCentral, Inc. in June 2003, and Logistics.com, Inc. in December 2002. The increase in 2006 was attributable to the intangible asset amortization expense from the Evant acquisition, which totaled approximately $2.7 million during the year.

Settlement and accounts receivable charges. The $2.9 million pretax ($2.5 million after-tax or $0.09 per fully diluted share) in legal settlement costs in 2006 relate to two litigation matters, one with a large German customer and one with a domestic customer regarding implementation of warehouse management systems. In both litigation matters, a settlement was reached in January 2007. The recorded charges represent our portion of the settlement agreed to with our insurance carrier, subsequent to December 31, 2006. During 2005, we recorded a significant write-off of $2.8 million in accounts receivable from the German customer with whom we settled in 2006 resulting from a dispute over the implementation of our software.

Severance, restructuring and acquisition charges. The $1.5 million of charges for 2006 represent employee retention bonuses incurred in connection with the Evant acquisition. At the closing of the Evant acquisition, $2.8 million was deposited into escrow for employee retention purposes and was distributed to employees upon completion of up to 12 months of service with us. The $2.8 million was recorded as a prepaid asset, and was recognized as compensation expense ratably over the required employee retention period. During 2006, we completed the Evant retention bonus program and paid out the final bonuses. The charges of $3.5 million recorded in 2005 included the following: (i) $1.9 million of severance-related costs and retention bonuses discussed above associated with the acquisition of Evant; (ii) approximately $1.1 million in severance-related costs associated with the consolidation of our European operations into the Netherlands, United Kingdom and France; and (iii) $0.5 million in acquisition-related costs associated with an attempted acquisition that did not close. As part of the restructuring in Europe, we eliminated 17 sales and professional services positions throughout Europe. The severance-related costs associated with Evant consisted primarily of one-time payments to employees not retained due to duplicative functions. The acquisition-related costs incurred consisted of outside legal and accounting due diligence expenses.

Impairment charge. In July 2003, we invested $2.0 million in a technology company. Based on our assessment of uncertainties associated with the fair value of our investment following an unsuccessful public offering during the third quarter of 2006, we wrote down our investment by $0.3 million. Future impairment charges associated with this investment may be required in the event the company is unable to meet its strategic growth objectives.

Operating Income

Income from Operations. Operating income in 2006 increased by $0.5 million on consolidated revenue growth of 17%. Operating margins declined from 12.3% in 2005 to 10.6% in 2006. The incremental profit contribution and margin decline given our strong revenue performance in 2006 was largely driven by four factors: (1) stock option expense of $6.6 million in 2006 incurred due to the adoption of SFAS No. 123(R) on January 1, 2006 which reduced our operating margin by 230 basis points; (2) strong services revenue growth and investment in new product sales drove higher professional services headcount, lowering service margins; (3) continued investment in research and development expanding our India operations; and (4) higher incremental expenses associated with the Evant acquisition. Operating income in the Americas segment decreased by $2.0 million, or 6%, due to incremental stock option expense of $6.2 million as well as legal settlements of $0.8 million. Operating losses in EMEA improved by $1.5 million, or 35% due to the completion of the restructuring plan in 2005 and the decrease in settlements and receivables charges of $0.8 million, offset by incremental stock option expense of $0.4 million. Operating income for Asia Pacific improved by $0.9 million mainly due to increased revenue growth.

Operating income in 2005 decreased by $1.3 million. The corresponding operating margin decreased from 14.7% to 12.3%. The decrease in operating income in 2005 compared to 2004 was attributable to $2.8 million of accounts receivable write-offs and $3.5 million in severance, restructuring, and acquisition charges discussed above. Intangibles amortization also increased in 2005 due to the Evant acquisition. These decreases were partially offset by the contribution growth in software and services. Operating income in the Americas segment increased by $2.1 million, or 6%, from 2004 to 2005. This increase was offset by a decrease in Asia Pacific of $0.9 million and a decrease in EMEA of $2.5 million. The operating results for 2005 for EMEA were negatively impacted by $2.8 million of accounts receivable write-offs and $1.1 million of restructuring costs.

Other Income and Income Taxes

	Year Ended December 31,				
				% Change	
	2006	2005	2004	2006	2005
Other income, net	$ 3,638	$ 2,677	$ 3,257	36%	-18%
Income tax provision	15,062	14,319	13,232	5%	8%

Other Income, net. Other income, net includes interest income, interest expense and foreign currency gains and losses. Interest income was $3.3 million in 2006 compared to $3.8 million in 2005, decreasing on overall lower average cash balances. Interest income increased in 2005 over 2004 by $1.4 million from due to an overall increase in market interest rates. The weighted-average interest rate earned on investment securities was 3.5% at December 31, 2006 compared to 2.9% at December 31, 2005 and 2.2% at December 31, 2004. We recorded a net foreign currency gain of $0.3 million in 2006 as compared to a net foreign currency loss of $1.1 million in 2005 and a net foreign currency gain of $0.9 million in 2004. The foreign currency gains and losses resulted from gains or losses on intercompany transactions denominated in foreign currencies with subsidiaries due to the fluctuation of the U.S. dollar relative to other foreign currencies, primarily the British Pound and the Euro.

Income Tax Provision. Our effective income tax rates were 43.8%, 43.5% and 38.0% in 2006, 2005 and 2004, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The higher effective tax rate for 2006 was driven by non-deductible stock option expense ($6.6 million pre-tax, $5.3 million after-tax) resulting from our adoption of SFAS No. 123(R) on January 1, 2006. Additionally, we were unable to take a tax benefit on $2.0 million of the $2.9 million of legal settlements as this charge related to a foreign subsidiary with tax losses. The increase in the tax rate in 2005 was attributable to the inability to recognize significant tax benefit from the $4.4 million of accounts receivable, severance, and restructuring charges due to the recent losses in the foreign locations where most of these charges occurred. The increase is also attributable to tax contingency reserves recorded of $1.9 million. The provisions for income taxes for 2005 and 2004 do not include $1.9 million and $9.7 million of tax benefits realized from stock options exercised during the years, respectively. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

Liquidity and Capital Resources

During 2006, 2005, and 2004, we funded our operations through cash generated from operations. As of December 31, 2006, we had $131.1 million in cash, cash equivalents and investments as compared to $93.7 million at December 31, 2005.

Our operating activities provided cash of $44.1 million, $33.4 million and $44.5 million in 2006, 2005, and 2004, respectively. Cash from operating activities for 2006 increased on collections and revenue growth. Days sales outstanding decreased to 73 days at December 31, 2006 as compared to 81 days at December 31, 2005 as a result of stronger cash collections. Cash from operating activities for 2005 decreased from 2004 primarily due to decreases in income tax deductions for stock option exercises and corresponding increases in cash paid for income taxes. Days sales outstanding also increased to 81 days at December 31, 2005 from 76 days at December 31, 2004, partially attributable to slightly weaker cash collections at year end on December revenue recorded.

Our investing activities used cash of approximately $47.9 million during the year ended December 31, 2006, primarily for the purchase of approximately $9.6 million in capital equipment to support our business and infrastructure and $38.1 million in net investments. During 2005, our investing activities provided cash of approximately $3.8 million from net maturities and sales of investments of $61.1 million, partially offset by payments in connection with the Evant acquisition of approximately $48.3 million and purchases of capital equipment of $8.5 million. During 2004, our investing activities used cash of approximately $20.9 million for the purchase of $7.6 million of capital equipment, $1.7 million for acquisitions and net purchases of $11.6 million in investments.

Our financing activities provided cash of approximately $2.5 million in 2006 and used cash of $54.4 million and $17.9 million in 2005 and 2004, respectively. The principal use of cash for financing activities was to repurchase shares of our common stock for approximately $16.0 million, $61.0 million and $21.8 million in 2006, 2005, and 2004, respectively. These repurchases were partially offset by the proceeds from the issuance of our common stock pursuant to the exercise of stock options. As of December 31, 2006, we had $42.9 million of Board approved share repurchase authority remaining.

Periodically, opportunities may arise 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 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.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), which requires us to expense share-based payments, including employee stock options, based on their fair value. We adopted SFAS No. 123(R) on January 1, 2006. We discuss our adoption of SFAS No. 123(R) and the adoption's effects in Note 2 to our Consolidated Financial Statements in this annual report.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections — A replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154"). The FASB issued SFAS No. 154 to provide guidance on the accounting for and reporting of error corrections. Unless otherwise impracticable, it establishes retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 also provides guidance for determining whether retrospective application is impracticable and for reporting an accounting change when retrospective application is impracticable. Furthermore, this statement addresses the reporting of a correction of an error in previously issued financial statements by restating previously issued financial statements. This Statement is effective for financial statements for fiscal years beginning after December 15, 2005. The adoption of this statement did not have an impact on our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently assessing FIN 48 and have not determined the impact that the adoption of FIN 48 will have on our consolidated financial statements.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Our principal commitments as of December 31, 2006, consist of obligations under operating leases. We expect to fulfill all of the following commitments from our working capital.

Lease Commitments

We lease certain of our facilities and some of our equipment under noncancelable operating lease arrangements that expire at various dates through 2008. Rent expense for these leases aggregated $7.0 million, $6.3 million and $5.9 million during 2006, 2005, and 2004, respectively.

The following table summarizes our contractual commitments as of December 31, 2006 (in thousands):

	Total	2007	2008	2009	2010	Thereafter
Non-cancelable operating leases	$12,537	$6,725	$3,312	$1,868	$531	$ 101
Capital leases	$ —	$ —	$ —	$ —	$ —	$ —

Indemnifications

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. We account for these indemnity obligations in accordance with SFAS No. 5, *Accounting for Contingencies*, and record a liability for these obligations when a loss is probable and reasonably estimable. We have not recorded any liabilities for these agreements as of December 31, 2006.

We warrant to our customers 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 after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, we warrant to our customers 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 December 31, 2006.

Item 7A. *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. Our international operations currently include business activity out of offices in the United Kingdom, the Netherlands, Germany, France, Australia, Japan, China, Singapore and India. When the U.S. dollar strengthens against a foreign currency, the value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases.

We recognized a foreign exchange rate gain of $0.3 million in 2006, a foreign exchange rate loss of $1.1 million in 2005, and a foreign exchange rate gain of approximately $0.9 million in 2004. Foreign exchange rate transaction gains and losses are classified in “Other income (loss), net” in our Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at December 31, 2006 and 2005 relative to the US dollar would result in changes of approximately $1.4 million and $1.3 million in the reported foreign currency gain or loss, respectively.

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.

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 was 3.5% at December 31, 2006 as compared to 2.9% at December 31, 2005. The fair value of cash equivalents and investments held at December 31, 2006 and 2005 was $121.9 million and $81.7 million, respectively. Based on the average investments outstanding during 2006 and

2005, increases or decreases of 25 basis points would result in increases or decreases to interest income of approximately $0.1 million and $0.3 million in 2006 and 2005, respectively, from the reported interest income.

Item 8. *Financial Statements and Supplementary Data*

Financial Statements

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Manhattan Associates, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

As of the end of the Company's 2006 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2006 was effective.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young, an independent registered public accounting firm, as stated in their report appearing on page 39, which expresses unqualified opinions on management's assessment of the effectiveness of internal control over financial reporting and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2006.

/s/ Dennis B. Story
Dennis B. Story
Senior Vice President and Chief Financial Officer

/s/ Peter F. Sinisgalli
Peter F. Sinisgalli
President and Chief Executive Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders
Manhattan Associates, Inc. and Subsidiaries

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Manhattan Associates, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Manhattan Associates, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Manhattan Associates, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Manhattan Associates, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria **.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2006 of Manhattan Associates, Inc. and subsidiaries and our report dated March 12, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 12, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Shareholders
Manhattan Associates, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 12, 2007

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

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

	Year Ended December 31,		
	2006	2005	2004
Revenue:			
License	$ 66,543	$ 57,119	$ 49,886
Services	194,521	166,091	141,492
Hardware and other	27,804	23,194	23,541
Total revenue	288,868	246,404	214,919
Costs and expenses:			
Cost of license	5,796	4,700	4,085
Cost of services	93,427	76,641	65,853
Cost of hardware and other	24,515	19,914	20,071
Research and development	41,468	34,139	28,822
Sales and marketing	45,888	40,302	34,049
General and administrative	29,143	22,047	19,648
Depreciation and amortization	13,247	12,074	10,782
Settlement and accounts receivable charges	2,856	2,815	—
Severance, restructuring, and acquisition charges	1,503	3,495	—
Impairment charge	270	—	—
Total costs and expenses	258,113	216,127	183,310
Operating income	30,755	30,277	31,609
Interest income	3,454	3,830	2,383
Interest expense	(11)	(34)	(26)
Other income (loss), net	195	(1,119)	900
Income before income taxes	34,393	32,954	34,866
Income tax provision	15,062	14,319	13,232
Net income	$ 19,331	$ 18,635	$ 21,634
Basic net income per share	$ 0.71	$ 0.65	$ 0.72
Diluted net income per share	$ 0.69	$ 0.64	$ 0.70
Weighted average shares:			
Basic	27,183	28,690	30,056
Diluted	27,971	29,297	31,067

The accompanying notes are an integral part of these Consolidated Statements of Income.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

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

	December 31,	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,449	$ 19,419
Short-term investments	90,570	36,091
Accounts receivable, net of a $4,901 and $4,892 allowance for doubtful accounts in 2006 and 2005, respectively	60,937	58,623
Deferred income taxes	5,208	6,377
Prepaid expenses	8,667	7,497
Other current assets	3,272	4,220
Total current assets	187,103	132,227
Property and equipment , net	15,850	14,240
Long-term investments	22,038	38,165
Acquisition-related intangible assets, net	14,344	19,213
Goodwill, net	70,361	54,607
Deferred income taxes	481	11,995
Other assets	4,716	2,951
Total assets	$ 314,893	$ 273,398
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,716	$ 7,904
Accrued compensation and benefits	16,560	15,224
Accrued and other liabilities	13,872	13,971
Deferred revenue	29,918	27,204
Income taxes payable	4,006	2,535
Current portion of capital lease obligations	—	147
Total current liabilities	76,072	66,985
Deferred income taxes	913	—
Other non-current liabilities	768	1,015
Commitments and contingencies (see footnotes 1, 5 and 6)		
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2006 or 2005	—	—
Common stock, $.01 par value; 100,000,000 shares authorized, 27,610,105 shares issued and outstanding in 2006 and 27 ,207,260 shares issued and outstanding in 2005	276	272
Additional paid-in-capital	98,704	87,476
Retained earnings	136,321	116,990
Accumulated other comprehensive income	1,839	863
Deferred compensation	—	(203)
Total shareholders' equity	237,140	205,398
Total liabilities and shareholders' equity	$ 314,893	$ 273,398

The accompanying notes are an integral part of these Consolidated Balance Sheets.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 19,331	$ 18,635	$ 21,634
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,247	12,074	10,782
Stock compensation	6,762	184	1,101
Asset impairment charge	270	—	—
Loss on disposal of equipment	22	76	42
Unrealized foreign currency (gain)loss	(317)	1,346	(643)
Tax benefit of options exercised	4,546	1,920	9,686
Excess tax benefits from stock-based compensation	(2,519)	—	—
Deferred income taxes	(574)	1,368	286
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(1,617)	(8,692)	(4,018)
Other assets	(3,483)	(4,383)	(1,878)
Prepaid retention bonus	1,599	(1,599)	—
Accounts payable , accrued and other liabilities	3,814	7,403	3,108
Income taxes	367	1,359	(175)
Deferred revenue	2,672	3,694	4,556
Net cash provided by operating activities	44,120	33,385	44,481
Cash flows from investing activities:			
Purchases of property and equipment	(9,641)	(8,488)	(7,572)
Purchases of available-for-sale investments	(831,932)	(870,123)	(1,095,608)
Maturities and sales of available-for-sale investments	793,799	931,247	1,083,982
Payments in connection with various acquisitions	(126)	(48,789)	(1,698)
Net cash (used in) provided by investing activities	(47,900)	3,847	(20,896)
Cash flows from financing activities:			
Payment of capital lease obligations	(147)	(104)	(133)
Purchase of Manhattan common stock	(16,029)	(61,011)	(21,763)
Excess tax benefits from stock-based compensation	2,519	—	—
Proceeds from issuance of common stock from options exercised	16,156	6,672	4,039
Net cash provided by (used in) financing activities	2,499	(54,443)	(17,857)
Foreign currency impact on cash	311	(799)	294
(Decrease) increase in cash and cash equivalents	(970)	(18,010)	6,022
Cash and cash equivalents, beginning of year	19,419	37,429	31,407
Cash and cash equivalents, end of year	$ 18,449	$ 19,419	$ 37,429
Supplemental cash flow disclosures:			
Cash paid for interest	$ 5	$ 19	$ 26
Cash paid for income taxes	$ 10,371	$ 9,098	$ 2,816
Non-cash transaction:			
Issuance of restricted stock	$ —	$ —	$ 1,290

The accompanying notes are an integral part of these Consolidated Statements of Cash Flows.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Total Shareholders' Equity
Balance, December 31, 2003	30,086,164	$ 301	$146,614	$ 76,721	$ 720	$ (198)	$ 224,158
Stock option exercises	334,157	3	4,036	—	—	—	4,039
Issuance of restricted stock	45,803	1	1,289	—	—	(1,290)	—
Repurchase of common stock	(885,400)	(9)	(21,754)	—	—	—	(21,763)
Tax benefit from stock options exercised	—	—	9,686	—	—	—	9,686
Amortization of deferred compensation	—	—	—	—	—	1,101	1,101
Foreign currency translation adjustment	—	—	—	—	421	—	421
Unrealized loss on investments	—	—	—	—	(259)	—	(259)
Net income	—	—	—	21,634	—	—	21,634
Balance, December 31, 2004	29,580,724	296	139,871	98,355	882	(387)	239,017
Stock option exercises	453,736	4	6,668	—	—	—	6,672
Repurchase of common stock	(2,827,200)	(28)	(60,983)	—	—	—	(61,011)
Tax benefit from stock options exercised	—	—	1,920	—	—	—	1,920
Amortization of deferred compensation	—	—	—	—	—	184	184
Foreign currency translation adjustment	—	—	—	—	(37)	—	(37)
Unrealized gain on investments	—	—	—	—	18	—	18
Net income	—	—	—	18,635	—	—	18,635
Balance, December 31, 2005	27,207,260	272	87,476	116,990	863	(203)	205,398
Reclassification of deferred compensation	—	—	(203)	—	—	203	—
Stock option exercises	1,176,146	12	16,144	—	—	—	16,156
Repurchase of common stock	(773,301)	(8)	(16,021)	—	—	—	(16,029)
Tax effects of stock based compensation	—	—	4,546	—	—	—	4,546
Restricted stock expense	—	—	119	—	—	—	119
Stock option expense	—	—	6,643	—	—	—	6,643
Foreign currency translation adjustment	—	—	—	—	757	—	757
Unrealized gain on investments	—	—	—	—	219	—	219
Net income	—	—	—	19,331	—	—	19,331
Balance, December 31, 2006	27,610,105	$ 276	$ 98,704	$ 136,321	$ 1,839	$ —	$ 237,140

The accompanying notes are an integral part of these Consolidated Statements of Shareholders' Equity.

Table of Contents

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Net income	$ 19,331	$ 18,635	$ 21,634
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	757	(37)	421
Unrealized gain (loss) on investments, net of taxes of $135, ($11), and ($136) in 2006, 2005 and 2004, respectively	219	18	(259)
Other comprehensive income (loss)	976	(19)	162
Comprehensive income	$ 20,307	$18,616	$21,796

The accompanying notes are an integral part of these Consolidated Statements of Comprehensive Income.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006, 2005 and 2004

1. Organization and Summary of Significant Accounting Policies

Organization and Business

Manhattan Associates, Inc. ("Manhattan" or the "Company") is a developer and provider of technology-based supply chain software solutions that help companies manage the effectiveness and efficiency of their supply chain. The solutions consist of software, services and hardware and are used for both the planning and execution of supply chain activities. These solutions help coordinate the actions and communication of manufacturers, suppliers, distributors, retailers, transportation providers and consumers.

The Company's operations are in North America, Europe and Asia/Pacific. Its European operations are conducted through its wholly-owned subsidiaries, Manhattan Associates Limited, Manhattan Associates Europe B.V., Manhattan France SARL, and Manhattan Associates GmbH, in the United Kingdom, the Netherlands, France, and Germany, respectively. The Company's Asia/Pacific operations are conducted through its wholly-owned subsidiaries, Manhattan Associates Pty Ltd., Manhattan Associates KK, Manhattan Associates Software (Shanghai), Co. Ltd., Manhattan Associates Software Pte Ltd., and Manhattan Associates (India) Development Centre Private Limited in Australia, Japan, China, Singapore, and India, respectively. The Company occasionally sells its products and services in other countries, such as countries in Latin America, Eastern Europe, Middle East, and Asia, through its direct sales channel as well as various reseller channels.

Principles of Consolidation and Foreign Currency Translation

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

The financial statements of foreign subsidiaries have been translated into United States dollars in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 52, *Foreign Currency Translation.* Revenues and expenses from international operations were denominated in the respective local currencies and translated using the average monthly exchange rates for the year. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date and the effect of changes in exchange rates from year to year are disclosed as a separate component of shareholders' equity and comprehensive income.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short- and long-term investments and accounts receivable. The Company maintains cash and cash equivalents and short- and long-term investments with various financial institutions. The Company's sales are primarily to companies located in the United States, Europe and Asia. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral. Accounts receivable are due principally from large U.S., European and Asia Pacific companies under stated contract terms. Accounts receivable, net as of December 31, 2006 for the United States, Europe and Asia Pacific companies were $47.2 million, $7.0 million and $6.7 million, respectively. Accounts receivable, net as of December 31, 2005 for the United States, Europe and Asia Pacific companies were $45.5 million, $9.1 million and $4.0 million, respectively.

The Company's top five customers in aggregate accounted for 16%, 14% and 14% of total revenue in the period the related sales were recorded for each of the years ended December 31, 2006, 2005, and 2004, respectively. No single customer

1. Organization and Summary of Significant Accounting Policies (continued)

accounted for more than 10% of revenue in the years ended December 31, 2006, 2005, and 2004 or for more than 10% of accounts receivable as of December 31, 2006 and 2005.

Investments

The Company's investments in marketable securities consist principally of debt instruments of the U.S. Treasury, U.S. government agencies, state and local government agencies and corporate commercial paper. These investments are categorized as available-for-sale securities and recorded at fair market value, as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investment gains and losses are determined on a specific identification basis. Investments with original maturities of 90 days or less are classified as cash equivalents; investments with original maturities of greater than 90 days but less than one year are generally classified as short-term investments; and those with original maturities of greater than one year are generally classified as long-term investments. The long-term investments consist of corporate or U.S. government debt instruments and mature after one year through five years. The Company holds investments in Auction Rate Securities, which have original maturities greater than one year, but which have auctions to reset the yield every 7 to 35 days. The Company has classified these assets as short-term investments as the assets are viewed as available to support current operations, based on the provisions of Accounting Research Bulletin No. 43, Chapter 3A, "Working Capital-Current Assets and Liabilities." Unrealized holding gains and losses are reflected as a net amount in a separate component of shareholders' equity until realized. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis.

In July 2003, the Company invested $2.0 million in a technology company. The investment has been accounted for under the cost method, and is included in "Other Assets" on the consolidated balance sheets. Based on the Company's assessment of uncertainties associated with the fair value of the investment following an unsuccessful public offering, the Company has written down its investment by $0.3 million during 2006. The $0.3 million charge is included in impairment charge in the consolidated statements of income.

The following is a summary of the available-for-sale securities (in thousands):

	Cost	Unrealized gains	Unrealized losses	Market Value	Cash and Equivalents	Short-term Investments	Long-term Investments
December 31, 2006							
Investments:							
U.S. government obligations	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and local obligations	102,631	3	—	102,634	324	90,570	11,740
U.S. corporate commercial paper	19,339	—	54	19,285	8,987	—	10,298
Total	$121,970	$ 3	$ 54	$121,919	$ 9,311	$90,570	$ 22,038

	Cost	Unrealized gains	Unrealized losses	Market Value	Cash and Equivalents	Short-term Investments	Long-term Investments
December 31, 2005							
Investments:							
U.S. government obligations	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and local obligations	43,542	—	10	43,532	2,718	36,091	4,723
U.S. corporate commercial paper	38,503	1	375	38,129	4,687	—	33,442
Total	$82,045	$ 1	$ 385	$81,661	$ 7,405	$36,091	$38,165

1. Organization and Summary of Significant Accounting Policies (continued)

Following is a summary of the Company's future available-for-sale investment maturities as of December 31, 2006:

Less than 1 year	$ 9,311
1 to 5 years	23,552
5 years to 10 years	—
Over 10 years	89,056
Total	$121,919

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, which is based upon an evaluation of historical amounts written-off, the customers' ability to pay and general economic conditions; the useful lives of intangible assets; self insurance accruals; legal accruals; the recoverability or impairment of intangible asset values; stock based compensation, which is based on the expected term of the award and corresponding expected volatility, risk-free interest rate, and dividends; and the Company's effective income tax rate and deferred tax assets, which are based upon the Company's expectations of future taxable income, allowable deductions, and projected tax credits. Actual results will differ from these estimates.

Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, accounts payable, and other financial instruments included in the accompanying Consolidated Balance Sheets approximate their fair values principally due to the short-term maturities of these instruments. Unrealized gains and losses on investments are included as a separate component of "Accumulated other comprehensive income," net of any related tax effect, in the Consolidated Balance Sheets.

Risks Associated with Single Business Line, Technological Advances, and Foreign Operations

The Company currently derives a substantial portion of its revenues from sales of its software and related services and hardware. The markets for supply chain execution and supply chain planning solutions are subject to rapid technological change, changing customer needs, frequent new product introductions, and evolving industry standards that may render existing products and services obsolete. As a result, the Company's position in these markets could be eroded rapidly by unforeseen changes in customer requirements for application features, functions, and technologies. The Company's growth and future operating results will depend, in part, upon its ability to enhance existing applications and develop and introduce new applications that meet changing customer requirements that respond to competitive products and that achieve market acceptance. Any factor adversely affecting the markets for supply chain execution and supply chain planning solutions could have an adverse effect on the Company's business, financial condition, and results of operations.

The Company's international business is subject to risks typical of an international business, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, the future results could be materially adversely impacted by changes in these or other factors. The Company recognized a foreign exchange rate gain on intercompany balances of $0.3 million in 2006, a foreign exchange rate loss on intercompany balances of $1.1 million in 2005 and a foreign exchange rate gain on intercompany balances of approximately $0.9 million in 2004. Foreign exchange rate transaction gains and losses are classified in "Other income (loss), net" on the Consolidated Statements of Income.

Revenue Recognition

The Company's revenue consists of revenues from the licensing and hosting of software; fees from implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions; and sales of hardware.

1. Organization and Summary of Significant Accounting Policies (continued)

The Company recognizes software license revenue under Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended, 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. The Company recognizes 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 using contract accounting.

The Company's services revenue consists of fees generated from professional services, customer support services and software enhancement subscriptions related to the Company's software products. Fees from professional services performed by the Company are generally billed on an hourly basis, and revenue is recognized as the services are performed. 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. Revenue related to fixed-fee based contracts is recognized on a proportional performance basis based on the hours incurred on discreet projects within an overall services arrangement. Project losses are provided for in their entirety in the period in which they become known. Revenue 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 the Company's software solutions. As part of a complete solution, the Company's customers frequently purchase hardware from the Company in conjunction with the licensing of software. These products include computer hardware, radio frequency terminals networks, RFID chip readers, bar code printers and scanners, and other peripherals. Hardware revenue is recognized upon shipment to the customer when title passes. The Company generally purchases hardware from its vendors only after receiving an order from a customer. As a result, the Company does not maintain significant hardware inventory.

In accordance with the FASB's Emerging Issues Task Force Issue No. 01-14 ("EITF No. 01-14"), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," the Company recognizes amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been classified to hardware and other revenue. The total amount of expense reimbursement recorded to revenue was $9.7 million, $8.1 million and $7.0 million for 2006, 2005 and 2004, respectively.

Deferred Revenue

Deferred revenue represents amounts collected prior to having completed performance of professional services, customer support services and software enhancement subscriptions and significant remaining obligations under license agreements. The Company expects to complete such services or obligations within the next twelve months.

Returns and Allowances

The Company has not experienced significant returns or warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 2006 or 2005.

The Company records an allowance for doubtful accounts based on the historical experience of write-offs and a detailed assessment of accounts receivable. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. The total amounts charged to operations were $5.4 million, $3.8 million and $4.0 million for 2006, 2005 and 2004, respectively. In estimating the allowance for doubtful accounts, management considers the age of the accounts receivable, the Company's historical write-offs, and the credit worthiness of the customer, among others. Should any of these factors change, the estimates made by management will also change accordingly, which could affect the level of the Company's future provision for doubtful accounts. Uncollectible accounts are written off when it is determined that the specific balance is not collectible.

1. Organization and Summary of Significant Accounting Policies (continued)

During 2005, the Company recorded a $2.8 million bad debt provision for the entire amount of the accounts receivable due from a large German customer with whom the Company terminated its business relationship. During 2006, the Company resolved the dispute and entered into a legal settlement with the customer (see Note 5).

Property and Equipment

Property and equipment is recorded at cost and consists of furniture, computers, other office equipment, internal use software, and leasehold improvements recorded at cost. The Company depreciates the cost of furniture, computers, other office equipment and internal use software on a straight-line basis over their estimated useful lives (three to five years for computer equipment and software, five years for office equipment, seven years for furniture). Leasehold improvements are depreciated over the lesser of their useful lives or the term of the lease. Included in computer equipment and software are assets under a capital lease of approximately $0.2 million and $0.2 million as of December 31, 2006 and 2005. Accumulated depreciation relating to the assets under a capital lease was $0.2 million and $0.2 million as of December 31, 2006 and 2005, respectively. There were no capital lease obligations remaining as of December 31, 2006. Depreciation and amortization expense for property and equipment, including assets under a capital lease, for the years ended December 31, 2006, 2005 and 2004 was approximately $8.4 million, $7.6 million and $7.2 million, respectively, and was included in depreciation and amortization expenses in the Consolidated Statements of Income.

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

	December 31,	
	2006	2005
Computer equipment and software	$ 40,113	$31,979
Furniture and office equipment	10,739	9,148
Leasehold improvements	7,301	6,496
	58,153	47,623
Less accumulated depreciation and amortization	(42,303)	(33,383)
	$ 15,850	$ 14,240

Acquisition-Related Intangible Assets

Acquisition-related intangible assets are stated at historical cost and include acquired software and certain other intangible assets with definite lives. The acquired software is being amortized over the greater of the amount computed using (a) the ratio that current gross revenues bear to the total of current and anticipated future gross revenues for each product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. The weighted average amortization period for acquired software is 4.9 years. The other intangible assets are being amortized on a straight-line basis over a period of two to ten years with a weighted average amortization period of 6.2 years. The weighted average amortization period for all intangible assets is 5.6 years. Total amortization expense related to acquisition-related intangible assets was approximately $4.9 million, $4.5 million and $3.6 million for the years ended December 31, 2006, 2005 and 2004, respectively, and is included in depreciation and amortization expense in the accompanying Consolidated Statements of Income.

Acquisition-Related Intangible Assets consist of the following (in thousands):

	December 31,	
	2006	2005
Cost:		
Acquired software	$ 15,791	$ 15,791
Other intangible assets with definite lives	19,087	19,087
	34,878	34,878
Accumulated amortization:		
Acquired software	(11,658)	(9,855)
Other intangible assets with definite lives	(8,876)	(5,810)
	(20,534)	(15,665)
Net book value:		
Acquired software	$ 4,133	$ 5,936
Other intangible assets with definite lives	10,211	13,277
	$ 14,344	$ 19,213

1. Organization and Summary of Significant Accounting Policies (continued)

The Company expects amortization expense for the next five years to be as follows based on intangible assets as of December 31, 2006 (in thousands):

2007	$ 4,515
2008	3,383
2009	2,975
2010	2,287
2011	1,172
Thereafter	12
Total	$ 14,344

Goodwill

Goodwill represents the excess of purchase price over fair value of net identified tangible and intangible assets and liabilities acquired. The Company does not amortize goodwill, but instead tests goodwill for impairment on at least an annual basis. Goodwill as of December 31, 2006 and 2005 was $70.4 million and $54.6 million, respectively. Approximately $36.0 million of the gross Goodwill is deductible for income tax purposes.

During 2006, the Company finalized its purchase price allocation for Evant resulting in a reduction of deferred tax assets of $15.2 million and a corresponding increase in goodwill. The Company was not able to substantiate the post-acquisition limitations on the deductibility of these assets.

Software Development Costs

Research and development expenses are charged to expense as incurred. The Company determines the amount of development costs capitalizable under the provisions of SFAS No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Under SFAS No. 86, computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized. The Company has defined technological feasibility as the point in time at which the Company has a detailed program design or a working model of the related product, depending on the type of development efforts. For the years ended December 31, 2006, 2005 and 2004, the Company capitalized no internal research and development costs because the costs incurred between the attainment of technological feasibility for the related software product through the date when the product was available for general release to customers has been insignificant.

Impairment of Long-Lived and Intangible Assets

The Company reviews the values assigned to long-lived assets, including property and certain intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. In such reviews, undiscounted cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required. During 2006, 2005, and 2004, the Company did not recognize any impairment charges associated with its long-lived or intangible assets.

The evaluation of asset impairment requires management to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts.

1. Organization and Summary of Significant Accounting Policies (continued)

Impairment of Goodwill

The Company evaluates the carrying value of goodwill and other intangible assets annually as of December 31 and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether the goodwill or other intangible asset is impaired, the Company compares the fair value of the reporting unit to which the goodwill or other intangible asset is assigned to its carrying amount, including goodwill and the other intangible assets. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of goodwill or other intangible assets, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. The Company performed its periodic review of its goodwill and other intangible assets for impairment as of December 31, 2006, 2005 and 2004 and did not identify any asset impairment as a result of the review.

Accrued and Other Liabilities

As of December 31, 2006 and 2005, accrued and other liabilities consisted of the following (in thousands):

	December 31,	
	2006	2005
Sales tax liability	$ 3,365	$ 5,421
Other accrued liabilities	10,507	8,550
Total	$ 13,872	$ 13,971

Guarantees and Indemnifications

The Company accounts for guarantees in accordance with Financial Interpretation No. 45 (“FIN 45”), *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* The Company’s sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, the Company agrees 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 the Company’s products and services. The indemnity provisions generally provide for the Company’s control of defense and settlement and cover costs and damages finally awarded against the customer, as well as the Company’s modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. The sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by the Company’s personnel or contractors in the course of performing services to customers. Under these agreements, the Company agrees 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 the Company’s personnel or contractors. The indemnity provisions generally provide for the Company’s 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. The Company has 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 December 31, 2006 and 2005.

1. Organization and Summary of Significant Accounting Policies (continued)

The Company warrants to its customers that its software products will perform in all material respects in accordance with the standard published specifications in effect at the time of delivery of the licensed products to the customer for 90 days after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, the Company warrants to its customers that services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, the Company will provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, the Company has not incurred significant recurring expense under product or service warranties. As a result, the Company believes the estimated fair value of these agreements is nominal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2006 and 2005.

Segment Information

The Company has three reporting segments: Americas, EMEA, and Asia Pacific as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." See Note 8 for discussion of the Company's reporting segments.

Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $0.2 million, $0.4 million and $0.5 million in 2006, 2005 and 2004, respectively. Advertising costs are included in sales and marketing in the Consolidated Statements of Income.

Basic and Diluted 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, and the treasury stock method effect of common equivalent shares ("CESs") outstanding for each period presented. The following is a reconciliation of the shares used in the computation of net income per share for the years ended December 31, 2006, 2005 and 2004:

	2006		2005		2004	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Weighted shares	27,183,127	27,183,127	28,689,556	28,689,556	30,055,916	30,055,916
Effect of CESs	—	788,615	—	607,089	—	1,010,873
	27,183,127	27,971,742	28,689,556	29,296,645	30,055,916	31,066,789

Options to purchase 3,073,378, 5,873,108, and 3,020,952 shares of common stock were outstanding during the years ended December 31, 2006, 2005 and 2004, respectively, but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares during the respective years. See Note 2 for further information on those securities.

1. Organization and Summary of Significant Accounting Policies (continued)

Accumulated Other Comprehensive Income

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

The following table sets forth the components of accumulated other comprehensive income:

	December 31,	
	2006	2005
	(in thousands)	
Unrealized gain (loss) on investments, net of taxes	$ (19)	$ (238)
Foreign currency translation adjustment	1,858	1,101
Total	$ 1,839	$ 863

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), which requires companies to expense share-based payments, including employee stock options, based on their fair value. The Company adopted SFAS No. 123(R) on January 1, 2006. See Note 2 for further discussion of the impact of the adoption.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections — A replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154"). The FASB issued SFAS No. 154 to provide guidance on the accounting for and reporting of error corrections. Unless otherwise impracticable, it establishes retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 also provides guidance for determining whether retrospective application is impracticable and for reporting an accounting change when retrospective application is impracticable. Furthermore, this statement addresses the reporting of a correction of an error in previously issued financial statements by restating previously issued financial statements. This Statement is effective for financial statements for fiscal years beginning after December 15, 2005. The adoption of this statement did not have an impact on the Company's consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing FIN 48 and has not determined the impact that the adoption of FIN 48 will have on its consolidated financial statements.

2. Stock-Based Compensation

At December 31, 2006, the Company has two stock-based employee compensation plans, which are described below. Prior to January 1, 2006, the Company accounted for these plans under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." No expense associated with employee stock options was recognized prior to January 1, 2006 as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Restricted stock awards were valued based on the quoted fair market value of the Company's stock on the date of grant and recorded as deferred compensation, a reduction of shareholders' equity. The common stock and additional paid-in capital balances were also adjusted on the date of grant to reflect the issuance of the restricted stock awards. The deferred compensation was amortized to expense over the vesting periods on a straight line basis.

2. Stock-Based Compensation (continued)

Adoption of Statement of Financial Accounting Standards No. 123(R), "Share Based Payment"

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R) ("SFAS No. 123(R)") using the modified prospective transition method. Under that transition method, compensation cost recognized on or after January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123(R). Results for prior periods have not been restated.

During 2006, the Company recorded stock option compensation cost of $6.6 million and related income tax benefits of $1.4 million, respectively. Additionally, under the provisions of SFAS No. 123(R), restricted stock awards are not deemed to be issued until the end of the vesting period. Compensation cost is recorded over the vesting period directly to paid-in capital. Thus, the Company eliminated its deferred compensation balance as of January 1, 2006 with an offsetting reduction to additional paid-in capital.

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires that cash flows resulting from the tax benefits generated by tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The Company generated excess tax benefits of $2.5 million during the year ended December 31, 2006.

The following table shows the net increases (decreases) in selected financial statement line items for the year ended December 31, 2006 that resulted from adopting SFAS No. 123(R) on January 1, 2006:

	December 31, 2006	
	(in thousands, except per share amounts)	
Operating income	$	(6,643)
Income before income taxes	$	(6,643)
Net income	$	(5,270)
Basic net income per share	$	(0.19)
Diluted net income per share	$	(0.19)
Net cash provided by operating activities	$	(2,519)
Net cash provided by financing activities	$	2,519

The following disclosure shows what the Company's net earnings and earnings per share would have been using the fair value compensation model under SFAS No. 123(R) for the years ended December 31, 2005 and 2004:

	(in thousands, except per share amounts)			
	2005		2004	
Net income (loss):				
As reported	$	18,635	$	21,634
Add: Stock-based employee compensation expense included in reported net income, net of taxes		113		683
Deduct: Stock-based employee compensation expense determined under the fair value method for all awards, net of taxes		(44,517)		(25,740)
Pro forma in accordance with SFAS No. 123(R)	$	(25,769)	$	(3,423)
Basic net income (loss) per share:				
As reported	$	0.65	$	0.72
Pro forma in accordance with SFAS No. 123(R)	$	(0.90)	$	(0.11)
Diluted net income (loss) per share:				
As reported	$	0.64	$	0.70
Pro forma in accordance with SFAS No. 123(R)	$	(0.90)	$	(0.11)

2. Stock-Based Compensation (continued)

Stock options expense of $59.4 million and $33.4 million for the years ended December 31, 2005 and 2004, respectively, decreased on a pro forma basis to $6.6 million for the year ended December 31, 2006 due to the acceleration of vesting of stock options with an exercise price of $22.09 or higher during 2005. The accelerated vesting affected options for approximately 765 option holders, representing 1.9 million shares of the Company's common stock. In order to prevent unintended personal benefits to individuals resulting from the accelerated vesting of options, the Company imposed sales restrictions on shares acquired upon exercise of these options that parallel the vesting requirements of the original options. These sales restrictions on the shares acquired continue following termination of employment until the original vesting dates are reached.

The accelerated vesting of these stock options with exercise prices greater than the then-current market value ("underwater") was made primarily to avoid recognizing compensation expense in the Company's future income statements upon the adoption of SFAS No. 123(R) for underwater options that the Company believed would not offer a sufficient incentive to the Company's employees when compared to the future compensation expense that the Company would have incurred under SFAS No. 123(R).

The acceleration resulted in additional pro forma compensation expense of $33.3 million, equal to the unamortized fair value of the options, and $3.9 million representing the incremental value of the options as of the modification date. The total impact to pro forma net income during 2005 was $26.9 million.

Stock Based Compensation Plans

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

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

The Manhattan Associates, Inc. 1998 Stock Incentive Plan (the "Stock Incentive Plan") was adopted by the Board of Directors and approved by the shareholders in February 1998. The Stock Incentive Plan provides for the grant of stock options. Optionees have the right to purchase a specified number of shares of common stock at a specified option price and subject to such terms and conditions as are specified in connection with the option grant. The Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors. The committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the Stock Incentive Plan generally and to interpret the provisions thereof. Options granted under the Stock Incentive Plan cannot have a term exceeding ten years. Options typically have an annual graded vesting schedule over four years and vest based on service conditions.

As of December 31, 2006, the Stock Incentive Plan provides for issuance of up to 16,010,111 shares of common stock (subject to adjustment in the event of stock splits and other similar events), less the number of shares issued under the LLC Option Plan, in the form of stock options and other stock incentives. The number of shares available for issuance under the Plan is automatically adjusted, without shareholder approval, on the first day of each fiscal year, beginning with the 2000 fiscal year, by a number of shares such that the total number of shares reserved for issuance under the Plan equals the sum of (i) the aggregate number of shares previously issued under the Plan and the LLC Option Plan; (ii) the aggregate number of shares subject to then outstanding stock incentives granted under the Plan and the LLC Option Plan; and (iii) 5% of the number of shares of common stock outstanding on the last day of the preceding fiscal year. However, no more than 1,000,000 of the shares available for grant each year shall be available for issuance pursuant to incentive stock options, and no more than 10,000,000 shares resulting from such automatic adjustments may ever be issued during the term of the Plan.

2. Stock-Based Compensation (continued)

Stock Option Awards

A summary of changes in outstanding options for the year ended December 31, 2006 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2006	8,149,215	$ 23.83		
Granted	928,500	$ 21.46		
Exercised	(1,177,546)	$ 13.72		
Forfeited and expired	(1,591,810)	$ 26.07		
Outstanding at December 31, 2006	6,308,359	$ 24.80	6.1	$ 40,990
Vested or expected to vest at December 31, 2006	6,069,422	$ 24.94	6.1	$ 38,876
Exercisable at December 31, 2006	5,433,029	$ 25.35	6.0	$ 33,352

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the years ended December 31, 2006, 2005, and 2004:

	2006	2005	2004
Dividend yield	0%	0%	0%
Expected volatility	56%	56%	62%
Risk-free interest rate at the date of grant	4.8%	4.1%	4.3%
Expected life (in years)	4.9	5.2	7.5

Effective January 1, 2006, expected volatilities are based on a combination of historical volatility of the Company's stock and implied volatility of the Company's publicly traded stock options. Due to the limited trading volume of the Company's publicly traded options, the Company places a greater emphasis on historical volatility. Previously, the Company had relied exclusively on historical volatility, disregarding periods of time in which the Company's share price was extraordinarily volatile because of circumstances that were not expected to recur. The Company also uses historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. The risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a term approximating the expected term. Using these assumptions, the weighted average fair values of the stock options granted during the years ended December 31, 2006, 2005, and 2004 are $11.26, $11.72 and $16.95, respectively.

Options with graded vesting are valued as a single award. The total value of the award is expensed on a straight line basis over the vesting period with the amount of compensation cost recognized at any date at least equal to the portion of the grant date value of the award that is vested at that date. During the years ended December 31, 2006 and 2005, the Company issued 1,176,146 and 453,736 shares of common stock, respectively, resulting from the exercise of stock options. The total intrinsic value of options exercised during the years ended December 31, 2006, 2005, and 2004 based on market value at the exercise dates was $14.1 million, $3.4 million, and $5.3 million, respectively. As of December 31, 2006, unrecognized compensation cost related to unvested stock option awards totaled $7.2 million and is expected to be recognized over a weighted average period of 1.7 years.

2. Stock-Based Compensation (continued)

Restricted Stock Awards

The Company also issued shares of restricted stock under the Stock Incentive Plan. A summary of changes in unvested shares of restricted stock for the year ended December 31, 2006 is as follows:

	Number of Shares	Grant Date Fair Value
Outstanding, unvested at January 1, 2006	10,587	$ 28.57
Granted	—	$ —
Vested	(4,377)	$ 28.71
Forfeited	—	$ —
Outstanding, unvested at December 31, 2006	6,210	$ 28.47

There were no shares of restricted stock issued during 2006. The total fair value of restricted stock awards vested during the years ended December 31, 2006, 2005, and 2004 based on market value at the vesting dates were $0.1 million, $0.8 million, and $0.2 million, respectively. As of December 31, 2006, unrecognized compensation cost related to unvested restricted stock awards totaled $0.1 million and is expected to be recognized over a weighted average period of 0.6 years.

3. Income Taxes

The Company is subject to future federal and state income taxes and has recorded net deferred tax assets on the Consolidated Balance Sheets at December 31, 2006 and 2005. Deferred tax assets and liabilities are determined based on the difference between the financial accounting and the tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2006 and 2005 are as follows (in thousands):

	December 31, 2006	December 31, 2005
Deferred tax assets:		
Accounts receivable	$ 1,811	$ 1,844
Accrued liabilities	2,107	1,754
Stock compensation expense	1,206	77
Depreciation	1,118	1,721
Capitalized research and development	—	13,548
Unrealized foreign currency gain	254	424
Accrued sales taxes	1,543	2,155
Net operating losses	3,980	3,324
Valuation allowance	(4,677)	(3,470)
Other	279	234
	7,621	21,611
Deferred tax liabilities:		
Intangible assets	2,845	3,239
Net deferred tax assets	$ 4,776	$ 18,372

The components of income from domestic and foreign operations before income tax expense for the years ended December 31, 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
Domestic	$ 33,417	$ 34,843	$ 33,525
Foreign	976	(1,889)	1,341
Total	$ 34,393	$ 32,954	$ 34,866

3. Income Taxes (continued)

The components of the income tax provision for the years ended December 31, 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
Current:			
Federal	$ 13,354	$ 10,082	$ 12,222
State	1,432	1,869	1,752
Foreign	1,051	1,284	759
	15,837	13,235	14,733
Deferred:			
Federal	(164)	1,094	(1,492)
State	(165)	74	50
Foreign	(446)	(84)	(59)
	(775)	1,084	(1,501)
Total	$ 15,062	$ 14,319	$ 13,232

The income tax benefits related to the exercise of stock options were allocated to additional paid-in capital. Such amounts were approximately $4.6 million, $1.9 million, and $9.7 million, for the years ended December 31, 2006, 2005 and 2004, respectively.

As a result of losses in foreign locations, the Company has net operating loss carry-forwards (“NOLs”) of approximately $3.9 million available to offset future income. Approximately $1.1 million of the NOLs expire in 2010 to 2012, and the remainder does not expire. The Company has established a valuation allowance for these NOLs because the ability to utilize them is uncertain.

The Company currently has a tax holiday in India through March 2009. As a result of this holiday, the Company had income of approximately $4.1 million, $2.4 million, and $2.0 million for the years ended December 31, 2006, 2005 and 2004, respectively, that was not subject to tax. The impact on diluted earnings per share if the income had been taxable was decreases of $0.05, $0.03, and $0.02 per share in 2006, 2005, and 2004, respectively.

Deferred taxes are not provided for temporary differences of approximately $16.9 million, $13.1 million and $8.7 million as of December 31, 2006, 2005 and 2004, respectively, representing earnings of non-U.S. subsidiaries that are intended to be permanently reinvested. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to various foreign countries.

In October 2004, the American Jobs Creation Act of 2004 (the Act) was signed into law. The Act provides for a special one-time deduction of 85% of certain foreign earnings that are repatriated. This provision did not impact the Company as the Company did not repatriate any funds in 2006 or 2005.

3. Income Taxes (continued)

The following is a summary of the items that cause recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 2006, 2005 and 2004:

	2006	2005	2004
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State income tax, net of federal benefit	3.4	4.0	4.1
Incentive stock options	2.8	—	—
Research and development credits	(0.6)	(1.4)	(1.5)
Foreign operations	(0.6)	(1.9)	(3.5)
Tax exempt income	(2.7)	(1.7)	(1.2)
Meals and entertainment	1.5	0.4	0.4
Intangibles	(0.1)	(0.1)	(0.1)
Tax contingencies	0.5	2.0	0.9
Other	1.1	0.6	0.3
Change in valuation allowance	3.5	6.6	3.6
Income taxes	43.8%	43.5%	38.0%

As of December 31, 2006, the Company has provided a tax accrual of $5.0 million primarily related to potential tax liabilities related for research and development credits and intercompany transactions which is included in income taxes payable in the consolidated balance sheets.

4. Shareholders' Equity

During 2006, 2005, and 2004, the Company purchased 773,301, 2,827,200 and 885,400 shares of the Company's common stock for approximately $16.0 million, $61.0 million, and $21.8 million, respectively, through open market transactions as part of a publicly-announced buy-back program.

5. Commitments and Contingencies

Leases

Rents charged to expense were approximately $7.0 million, $6.3 million, and $5.9 million for the years ended December 31, 2006, 2005 and 2004, respectively. The leases for the Company's headquarters in Atlanta, Georgia expire on March 31, 2008, at which time the Company has the option to renew for an additional five years at then current market rates. The lease on the Company's headquarters included a lease incentive which was recorded as an increase in leasehold improvements and deferred rent. During the first quarter of 2007, the Company extended the lease to September 30, 2018. The Company assumed a facility lease through the Evant acquisition with rates in excess of market value. The Company recorded the fair value of this unfavorable lease obligation in deferred rent and is amortizing the amount over the remaining lease term.

5. Commitments and Contingencies (continued)

Aggregate future minimum lease payments under the noncancellable operating leases as of December 31, 2006 are as follows (in thousands):

Year Ended December 31,	Operating Leases
2007	$ 6,725
2008	3,312
2009	1,868
2010	531
Thereafter	101
Total	$ 12,537

There are no future minimum lease payments under capital leases as of December 31, 2006.

Employment Agreements

The Company has entered into employment contracts with certain executives and other key employees. The agreements provide for total severance payments of up to approximately $2.4 million for termination of employment for any reason other than cause. Payment terms vary from a lump sum payment to equal monthly installments over a period of not more than 24 months. No amounts have been accrued because the payments are not probable and cannot be reasonably estimated.

Legal and Other Matters

During 2006, the Company recorded $2.9 million in legal settlement costs related to two litigation matters, one with a large German customer and one with a domestic customer regarding implementation of warehouse management systems. In both litigation matters, a settlement was reached in January 2007. The recorded charges represent the Company's portion of the settlement agreed to with its insurance carrier, subsequent to December 31, 2006. During 2005, the Company recorded a write-off of $2.8 million in accounts receivable from the German customer with whom the Company settled in 2006 resulting from a dispute over the implementation of its software. These charges are included in settlements and accounts receivable charges in the consolidated statements of income.

From time to time, the Company may be involved in litigation relating to claims arising out of its ordinary course of business. Many of the Company's installations involve products that are critical to the operations of its clients' businesses. Any failure in a Company product could result in a claim for substantial damages against the Company, regardless of the Company's responsibility for such failure. Although the Company attempts to limit contractually its liability for damages arising from product failures or negligent acts or omissions, there can be no assurance the limitations of liability set forth in its contracts will be enforceable in all instances. The Company is not presently involved in any material litigation. However, it is involved in various legal proceedings. The Company believes that any liability that may arise as a result of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows. The Company expenses legal costs associated with loss contingencies as such legal costs are incurred.

6. Acquisitions

Evant

On August 31, 2005, the Company acquired all of the issued and outstanding stock of Evant, and Evant became a wholly-owned subsidiary of the Company. Evant is a provider of demand planning and forecasting and replenishment solutions to more than 60 customers in the retail, manufacturing and distribution industries. The acquisition further diversifies Manhattan's product suite and expands its customer base. The Company paid an aggregate of $47.2 million in cash, and incurred $0.3 million in acquisition costs and $0.8 million of severance to eliminate duplicative functions. The $47.2 million includes $2.3 million of bonuses paid to employees not retained by Manhattan pursuant to an employee bonus plan approved by Evant's management (the "Evant Bonus Plan"). In addition to the $47.2 million cash paid, the Company paid $2.8 million into escrow at closing for employee retention purposes pursuant to the Evant Bonus Plan. These funds are being distributed to employees upon completion of up to 12 months of service with Manhattan. The $2.8 million was recorded as a prepaid asset and was recorded as compensation expense ratably over the required employee retention period. During the third quarter of 2006, the

Company completed the Evant retention bonus program and paid out the final bonuses. The acquisition of Evant was accounted for using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." The operating results of Evant are included in the Company's operations beginning September 1, 2005.

During the fourth quarter of 2005, the Company adjusted the purchase price allocation and recorded deferred tax assets of $15.2 million for deductible research and development costs previously capitalized by Evant for tax purposes as well as book and tax basis differences in property and equipment. The Company also adjusted and reduced the value assigned to customer contracts by $0.3 million. Goodwill decreased by a corresponding amount of $14.9 million. During the third quarter of 2006, the Company finalized its purchase price allocation for Evant resulting in a reduction of the deferred tax assets of $15.2 million and a corresponding increase in goodwill. The Company was not able to substantiate the post-acquisition limitations on the deductibility of these assets.

The weighted average amortization period of the intangible assets subject to amortization is approximately 5.6 years. Goodwill of $2.2 million was allocated to the EMEA reporting segment; the remaining goodwill of $20.1 million was allocated to the Americas reporting segment. The Goodwill will not be amortized, but will be reviewed for impairment on an annual basis. Goodwill is not deductible for tax purposes.

Unaudited pro forma operating results for the year ended December 31, 2005, assuming that the Evant acquisition had occurred at the beginning of the year, is as follows (in thousands, except per share data):

Pro forma revenues	$263,964
Pro forma net income	$ 13,046
Pro forma diluted net income per share	$ 0.45

eebiznet

On July 9, 2004, the Company acquired certain assets of eebiznet ("eebiznet"), whose primary business activities consist of the marketing and sale of supply software in France. The Company acquired eebiznet to expand its presence in Europe. The Company acquired all the outstanding shares of eebiznet for approximately $493,000 in cash plus a potential earnout based upon the sales of its software and service solutions in France during the period starting April 1, 2004 through March 31, 2006. The earnout payment, if any, will be calculated based on the following percentages of all license sales in France recognized during the period: (i) 30% of the software fees in France up to €1.5 million ($1.8 million as of December 31, 2005); (ii) 40% of the software fees in France over €1.5 million ($1.8 million as of December 31, 2005); and (iii) 2% of all service revenues. The entire purchase price has been recorded to goodwill, as eebiznet's assets and liabilities were immaterial. The operating results of eebiznet were included in the Company's operations after July 9, 2004.

Avere

On January 23, 2004, the Company acquired certain assets of Avere, Inc. ("Avere"), a provider of order management software. The Company completed the acquisition to enhance its product offering. The Company acquired substantially all of the assets of Avere for a purchase price of approximately $305,000. The purchase price includes the earnout of approximately $75,000 based upon the total Avere software fees recognized by the Company during the period starting on December 31, 2003 and ending on December 31, 2005. The earnout payment was calculated based on the following percentages of all Avere software fees recognized during the earnout period: (i) 25% of the Avere software fees greater than $200,000 and up to and including $2 million; (ii) 30% of the Avere software fees greater than $2 million and up to and including $4 million; and (iii) 35% of the Avere software fees greater than $4 million. The entire purchase price has been recorded as acquired developed technology and 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 five-year estimated economic life of the product, including the period being reported on. The operating results of Avere were included in the Company's operations after January 23, 2004.

7. Severance, restructuring, and acquisition charges

During 2006, the Company recorded $1.5 million of charges for employee retention bonuses incurred in connection with the Evant acquisition. At the closing of the Evant acquisition, $2.8 million was deposited into escrow for employee retention purposes and was distributed to employees upon completion of up to 12 months of service with the Company. The $2.8 million was recorded as a prepaid asset, and was recognized as compensation expense ratably over the required employee retention period. During 2006, the Company completed the Evant retention bonus program and paid out the final bonuses. The charges of $3.5 million recorded in 2005 included the following: (i) approximately $1.1 million in severance-related costs associated with the consolidation of the Company's European operations into the Netherlands, United Kingdom and France; (iii) $1.9 million of severance-related costs and retention bonuses discussed above associated with the acquisition of Evant; and (iv) $0.5 million in acquisition-related costs associated with an attempted acquisition that did not close. As part of the restructuring in Europe, the Company eliminated 17 sales and professional services positions throughout Europe. All payments relating to the restructuring of the European operations were paid during 2005. The severance-related costs associated with Evant consisted primarily of one-time payments to employees not retained due to duplicative functions. Approximately $1.6 million of the $1.9 million of Americas severance-related costs and amortization of prepaid retention bonuses was paid prior to December 31, 2005, and the remaining $0.3 million was paid during 2006. The acquisition-related costs incurred consisted of outside legal and accounting due diligence expenses.

8. Reporting Segments

In 2004, the Company conducted business in one operating segment, providing supply chain execution solutions. During 2005, the Company changed its management structure and began managing the business by geographic segment. The Company has identified its Americas segment, its EMEA segment and its Asia Pacific segment as reporting segments. The information for all periods presented reflects these new segments. All segments derive revenue from the sale and implementation of the Company's supply chain execution and planning solutions, of which the individual products are similar in nature and help companies manage the effectiveness and efficiency of their supply chain. The Company uses the same accounting policies for each reporting segment. The chief executive officer and chief financial officer evaluate performance based on revenue and operating results for each region.

The Americas segment charges royalty fees to the other segments based on software licenses sold by those reporting segments. The royalties, which totaled $2.2 million, $2.1 million and $1.5 million in 2006, 2005 and 2004, respectively, are included in cost of revenue for each segment with a corresponding reduction in Americas cost of revenue. The revenues represented below are from external customers only. The geographical-based costs consist of costs of professional services personnel, direct sales and marketing expenses, cost of infrastructure to support the employees and customer base, billing and financial systems and management and support team. There are certain corporate expenses included in the Americas region that are not charged to the other segments including research and development, certain marketing and general and administrative costs that support the global organization and the amortization of acquired developed technology. Included in the Americas costs are all research and development costs including the costs associated with the Company's India operations.

The operating expenses for the Americas segment include $4.9 million, $4.5 million, and $3.6 million of amortization expense on intangible assets in 2006, 2005 and 2004, respectively.

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has included a summary of the financial information by reporting segment. The following table presents the revenues, expenses and operating income (loss) by reporting segment for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	For the year ended December 31, 2006			
	Americas	EMEA	Asia Pacific	Total
Revenue:				
License	$ 57,579	$ 5,285	$ 3,679	$ 66,543
Services	158,603	20,793	15,125	194,521
Hardware and other	26,138	1,273	393	27,804
Total revenue	242,320	27,351	19,197	288,868
Costs and Expenses:				
Cost of revenue	93,716	16,679	13,343	123,738
Operating expenses	101,485	10,249	4,765	116,499
Depreciation and amortization	11,789	1,194	264	13,247
Settlement charges	810	2,046	—	2,856
Severance, restructuring, and acquisitions charges	1,503	—	—	1,503
Impairment charges	270	—	—	270
Total costs and expenses	209,573	30,168	18,372	258,113
Operating income (loss)	$ 32,747	$ (2,817)	$ 825	$ 30,755

	For the year ended December 31, 2005			
	Americas	EMEA	Asia Pacific	Total
Revenue:				
License	$ 48,050	$ 5,579	$ 3,490	$ 57,119
Services	132,182	23,064	10,845	166,091
Hardware and other	20,690	2,029	475	23,194
Total revenue	200,922	30,672	14,810	246,404
Costs and Expenses:				
Cost of revenue	74,824	19,051	9,713	103,588
Operating expenses	78,324	10,900	4,931	94,155
Depreciation and amortization	10,620	1,198	256	12,074
Accounts receivable charges	—	2,815	—	2,815
Severance, restructuring, and acquisitions charges	2,434	1,061	—	3,495
Total costs and expenses	166,202	35,025	14,900	216,127
Operating income (loss)	$ 34,720	$ (4,353)	$ (90)	$ 30,277

	For the year ended December 31, 2004			
	Americas	EMEA	Asia Pacific	Total
Revenue:				
License	$ 40,380	$ 6,275	$ 3,231	$ 49,886
Services	111,600	26,709	3,183	141,492
Hardware and other	20,967	2,548	26	23,541
Total revenue	172,947	35,532	6,440	214,919
Costs and Expenses:				
Cost of revenue	63,862	25,245	2,981	92,088
Operating expenses	67,013	10,873	2,554	80,440
Depreciation and amortization	9,449	1,269	64	10,782
Total costs and expenses	140,324	37,387	5,599	183,310
Operating income (loss)	$ 32,623	$ (1,855)	$ 841	$ 31,609

The following table presents the goodwill, long-lived assets and total assets by reporting segment for the years ended December 31, 2006 and 2005 (in thousands):

	For the year ended December 31, 2006			
	Americas	EMEA	Asia Pacific	Total
Goodwill	$ 62,868	$ 5,530	$ 1,963	$ 70,361
Long-lived assets	117,020	8,077	2,693	127,790
Total assets	296,918	11,737	6,238	314,893

	For the year ended December 31, 2005			
	Americas	EMEA	Asia Pacific	Total
Goodwill	47,290	5,354	1,963	54,607
Long-lived assets	130,418	8,116	2,637	141,171
Total assets	255,102	13,383	4,913	273,398

9. Employee Benefit Plan

The Company sponsors the Manhattan Associates 401(k) Plan and Trust (the “401(k) Plan”), a qualified profit sharing plan with a 401(k) feature covering substantially all employees of the Company. Under the 401(k) Plan’s deferred compensation arrangement, eligible employees who elect to participate in the 401(k) Plan may contribute up to 60% of eligible compensation up to $14,000, as defined, to the 401(k) Plan. On January 1, 2006, the eligible compensation limit was increased to $15,000. The Company provides for a 50% matching contribution up to 6% of eligible compensation being contributed after the participant's first year of employment. During the years ended December 31, 2006, 2005 and 2004, the Company made matching contributions to the 401(k) Plan of $1.7 million, $1.3 million, and $1.3 million, respectively.

10. Related Party Transactions

During the years ended December 31, 2006, 2005, and 2004, the Company purchased software and services for approximately $0.1 million, $0.1 million, and $0.1 million, respectively, from a company whose President and Chief Executive Officer is a member of Manhattan's Board of Directors. As of December 31, 2006, there was $1,400 outstanding relating to the purchases.

During the year ended December 31, 2004, the Company sold software and services for approximately $0.1 million to a company whose Chief Executive Officer is a relative of a member of the Company's executive management team. There were no 2005 or 2006 sales to this customer. As of December 31, 2006, there were no accounts receivable outstanding.

During the years ended December 31, 2006, 2005, and 2004, the Company purchased hardware of approximately $0.1 million, $0.2 million, and $0.2 million, respectively, from Alien Technology, a party in which the Company made a $2 million investment during 2003. See Note 1 for further details on the investment. As of December 31, 2006, there were no accounts payable outstanding.

During the year ended December 31, 2005, the Company purchased services of $10,000, from a company whose board of directors includes the chairman of Manhattan's board of directors. As of December 31, 2005, there was approximately $2,500, outstanding relating to the purchases. There were no 2006 purchases from this customer. As of December 31, 2006 there were no accounts payable outstanding.

11. Quarterly Results of Operations (Unaudited)

Following is the quarterly results of operations of the Company for the years ended December 31, 2006 and 2005. The unaudited quarterly results have been prepared on substantially the same basis as the audited Consolidated Financial Statements.

	Quarter Ended							
	March 31, 2006	June 30, 2006	Sept 30, 2006	Dec 31, 2006	March 31, 2005	June 30, 2005	Sept 30, 2005	Dec 31, 2005
	(in thousands, except per share data)							
Statement of Income Data:								
Revenue:								
License	$ 11,076	$ 21,247	$ 15,217	$ 19,003	$ 13,814	$ 14,633	$ 12,531	$ 16,141
Services	45,162	48,431	51,049	49,879	37,437	41,266	43,621	43,767
Hardware and other	6,547	8,223	6,046	6,988	5,056	5,470	6,155	6,513
Total revenue	62,785	77,901	72,312	75,870	56,307	61,369	62,307	66,421
Costs and expenses:								
Cost of license	1,164	1,846	1,400	1,386	1,311	1,249	1,022	1,118
Cost of services	22,016	23,661	24,231	23,519	17,822	18,131	19,952	20,736
Cost of hardware and other	5,540	7,432	5,356	6,187	4,518	4,584	5,078	5,734
Research and development	10,111	10,522	9,765	11,070	7,678	7,869	9,037	9,555
Sales and marketing	10,136	12,475	11,407	11,870	9,688	10,507	9,649	10,458
General and administrative	6,708	7,259	7,896	7,280	6,699	7,113	8,076	7,741
Depreciation and amortization	3,275	3,262	3,377	3,333	924	1,207	1,161	1,200
Settlement and accounts receivable charges	—	—	—	2,856	—	2,815	—	—
Severance, restructuring, and acquisition charges	722	607	174	—	—	1,585	1,081	829
Impairment charge	—	—	270	—	—	—	—	—
Total costs and expenses	59,672	67,064	63,876	67,501	48,640	55,060	55,056	57,371
Income from operations	3,113	10,837	8,436	8,369	7,667	6,309	7,251	9,050
Other income, net	846	1,251	630	911	485	609	877	706
Income before income taxes	3,959	12,088	9,066	9,280	8,152	6,918	8,128	9,756
Income tax expense	1,671	5,103	3,822	4,466	3,170	3,966	3,162	4,021
Net income	$ 2,288	$ 6,985	$ 5,244	$ 4,814	$ 4,982	$ 2,952	$ 4,966	$ 5,735
Basic net income per share	$ 0.08	$ 0.26	$ 0.19	$ 0.18	$ 0.17	$ 0.10	$ 0.17	$ 0.21
Diluted net income per share	$ 0.08	$ 0.25	$ 0.19	$ 0.17	$ 0.16	$ 0.10	$ 0.17	$ 0.20
Shares used in computing basic net income per share	27,298	27,305	26,969	27,290	29,620	29,174	28,392	27,560
Shares used in computing diluted net income per share	27,645	27,480	27,462	28,642	30,276	29,764	29,055	28,166

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure 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.

Management's Report on Internal Control over Financial Reporting

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. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 and the attestation report of Ernst & Young LLP on management's assessment of the Company's internal control over financial reporting are contained on pages 38 through 39 of this report.

Change in Internal Control over Financial Reporting

During the fourth quarter of 2006, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions with regard to material weaknesses.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 20, 2007 under the captions "Code of Ethics," "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 20, 2007 under the caption "Executive Compensation."

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 20, 2007 under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters."

Item 13. *Certain Relationships and Related Transactions*

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 20, 2007 under the caption "Certain Transactions."

Item 14. *Principal Accountant Fees and Services*

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 20, 2007.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) 1. *Financial Statements.*

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

2. *Financial Statement Schedule.*

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

SCHEDULE II

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

Classification:	Balance at Beginning of Period	Additions Charged to Operations	Net Deductions	Balance at End of Period
Allowance for doubtful accounts				
For the year ended:				
December 31, 2004	$ 3,181,000	$ 4,048,000	$ 3,058,000	$ 4,171,000
December 31, 2005	$ 4,171,000	$ 3,831,000	$ 3,110,000(1)	$ 4,892,000
December 31, 2006	$ 4,892,000	$ 5,390,000	$ 5,381,000	$ 4,901,000

Classification:	Balance at Beginning of Period	Additions Charged to Operations	Net Deductions	Balance at End of Period
Valuation allowance				
For the year ended:				
December 31, 2004	$ 34,000	$ 1,248,000	$ —	$ 1,282,000
December 31, 2005	$ 1,282,000	$ 2,188,000	$ —	$ 3,470,000
December 31, 2006	$ 3,470,000	$ 1,207,000	$ —	$ 4,677,000

(1) Included in the net deductions for 2005 is approximately $0.1million relating to the allowance balance acquired as part of the Evant acquisition, which did not impact operations. Excluding this amount, the net deduction amount for 2005 was $3.2 million.

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

3. *Exhibits.*

See the response to Item 16(b) below.

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

Exhibit Number	Description
2.1	Agreement and Plan of Merger, by and among the Registrant, Madison Acquisition Corp., Evant, Inc. and Ted Schlein, as Shareholder Representative, dated August 10, 2005 (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).
2.2	Voting Agreement, by and between the Registrant and the shareholders of Evant, Inc., dated August 10, 2005 (Incorporated by reference to Exhibit 2.2 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).
2.3	Amendment Number 1 to Agreement and Plan of Merger, by and among Evant, Inc., the Registrant, Madison Acquisition Corp. and Ted Schlein, as Shareholder Representative, dated as of August 15, 2005 (Incorporated by reference to Exhibit 2.3 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).
3.1	Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
3.2	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report for the period ended September 30, 2003 (File No. 000-23999), filed on November 14, 2003).
4.1	Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
4.2	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).
10.1	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.2	First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.3	Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).
10.4	Third Amendment to Lease Agreement between Wildwood Associates and the Registrant, dated October 24, 2000 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).
10.5	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant, dated June 25, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2001 (File No. 000-23999), filed August 14, 2001).
10.6	First Amendment to Lease Agreement between Wildwood Associates, and the Registrant, dated June 10, 2002.
10.7	Second Amendment to Lease Agreement between 2300 Windy Ridge Parkway Investors LLC, and the Registrant, dated February 27, 2007.

Exhibit Number	Description
10.8	Lease Agreement by and between Tektronix UK Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated October 21, 1999 (Incorporated by reference to Exhibit 10.27 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).
10.9	Lease (Burlington Business Center) by and between Gateway Rosewood, Inc. and Manhattan Associates, Inc., dated August 23, 2004 (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).
10.10	Agreement to Build and Lease between Orchid Apartments Private Limited and Manhattan Associates India Development Centre Private Limited, executed on November 19, 2004 (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).
10.11	Lease Agreement between IGE Energy Services (UK) Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated February 1, 2005 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).
10.12	Sub-Sublease Agreement between Scientific Research Corporation, a Georgia corporation, and the Registrant, dated July 2, 1998 (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.13	Sub-Sublease Agreement between The Profit Recovery Group International 1, Inc., a Georgia corporation, and the Registrant, dated August 19, 1998 (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.14	Standard Sublease Agreement between Life Office Management Association, Inc. and the Registrant, dated October 20, 2000 (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).
10.15	Standard Sublease Agreement between Chevron USA Inc. and the Registrant, dated November 20, 2000 (Incorporated by reference to Exhibit 10.18 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).
10.16	Form of Indemnification Agreement with certain directors and officers of the Registrant (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report for the period ended June 30, 2004 (File No. 000-23999), filed on August 9, 2004).
10.17	Form of Tax Indemnification Agreement for direct and indirect shareholders of Manhattan Associates Software, LLC (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.18	Summary Plan Description of the Registrant's Money Purchase Plan & Trust, effective January 1, 1997 (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.19	Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.20	Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).

Exhibit Number	Description
10.21	First Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.22	Second Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.23	Third Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.24	Fourth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).
10.25	Fifth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.8 to the Company's Form S-8 (File No. 333-68968), filed on September 5, 2001).
10.26	Sixth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Annex A to the Company's Proxy Statement for its Annual Meeting held May 17, 2002 (file No. 000-23999), filed on April 24, 2002.
10.27	Amendment No. 7 to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.10 to the Company's Form S-8 (File No. 333-105913), filed on June 6, 2003).
10.28	Form of Composite Stock Option Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2006 (File No. 000-23999), filed on May 4, 2006).
10.29	Manhattan Associates, LLC Option Plan (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.30	Executive Employment Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.31	Separation and Non-Competition Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.29 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.32	Executive Employment Agreement by and between the Registrant and Jeffrey Mitchell, effective as of September 3, 1999 (Incorporated by reference to Exhibit 10.32 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.33	Executive Non-Competition and Severance Agreement by and between the Registrant and Jeffrey S. Mitchell, dated June 22, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2004 (File No. 000-23999), filed on August 9, 2004).
10.34	Executive Employment Agreement by and between the Registrant and Jeffry Baum, effective as of October 30, 2000 (Incorporated by reference to Exhibit 10.36 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).

Exhibit Number	Description
10.35	Executive Employment Agreement by and between the Registrant and Dennis B. Story, effective as of February 18, 2006 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on February 22, 2006).
10.36	Severance and Non-Competition Agreement by and between the Registrant and Dennis B. Story, effective as of February 18, 2006 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-23999), filed on February 22, 2006).
10.37	Form of License Agreement, Software Maintenance Agreement and Consulting Agreement (Incorporated by reference to Exhibit 10.18 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).
10.38	Form of Software License, Services and Maintenance Agreement (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
21.1	List of Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Chief Executive Officer and Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANHATTAN ASSOCIATES, INC.

By: /s/ Peter F. Sinisgalli
Peter F. Sinisgalli
Chief Executive Officer, President and Director

Date: March 14, 2007

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

Signature	Title	Date
/s/ John J. Huntz, Jr. John J. Huntz, Jr.	Chairman of the Board	March 14, 2007
/s/ Peter F. Sinisgalli Peter F. Sinisgalli	Chief Executive Officer, President and Director (Principal Executive Officer)	March 14, 2007
/s/ Dennis B. Story Dennis B. Story	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 14, 2007
/s/ Brian J. Cassidy Brian J. Cassidy	Director	March 14, 2007
/s/ Paul R. Goodwin Paul R. Goodwin	Director	March 14, 2007
/s/ Thomas E. Noonan Thomas E. Noonan	Director	March 14, 2007
/s/ Deepak Raghavan Deepak Raghavan	Director	March 14, 2007

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, by and among the Registrant, Madison Acquisition Corp., Evant, Inc. and Ted Schlein, as Shareholder Representative, dated August 10, 2005 (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).
2.2	Voting Agreement, by and between the Registrant and the shareholders of Evant, Inc., dated August 10, 2005 (Incorporated by reference to Exhibit 2.2 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).
2.3	Amendment Number 1 to Agreement and Plan of Merger, by and among Evant, Inc., the Registrant, Madison Acquisition Corp. and Ted Schlein, as Shareholder Representative, dated as of August 15, 2005 (Incorporated by reference to Exhibit 2.3 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).
3.1	Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
3.2	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report for the period ended September 30, 2003 (File No. 000-23999), filed on November 14, 2003).
4.1	Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
4.2	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).
10.1	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.2	First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.3	Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).
10.4	Third Amendment to Lease Agreement between Wildwood Associates and the Registrant, dated October 24, 2000 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).
10.5	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant, dated June 25, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2001 (File No. 000-23999), filed August 14, 2001).
10.6	First Amendment to Lease Agreement between Wildwood Associates, and the Registrant, dated June 10, 2002.
10.7	Second Amendment to Lease Agreement between 2300 Windy Ridge Parkway Investors LLC, and the Registrant, dated February 27, 2007.
10.8	Lease Agreement by and between Tektronix UK Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated October 21, 1999 (Incorporated by reference to Exhibit 10.27 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).

Exhibit Number	Description
10.9	Lease (Burlington Business Center) by and between Gateway Rosewood, Inc. and Manhattan Associates, Inc., dated August 23, 2004 (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).
10.10	Agreement to Build and Lease between Orchid Apartments Private Limited and Manhattan Associates India Development Centre Private Limited, executed on November 19, 2004 (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).
10.11	Lease Agreement between IGE Energy Services (UK) Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated February 1, 2005 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).
10.12	Sub-Sublease Agreement between Scientific Research Corporation, a Georgia corporation, and the Registrant, dated July 2, 1998 (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.13	Sub-Sublease Agreement between The Profit Recovery Group International 1, Inc., a Georgia corporation, and the Registrant, dated August 19, 1998 (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.14	Standard Sublease Agreement between Life Office Management Association, Inc. and the Registrant, dated October 20, 2000 (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).
10.15	Standard Sublease Agreement between Chevron USA Inc. and the Registrant, dated November 20, 2000 (Incorporated by reference to Exhibit 10.18 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).
10.16	Form of Indemnification Agreement with certain directors and officers of the Registrant (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report for the period ended June 30, 2004 (File No. 000-23999), filed on August 9, 2004).
10.17	Form of Tax Indemnification Agreement for direct and indirect shareholders of Manhattan Associates Software, LLC (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.18	Summary Plan Description of the Registrant's Money Purchase Plan & Trust, effective January 1, 1997 (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.19	Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.20	Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.21	First Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).

Exhibit Number	Description
10.22	Second Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.23	Third Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
10.24	Fourth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).
10.25	Fifth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.8 to the Company's Form S-8 (File No. 333-68968), filed on September 5, 2001).
10.26	Sixth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Annex A to the Company's Proxy Statement for its Annual Meeting held May 17, 2002 (file No. 000-23999), filed on April 24, 2002.
10.27	Amendment No. 7 to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.10 to the Company's Form S-8 (File No. 333-105913), filed on June 6, 2003).
10.28	Form of Composite Stock Option Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2006 (File No. 000-23999), filed on May 4, 2006).
10.29	Manhattan Associates, LLC Option Plan (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
10.30	Executive Employment Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.31	Separation and Non-Competition Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.29 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.32	Executive Employment Agreement by and between the Registrant and Jeffrey Mitchell, effective as of September 3, 1999 (Incorporated by reference to Exhibit 10.32 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.33	Executive Non-Competition and Severance Agreement by and between the Registrant and Jeffrey S. Mitchell, dated June 22, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2004 (File No. 000-23999), filed on August 9, 2004).
10.34	Executive Employment Agreement by and between the Registrant and Jeffry Baum, effective as of October 30, 2000 (Incorporated by reference to Exhibit 10.36 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
10.35	Executive Employment Agreement by and between the Registrant and Dennis B. Story, effective as of February 18, 2006 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on February 22, 2006).

Exhibit Number	Description
10.36	Severance and Non-Competition Agreement by and between the Registrant and Dennis B. Story, effective as of February 18, 2006 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-23999), filed on February 22, 2006).
10.37	Form of License Agreement, Software Maintenance Agreement and Consulting Agreement (Incorporated by reference to Exhibit 10.18 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).
10.38	Form of Software License, Services and Maintenance Agreement (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).
21.1	List of Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Chief Executive Officer and Chief Financial Officer.

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement (the "First Amendment"), dated this 10th day of June, 2002, is by and between **WILDWOOD ASSOCIATES**, a Georgia general partnership (the "Landlord") and **MANHATTAN ASSOCIATES, INC.**, a Georgia corporation (the "Tenant");

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated June 25, 2001 (the "Lease") for that certain office space known as 2300 Windy Ridge Parkway, Suite 700, Atlanta, Georgia 30339, containing 135,398 square feet of Rentable Floor Area (the "Demised Premises");

WHEREAS, Tenant wishes to exercise its option to lease a portion of the Expansion Space, as described in paragraph 2 of the Special Stipulations to the Lease, and increase the square footage of the Demised Premises;

AGREEMENT:

NOW THEREFORE, in consideration of the mutual promises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective on the Effective Date, as hereinafter defined, Landlord and Tenant hereby agree as follows:

1. This First Amendment is effective on January 2, 2003, which is the date Landlord shall deliver the First Expansion Space to Tenant, so that work can commence therein (the "Effective Date"). Landlord and Tenant agree that all the terms and conditions of the Lease, pertaining to the First Expansion space, are to be in full force and effect as of the Effective Date, except for the payment of Base Rental and Tenant's Additional Rental.

2. Approximately 2,470 rentable square feet located on the 3rd floor of the Building, shown on Exhibit "A" attached hereto and incorporated hereby by reference (the "First Expansion Space"), shall be added to the Demised Premises, thereby increasing the square feet of Rentable Floor Area of the Demised Premises from 135,398 square feet to 137,868 square feet.

3. a) Tenant, at Tenant's sole cost and expense, shall cause plans to be prepared by an architect (the "Plans"), for improvements to be constructed, by Tenant within the First Expansion Space (the "Tenant Improvements"), pursuant to Exhibit "D" of the Lease. The Plans shall be subject to approval by Landlord, such approval not to be unreasonably withheld, and which approval shall be given by Landlord within five (5) business days after receipt by Landlord of the Plans from the architect or from Tenant, as the case may be, and if not rejected within such time, specifying reasons therefor, such shall be deemed approved.

b) Tenant agrees to pay to a tenant coordinator, designated by Landlord, a fee for the review of the Plans, in an amount equal to ten cents ($.10) per square feet of Rentable Floor Area of the First Expansion Space.

c) Landlord agrees to contribute an allowance of twenty-four thousand seven hundred dollars ($24,700.00), calculated at the rate of $10.00 per square foot of Rentable Floor Area of the First Expansion space of 2,470 square feet (the "First Expansion Space Construction Allowance"), for the Plans and construction of the Tenant Improvements within the First Expansion Space and any portion of the initial Demised Premises.

d) The cost of preparing the Plans and construction of the Tenant Improvements in excess of the First Expansion Space Construction Allowance shall be paid by Tenant (the "Tenant Costs").

e) Landlord will provide the First Expansion Space Construction Allowance to Tenant within thirty (30) days after Tenant provides Landlord reasonable evidence of the expenditure of such funds in connection with the Tenant Improvement to (or, equipment, furniture or fixtures within) the First Expansion Space and/or any portion of the initial Demised Premises).

f) Notwithstanding any of the above, Tenant agrees to accept the First Expansion Space, in its then existing condition (on an "as is" basis).

4. Notwithstanding anything contained in this First Amendment, Landlord and Tenant acknowledge that execution of this First Amendment by Landlord is contingent and effective only upon the vacation of the existing tenant of the First Expansion Space before the Effective Date. Further, if Landlord is unable to regain possession of the First Expansion Space and deliver possession to Tenant on or before the Effective Date, then the Effective Date of "January 2, 2003" shall be delayed a day for every date after January 2, 2003 that the First Expansion space is not available to Landlord. Landlord will use all reasonable efforts to regain possession of the First Expansion Space from the existing tenant and deliver possession to Tenant on the Effective Date and in the event the Effective Date is delayed in excess of six (6) months from the "January 2, 2003" date, then, at Tenant's option, either i) Landlord will use all reasonable efforts to provide a substitute for the First Expansion Space, within the building; or, ii) this First Amendment shall be deemed null and void.

5. The "Rental Commencement Date for the First Expansion Space" shall begin on the earlier of i) sixty (60) days following the Effective Date, or ii) the date Tenant first takes possession and occupies the First Expansion Space for the purpose of conducting business therein; provided, however, that the installation of furniture or communication equipment does not constitute the conduct of Tenant's business therein. Base Rental for the First Expansion Space shall be calculated at the then current annual rate per square foot of Rentable Floor Area for the Demised Premises and subject to increases as provided in the Lease. Tenant's proportionate share for the payment of Tenant's Additional Rental shall increase to include the Rentable Floor Area of the First Expansion Space.

6. The parties hereto acknowledge that in this transaction, COUSINS PROPERTIES INCORPORATED, a Georgia corporation, has acted as agent for Landlord and INSIGNIA/ESG, INC., a Delaware corporation, has acted as agent for Tenant and shall be paid a commission by Landlord, pursuant to a separate agreement, for representation. Landlord and Tenant each represent and warrant to the other that, except as provided herein, neither of them has employed or dealt with any broker, agent or finder in the negotiations of this First Amendment and each party shall indemnify and hold the other party harmless from and against any liability, claim, damage, cost or expense in the event of the inaccuracy of such representations and warranties.

7. All capitalized terms used herein, and not otherwise defined herein, shall have the meanings ascribed to them in the Lease.

8. Except as modified herein, all other terms and conditions of the Lease, as the same may have been previously modified from time to time, between the parties above described shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date and year first above written.

LANDLORD:

WILDWOOD ASSOCIATES,
a Georgia general partnership

By: COUSINS PROPERTIES INCORPORATED,
its managing general partner

By: /s/ Jack A. LaHue
Jack A. LaHue (print or type name)

Its: Senior Vice President
[Corporate Seal]

TENANT:

MANHATTAN ASSOCIATES, INC.
a Georgia corporation

By: /s/ Tom W. Williams
Thomas W. Williams (print or type)
Its: SVP & CFO

[Corporate Seal]

[Architectural Drawing — Floor 3 Plan]

2300 Windy Ridge Parkway
Atlanta, Georgia 30339

A Development of Cousins Properties

4.15.02

2,111 USABLE SQUARE FEET ±
2,470 RENTABLE SQUARE FEET ±
(17% COMMON AREA FACTOR)

This floor plan is intended only to show the general layout of the property or a part thereof. Landlord reserves the right to alter, vary, add to or omit in whole or in part, any structures, and/or improvements, and/or common areas shown on this plan. This plan is not to scale and all measurements and distances are approximate.

EXHIBIT "A"

First Expansion Space

EXHIBIT 10.7

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (this “**Second Amendment**”), made and entered into as of the 27th day of February, 2007, by and between **2300 WINDY RIDGE PARKWAY INVESTORS LLC**, a Delaware limited liability company (“**Landlord**”), and **MANHATTAN ASSOCIATES, INC.**, a Georgia corporation (“**Tenant**”);

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

WHEREAS, Wildwood Associates, a Georgia general partnership (“**Original Landlord**”) and Tenant entered into that certain Lease Agreement June 25, 2001, as amended by that certain First Amendment to Lease Agreement (the “**First Amendment**”) dated June 10, 2002 (collectively, as amended, the "**Lease**”), for certain premises in the building located at 2300 Windy Ridge Parkway, Atlanta, Georgia 30339 (the “**Building**”), consisting of approximately 137,868 square feet of Rentable Floor Area in the Building being Floor 1 North (22,719 rsf), Floor 3 North (23,776 rsf), Floor 3 South (9,021 rsf), Floor 6 South (13,608 rsf), Floor 7 (63,296 rsf), and Floor 8 (5,448 rsf) (collectively, the “**Original Demised Premises**”);

WHEREAS, Landlord acquired all of the right, title and interest of Original Landlord, in and to the Lease;

WHEREAS, Landlord and Tenant have agreed that Tenant will surrender a portion of the Original Demised Premises and then lease additional premises in the Building and, in connection therewith, extend the Lease Term by one hundred thirty five (135) months; and

WHEREAS, Landlord and Tenant desire to evidence such reconfiguration of the Original Demised Premises and extension of the Lease Term and to amend certain other terms and conditions of the Lease and evidence their agreements and other matters by means of this Second Amendment;

NOW THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereto do hereby agree as follows:

1. Relocation and Expansion of Original Demised Premises. As of **July 1, 2007** (the "**Effective Date**”), Landlord hereby leases to Tenant and Tenant hereby leases from Landlord certain new premises in the Building, the exact location and Rentable Floor Area of which shall be determined during space planning (all of such space, when determined, shall be known as the “**Second Expansion Space**”). As of the Effective Date, the Second Expansion Space will be subject to all the terms and conditions of the Lease, as amended herein. In connection with such expansion, Tenant will also retain certain portions of the Original Demised Premises, the exact location and Rentable Floor Area of which shall be determined during space planning (collectively, the “**Retained Premises**”). Further and in conjunction with such expansion and as of the Effective Date, Tenant will surrender, remise and release unto Landlord certain portions of the Original Demised Premises, which portions will also be determined during space planning (collectively, the “**Surrendered Premises**”). As of the Effective Date, all references in the Lease and this Second Amendment to the “Demised Premises” shall be deemed to mean the Second Expansion Space and the Retained Premises and shall consist of approximately 160,000 square feet of Rentable Floor Area, which square footage may increase or decrease by up to ten percent (10%) during the space planning process.

In addition to the foregoing, the parties acknowledge that International Paper (" **IP**") is currently leasing approximately 9,133 rentable square feet of space being Suite 850 North (the "**IP Premises**") in the Building, the lease for which expires June 30, 2007. Tenant hereby covenants that it will lease a portion of the IP Premises, which portion will be determined during the space planning process. That portion of the IP Premises that is leased by Tenant will be deemed a part of the Second Expansion Space for all purposes under this Amendment and the Lease. Tenant's payment of Base Rental for the IP Premises, or portion thereof, will commence ninety (90) days after the IP Premises or portion thereof leased by Tenant is delivered to Tenant for Tenant to commence construction therein. Landlord agrees to give Tenant at least ten (10) business days prior written notice of the date that the portion of the IP Premises leased by Tenant will be delivered to Tenant.

Subject to the foregoing paragraph, Tenant acknowledges that its obligations with respect to the Demised Premises will commence on the Effective Date and that Tenant will use its best efforts to vacate and surrender the Surrendered Premises in accordance with the terms of the Lease no later than the Effective Date. Notwithstanding the foregoing, if, due to construction matters, Tenant is unable to completely vacate and surrender the Surrendered Premises by the Effective Date, it will be permitted to remain in the Surrendered Premises or portions thereof and continue to pay Base Rental and Additional Rental at the then existing rate under the Lease for the portion it continues to occupy until such time as it does vacate and surrender same. In any event, Tenant covenants that it will vacate and surrender the Surrendered Space no later than August 31, 2007 so that Landlord may manage and coordinate the re-leasing of same.

After the Rentable Floor Area of the Demised Premises has been determined and agreed to by Landlord and Tenant, Landlord will deliver a Second Amendment Memorandum to Tenant. Within ten (10) days after receipt of same, Tenant agrees to execute the Second Amendment Memorandum (the "**Memorandum**") confirming the Effective Date, the Expiration Date, the exact number of square feet of Rentable Floor Area within the Demised Premises and the locations thereof, and Tenant's proportionate share of the Building. Such Memorandum shall be in the form attached hereto as Exhibit A and by this reference incorporated herein. Upon full execution of the Memorandum by both parties, Landlord will deliver the Second Expansion Space (other than Floor 9, Floor 10, and the IP Premises) to Tenant for purposes of performing Tenant's Work (as defined in Section 6 herein) therein. Landlord agrees to deliver Floor 9 and Floor 10 to Tenant upon full execution by both parties hereto of a mutually agreeable indemnity letter pertaining to Tenant's demolition work to be performed within Floor 9 and Floor 10.

2. Extension of Lease Term. Notwithstanding that the Lease Term expires March 31, 2008, the parties desire to extend the Lease Term early; therefore, the Lease Term is hereby extended for a period of one hundred thirty-five (135) months (the " **Extension Term**") commencing on the Effective Date and expiring on September 30, 2018 (the "**Expiration Date**"). Tenant shall remain subject to all terms and conditions of the Lease, as amended herein, during the Extension Term.

3. Base Rental and Abatement; Tenant's Additional Rental.

(a) Base Rental. During the Extension Term, Base Rental for the Demised Premises shall be paid on a monthly basis in accordance with the Lease at the initial rate during the first Lease Year (which shall mean for purposes of this Second Amendment, the twelve [12] month period commencing on the Effective Date and each successive twelve month period thereafter during the Extension Term) of the Extension Term of $22.50 per square foot of Rentable Floor Area times the final determination of the total Rentable Floor Area of the Demised Premises. Thereafter, commencing on the first day of the second Lease Year of the Extension Term and each anniversary thereafter through the remainder of the Extension Term, Base Rental for the Demised Premises shall escalate at the rate of 1.475% per year and shall no longer be based on any increases in CPI as previously provided in Section 7 of the Lease. The Base Rental shall be due and payable by Tenant in accordance with the terms of the Lease. Notwithstanding the foregoing, Tenant shall be entitled to an abatement of Base Rental for the entire Demised Premises for the six (6) month period from April 1, 2008 through September 30, 2008. Tenant's proportionate share for the payment of

Tenant's Additional Rental shall be revised to reflect the Rentable Floor Area of the Demised Premises as revised herein.

(b) Additional Rental. Section 8 (Additional Rental) of the Lease is hereby amended to reflect that during the Extension Term and commencing in calendar year 2008, Tenant will pay its proportionate share of Tenant's Additional Rental based on the excess of Landlord's projected Operating Expenses in each calendar year over the Base Year Operating Expenses. For purposes of this Second Amendment, the "Base Year" shall mean calendar year 2007. In the event the average occupancy level of the Building or the Project for any calendar year, including the Base Year, is not ninety-five percent (95%) or more of full occupancy, then the Operating Expenses for such year shall be apportioned among the tenants by the Landlord to reflect those costs which would have occurred had the Building or the Project, as applicable, been ninety-five percent (95%) occupied during such year. For each calendar year after the Base Year, Landlord shall provide Tenant with a comparison of the Base Year Operating Expenses and the projected Operating Expenses for such current calendar year. Such projected increase in Operating Expenses shall be payable in advance on a monthly basis by paying one-twelfth (1/12th) of such projected increase during each month of such respective calendar year. If Landlord has not furnished Tenant such comparison by January 1 of a calendar year, Tenant shall continue to pay on the basis of the prior year's estimate until the month after such comparison is given. The statement provided by Landlord to Tenant as set forth in Section 8(c) of the Lease shall set forth such year's actual Operating Expenses compared to Base Year Operating Expenses and a statement comparing Tenant's proportionate share of projected increases in Operating Expenses which Tenant paid throughout such calendar year with Tenant's proportionate share of actual Operating Expense increases (the "Final Annual Statement of Operating Expenses"). If Tenant's proportionate share of increases in actual Operating Expenses are greater than as shown in the statement delivered pursuant to Section 8(c) or greater than the amount of Tenant's Additional Rental actually paid by Tenant pursuant thereto, Tenant shall pay Landlord, within thirty (30) days of such statement's receipt, such additional sum owed by Tenant. If the amount of Tenant's Additional Rental actually paid by Tenant pursuant to Landlord's estimate of Tenant's proportionate share of increases in Operating Expenses is greater than Tenant's share of increases in actual Operating Expenses as shown on the Final Annual Statement of Operating Expenses, Landlord shall credit Tenant, within thirty (30) days of such statement issuance, such overpaid amount, or if the Lease has expired, will issue a check to Tenant for such overpaid amount within thirty (30) days of such statement issuance.

4. Right of First Offer. Subject to the rights of existing tenants in the Building, Landlord hereby grants Tenant a right of first offer (" **Right of First Offer**") on any available space in the Building, the Rentable Floor Area of which is at least 15,000 square feet if such space is not contiguous to the Demised Premises (the "**First Offer Space**") (i.e., if the space is contiguous to the Demised Premises [on the same floor], then such space may be less than 15,000 square feet of Rentable Floor Area). When the First Offer Space, or portion thereof is to become available and so long as Tenant is not then in default under the Lease and has not been in default under the Lease during the prior 12-month period, in either event beyond any applicable notice and cure periods, Landlord will notify Tenant ("**Landlord's Notice**") of the terms and conditions upon which it would be willing to lease the First Offer Space to Tenant. The terms shall be as follows:

(a) On Then Existing Terms. The lease of the First Offer Space will be on all of the same terms and conditions as then exist for the Demised Premises, including without limitation, the then current per square foot rate of Base Rental and shall be coterminous with the lease for the Demised Premises (i.e., will expire on the Expiration Date), if either (i) the commencement date of the lease of the First Offer Space will occur prior to June 30, 2010, or (ii) the Rentable Floor Area of the First Offer Space then subject to the Right of First Offer when combined with any other First Offer Space previously leased by Tenant pursuant to this Paragraph 4 and any other expansion space leased to Tenant after the Effective Date, is less than twenty percent (20%) of the total Rentable Floor Area of the Second Expansion Space and the Retained Premises (the " **20% Threshold**") (i.e., if Tenant has previously leased 10,000 rsf pursuant to this Right of First Offer and the total rsf of the Second Expansion Space and the Retained Premises is 160,000 rsf, then the remaining expansion space Tenant may lease under this Paragraph 4(a) or otherwise must be less than 22,000 rsf). In addition to the foregoing, if the 20% Threshold has not been met and the commencement date of the lease for the First Offer Space will occur between July 1, 2010 and June 30, 2012, then the lease of the First Offer Space will be on all of the same terms and conditions as then exist for the Demised Premises, including without limitation, the then current per square foot rate of Base Rental, and shall be coterminous with the lease for the Demised Premises (i.e., will expire on the Expiration Date), except that the allowance for improvements will be $35.00 per rentable square foot only and there shall be no Discretionary Allowance, as defined in Section 6 below. Any allowance for improvements or rental concession provided to Tenant under this subsection (a) shall be an amount equal to the product of multiplying such allowance or rental concession, if any, times a fraction, the numerator of which is the number of full calendar months remaining in the Extension Term as of the commencement date of Tenant's lease of the First Offer Space and the denominator of which is 135 but in no event will such fraction exceed 1; or

(b) On Market Terms. The lease of the First Offer Space will be as set forth in Landlord's Notice, which will be the then Expansion Market Rate (as defined below), will have a term of at least three (3) years and will be coterminous with the Lease Term of the Demised Premises, if (i) the commencement date of the lease of the First Offer Space will occur after June 30, 2012, or (ii) the Rentable Floor Area of the First Offer Space then subject to the Right of First Offer when combined with any other First Offer Space previously leased by Tenant pursuant to this Paragraph 4 and any other expansion space leased to Tenant after the Effective Date, equals or exceeds the 20% Threshold. If Tenant exercises this Right of First Offer at any time during the last three (3) Lease Years of the Extension Term, then Tenant agrees that the Lease Term for the entire Demised Premises will be further extended so that it will expire coterminously with the term of the First Offer Space (which will, as aforesaid, have a minimum 3-year term). If the Lease Term is extended as aforesaid, then the economic terms for the Demised Premises during the extended portion of the Lease Term shall be at the then Market Rate (as defined and determined in accordance with Special Stipulation No. 1 [Renewal Option] in Exhibit "G" attached to the Lease).

(c) Tenant's Notice. Tenant shall have ten (10) business days after receipt of Landlord's Notice, to notify Landlord in writing (" **Tenant's Notice**") whether Tenant will lease the First Offer Space in accordance with the terms as set forth above, as applicable. If Tenant elects to lease the First Offer Space, Landlord and Tenant will execute an amendment to the Lease adding the First Offer Space to the Demised Premises within ten (10) business days after the later of (i) Landlord's receipt of Tenant's Notice or (ii) the date the parties agree upon the Expansion Market Rate, if applicable, or (iii) receipt by both parties of a mutually acceptable amendment. If Tenant does not, within such 10-business day period, deliver Tenant's Notice or elects not to lease the First Offer Space, then this Right of First Offer to lease the First Offer Space then subject to this Right of First Offer will lapse and be of no further effect and Landlord will have the right to lease such First Offer Space to any third party on terms that are not materially more favorable than those in Landlord's Notice without re-submitting such changed terms to Tenant in accordance with this Right of First Offer in which case Tenant shall have five (5) business days after its receipt of such resubmitted offer to exercise the Right of First Offer on such terms as to all of the space contained in the changed terms (which may be in excess of the square footage of the First Offer Space). The term "materially more favorable" shall mean the net effective rental rates and terms, such as the length of the term and the amount of any concessions such as the tenant improvement allowance and any free rent, with respect to such proposal are less than 94% of the net effective rental rates and terms originally offered to Tenant. If Landlord has not negotiated a lease or amendment for the First Offer Space with a third party within one hundred eighty (180) days after Tenant has elected not to, or has been deemed to have elected not to, lease the First Offer Space, then this Right of First Offer will once again apply to the First Offer Space. The right granted to Tenant under this paragraph is personal to Tenant, and in the event of any assignment of this Lease or sublease by Tenant, this Right of First Offer to lease the First Offer Space shall thenceforth be void and of no further force and effect.

(d) Defined Terms.

(i) "**Expansion Market Rate**" shall mean a rental rate equal to the effective rental rate on transactions being executed by landlords with tenants desiring to lease comparable space of comparable height and view that is the size of or comparable to the First Offer Space then subject to the Right of First Offer, in other comparable first-class buildings with comparable amenities and facilities in the area of the Building, taking into account any abatements, costs, allowances, commissions or other concessions then being offered to such comparable tenants, seeking comparable space, and any rights, privileges and allowances Tenant has with respect to the term for the First Offer Space under, pursuant to or in connection with the Lease, as amended herein. If the parties cannot agree upon the Expansion Market Rate, then such rate will be determined in accordance with the procedure set forth in paragraph (c) of Special Stipulation No. 1 in Exhibit "G" attached to the Lease.

(ii) "**Available**" space means that no other third-party is in occupancy of such space or has any rights therein or thereto, including, but not limited to, rights of expansion, rights of first offer, rights of first refusal, right of extension, renewal or other option or right. Notwithstanding anything contained herein to the contrary, the Surrendered Premises will not be subject to this Right of First Offer until July 1, 2008.

5. Acceptance of Demised Premises. Tenant hereby accepts the Demised Premises (other than Floor 8) "AS IS" as of the date hereof and acknowledges that Landlord will have no obligation to make any tenant improvements or alterations to the Demised Premises or to provide any credit, abatement or adjustment of Rent or other sum payable under the Lease, as amended herein, except as expressly set forth in this Second Amendment. Landlord will deliver the Second Expansion Space to Tenant in accordance with Section 3 of Exhibit "D" to the Lease. Notwithstanding the foregoing, once the location and dimensions of the space leased by Tenant on Floor 8 has been finally determined, prior to Landlord delivering such space to Tenant, Landlord acknowledges and agrees that it will perform certain work on Floor 8 in order to prepare it for Tenant's Work therein, including, without limitation, possible reconfiguration of the common corridors and relocation of certain demising walls.

6. Tenant Improvements. Tenant will be responsible for all design and construction of the Demised Premises ("**Tenant's Work**"), which will be performed in accordance with the terms of Exhibit "D" attached to the Lease, as amended herein. Notwithstanding anything contained in the Lease or Exhibit "D" to the contrary, the "**Construction Allowance**" for purposes of this Second Amendment and Exhibit "D" is an amount equal to the product of (i) the total Rentable Floor Area of the Demised Premises multiplied by (ii) $45.00 per square foot of Rentable Floor Area. Tenant acknowledges that up to $35.00 per square foot of Rentable Floor Area of the Demised Premises of the Construction Allowance must be utilized for the costs of design and construction of Tenant's Work (the "**TI Allowance**"). The remaining $10.00 per square foot of Rentable Floor Area of the Demised Premises of the Construction Allowance may be utilized by Tenant in its sole discretion (the "**Discretionary Allowance**"). The TI Allowance shall be applied solely to the cost of Tenant's Work, including preparation of design drawings, space planning and engineering, preparation of electrical engineering and plans, cabling and telecommunications wiring, and signage (as set forth in Section 8 below). Any move-related costs must be paid for out of the Discretionary Allowance. If any portion of the Construction Allowance has not been paid by Landlord within six (6) months following the Effective Date nor has a request for such funds been made by Tenant within such period, such remaining portion shall be paid to Tenant and Tenant may apply it to Rent under the Lease, as amended hereby. Exhibit "D" is hereby further amended as follows:

Section 8A. and Section 8B. of Exhibit "D" are hereby deleted in their entirety and replaced with the following new Section 8A.:

"A. In lieu of funding the Construction Allowance directly to Tenant, Landlord agrees to pay Tenant's general contractor and other contractors and vendors out of the Construction Allowance directly in accordance with the following procedures: No more often than once per month, Tenant may request a draw from the Construction Allowance by providing Landlord (i) a letter containing each invoice number, invoice date, vendor name, and dollar amount of each invoice, the total amount being requested in such draw, whether such payments are to be paid from the TI Allowance or the Discretionary Allowance, and the total amount as of such date that has been requested and paid from the TI Allowance and Discretionary Allowance, (ii) a copy of each invoice, (iii) partial lien waivers from each contractor or vendor for which payment is requested and (iv) such other information or documentation as Landlord may reasonably request. The final draw request must also be accompanied by final lien waivers from all of Tenant's contractors and vendors. Landlord will pay such invoices within thirty (30) days of its receipt of the draw request containing all of the foregoing required documentation. Landlord will provide a copy of the checks therefore to Tenant as proof of payment. If Tenant requests Landlord to process more than four (4) checks in any month, then each additional check beyond the initial four (4) checks in such month written by Landlord through this process will be subject to a $100 administrative charge, the total charges for which will be billed to Tenant after completion of construction.

With respect to the Discretionary Allowance, Tenant may draw down any remaining balance of the Discretionary Allowance in up to three (3) draws, at any time from and after the date of the Second Amendment to Lease Agreement, but before December 31, 2007.

Tenant agrees that costs not covered by the Construction Allowance shall be paid directly by Tenant."

Section 8C. of Exhibit "D" is hereby amended by deleting such section in its entirety and replacing it with the following new section 8B.:

"B. Landlord's property manager will be entitled to receive a construction management or oversight fee of ten cents (10¢) per square foot of Rentable Floor Area of the Demised Premises for the services it will be providing to Landlord and Tenant during the design and construction of Tenant's Work. Such fee will be paid by Landlord out of the Construction Allowance."

7. Reserved Parking Spaces. As of the Effective Date, Special Stipulation No. 7, Reserved Parking Spaces, of Exhibit "G" to the Lease shall be amended to provide that Tenant shall be entitled to one (1) additional reserved parking space at no cost during the Extension Term for every 7,500 square feet of Rentable Floor Area of additional premises that Tenant leases hereunder in excess of 137,868 square feet of Rentable Floor Area.

8. Signage. As of the Effective Date, Landlord agrees to re-orient the existing monument sign granted to Tenant in Special Stipulation No. 5 of Exhibit "G" to the Lease to increase the visibility and readability in both directions along Windy Ridge Parkway. Additionally, as of the Effective Date, Landlord also agrees to allow Tenant to have an additional small sign, plaque, or panel near the Building entrance or on the Building at its entrance identifying Manhattan Associates. The size, design, color, material, font style and size, and all other elements of the sign, plaque, or panel must be approved by Landlord and will be maintained and removed in accordance with the terms of Special Stipulation No. 5 of Exhibit "G" to the Lease. The costs for said signage improvements and additions will be paid from the TI Allowance.

9. Electrical Capacity. The parties acknowledge that in furtherance of Section (f) of Exhibit "E" (Building Standard Services) of the Lease and notwithstanding anything contained to the contrary in the Lease, Tenant will be billed only for electrical usage in excess of 5 watts per square foot of Rentable Floor Area of the Demised Premises. Separate meters will be installed by Tenant for such excess consumption.

10. 7th Floor Space. During the space planning process, Tenant acknowledges that it might desire to retain a minimum of approximately 425 square feet of Rentable Floor Area on the 7th floor of the

Building (the "**Wire Closet**") as a part of the Demised Premises if it elects to otherwise vacate the 7 th floor. If Tenant elects to do so, and if such relocation causes Landlord (due to Building life safety or other code requirements) to install additional corridors on the 7 th floor of the Building in order to provide two (2) means of egress from Tenant's space in the event Landlord leases the 7th floor to a full floor tenant, Landlord will allow Tenant to retain the Wire Closet provided that Tenant's square feet of Rentable Floor Area for the Demised Premises will include a combination of the square feet of Rentable Floor Area for the Wire Closet and the square feet of Rentable Floor Area in any corridors that Landlord is required to build specifically in order to maintain code if Landlord leases the 7th floor to another full floor tenant. The square feet of Rentable Floor Area in that case will be calculated with a single tenant add-on factor. If Landlord leases the 7th floor in a multi-tenant configuration and no additional corridors are required to be built as a result of Tenant retaining at least the Wire Closet on the 7th floor, then Tenant will be required to pay only for the square feet of Rentable Floor Area of the Wire Closet that it retains, calculated with a multi-tenant add-on factor.

11. Termination Option. Notwithstanding anything to the contrary contained in the Lease, provided Tenant is not in monetary default under the Lease beyond any applicable notice and/or cure period, Tenant shall have the option (the " **Termination Option**") to terminate the Lease effective on the last day of the sixty-ninth (69th) month of the Extension Term (the "**Termination Date**"), by providing Landlord with written notice of such option election (the "**Termination Notice**"). The Termination Notice shall be effective only if it is given to Landlord at least twelve (12) months prior to the Termination Date (the "**Termination Notice Deadline**"); accordingly, if Tenant has not given the Termination Notice to Landlord prior to the Termination Notice Deadline, the Termination Option shall expire and be of no further force or effect, and Tenant shall have no right or option to terminate the Lease pursuant to this **Paragraph 11** at any time after the Termination Notice Deadline.

As a condition precedent to any termination of the Lease pursuant to the provisions of this **Paragraph 11**, Tenant must have delivered to Landlord within thirty (30) days after Landlord advises Tenant in writing of the calculation of the Termination Fee (defined below) an amount as a termination fee equal to the sum of (i) six (6) months of Base Rental and Tenant's Additional Rental in the amounts that would have been paid for the next six (6) months of the Extension Term following the Termination Date had the Termination Option not been exercised**,** plus an amount equal to the unamortized portion (amortized on a straight-line basis at ten percent (10%) per annum) of the Construction Allowance, free rent and leasing commissions (the " **Termination Fee**"). It is hereby acknowledged that any such amount required to be paid by Tenant in connection with such early termination is not a penalty but a reasonable pre-estimate of the damages which would be incurred by Landlord as a result of such early termination of the Lease (which damages are impossible to calculate more precisely) and, in that regard, constitutes liquidated damages with respect to such loss and shall be paid to Landlord as Additional Rent. Tenant shall continue to be liable for its obligations under the Lease to and through the Termination Date, including, without limitation, Tenant's Additional Rental that accrues pursuant to the terms of the Lease, with all of such obligations surviving the early termination of the Lease. The rights granted to Tenant under this **Paragraph 11** are personal to Tenant, and in the event of any assignment of the Lease by Tenant prior to the Termination Notice Deadline, the Termination Option shall thenceforth be void and of no further force or effect.

12. Renewal Options. Special Stipulation No. 1, Renewal Option, of Exhibit "G" to the Lease is hereby amended by deleting the words "one (1) option to renew" and replace them with the words "two (2) options to renew" such that Tenant will have two (2) options to further renew the Lease in accordance with the terms of Special Stipulation No. 1 as of the expiration of the Extension Term.

13. Other Amendments. Since such option has expired, Special Stipulation No. 2, Right of First Refusal, of Exhibit "G" to the Lease has no further relevancy or application and is of no further force and effect and is hereby deleted and replaced with the words "Intentionally Omitted".

14. Brokers. Each party represents and warrants to the other that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker other than Hines Properties, Inc.

who represented Landlord and CB Richard Ellis, Inc. who represented Tenant in the negotiating or making of this Second Amendment, and each party agrees to indemnify and hold the other party, its agents, employees, partners, directors, shareholders and independent contractors harmless from all liabilities, costs, demands, judgments, settlements, claims, and losses, including reasonable attorneys' fees and costs, incurred by the other party in conjunction with any such claim or claims of any other broker or brokers purportedly acting on behalf of the indemnifying party claiming to have interested Tenant in the Building or the Demised Premises, or claiming to have caused such party to enter into this Second Amendment. Landlord will pay CB Richard Ellis, Inc. a separate commission pursuant to the commission agreement attached hereto as Exhibit B and incorporated herein by this reference.

15. Notices. Article 1(b) and Article 33 of the Lease regarding the address and notice to Landlord, shall be amended to provide that the address of Landlord is, and all notices to Landlord shall be sent as follows:

(a) Notices to Landlord (other than rent payments):

2300 Windy Ridge Parkway Investors LLC
c/o UBS Realty Investors LLC
242 Trumbull Street
Hartford, Connecticut 06103-1212
Attention: General Counsel

and

Cousins Properties
Wildwood Office Park
Management Office
2300 Windy Ridge Parkway
Suite 75
Atlanta, Georgia 30339
Attention: Property Manager

(b) Rent Payments:

2300 Windy Ridge Parkway Investors LLC
c/o Cousins Properties Incorporated,
2500 Windy Ridge Parkway
Suite 1600
Atlanta, Georgia 30339
Attention: Treasury Department

16. No Defaults. Each party hereby agrees that there are, as of the date hereof, regardless of the giving of notice or the passage of time, or both, no defaults or breaches on the part of Landlord or Tenant under the Lease.

17. Capitalized Terms. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

18. Headings. The headings used herein are provided for convenience only and are not to be considered in construing this Second Amendment.

19. Entire Agreement. This Second Amendment represents the entire agreement between the parties with respect to the subject matter hereto. Landlord and Tenant agree that there are no collateral or oral agreements or understandings between them with respect to the Demised Premises, the Second Expansion Space or the Building other than the Lease and this Second Amendment. This Second Amendment supersedes all prior negotiations, agreements, letters or other statements with respect to Tenant's expansion of the Demised Premises and the extension of the Lease Term.

20. Binding Effect. This Second Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

EXCEPT AS expressly amended and modified hereby, the Lease shall otherwise remain in full force and effect, the parties hereto hereby ratifying and confirming the same. To the extent of any inconsistency between the Lease and this Second Amendment, the terms of this Second Amendment shall control.

[END OF PAGE]

IN WITNESS WHEREOF, the undersigned parties have duly executed this Second Amendment under seal as of the day and year first above written.

LANDLORD:

2300 WINDY RIDGE PARKWAY INVESTORS LLC, a Delaware limited liability company

By: UBS Realty Investors LLC,
a Massachusetts limited liability company,
Its Manager

By: /s/ James M. Fishman
Print Name: James M. Fishman
Title: Executive Director

TENANT:

MANHATTAN ASSOCIATES, INC.,
a Georgia corporation

By: /s/Peter F. Sinisgalli
Print Name: Peter F. Sinisgalli
Its: President & CEO

(CORPORATE SEAL)

EXHIBIT A

SECOND AMENDMENT MEMORANDUM

LANDLORD:	2300 WINDY RIDGE PARKWAY INVESTORS LLC
TENANT:	MANHATTAN ASSOCIATES, INC.
SECOND AMENDMENT TO LEASE AGREEMENT DATE:	February__________, 2007
DEMISED PREMISES:	Located at 2300 Windy Ridge Parkway, Atlanta, Georgia 30339

Tenant hereby accepts the Demised Premises in accordance with the Second Amendment to Lease Agreement.

The Effective Date as set forth in the Second Amendment to Lease Agreement is hereby established as July 1, 2007 and the Expiration Date of the Lease is September 30, 2018.

The Demised Premises consists of approximately __________ square feet of Rentable Floor Area of the Building consisting of the following:

Floor __________ — __________ rsf
Floor __________ — __________ rsf
Floor __________ — __________ rsf
Floor __________ — __________ rsf
Floor __________ — __________ rsf

Tenant's proportionate share of the Building is __________, subject to adjustment based on future expansions/contractions of the Demised Premises.

TENANT: MANHATTAN ASSOCIATES, INC.,
a Georgia corporation

By: ______________________________
Print Name: ______________________________
Its: ______________________________

Approved and Agreed:

2300 WINDY RIDGE PARKWAY INVESTORS LLC,
a Delaware limited liability company

By: UBS Realty Investors LLC,
a Massachusetts limited liability company,
Its Manager

By: ______________________________
Print Name: ______________________________
Its: ______________________________

EXHIBIT B

COMMISSION AGREEMENT

February 9, 2007

Mr. Sam Holmes
Mr. John Shlesinger
CB Richard Ellis, Inc.
3348 Peachtree Road
Suite 900
Atlanta, GA 30326

Re: Proposed Second Amendment to Lease Agreement (" **Amendment**") which amends that certain Lease Agreement dated June 25, 2001, as amended (the "**Lease**") by and between **2300 WINDY RIDGE PARKWAY INVESTORS LLC**, a Delaware limited liability company ("**Owner**"), successor to Wildwood Associates, and **MANHATTAN ASSOCIATES, INC.**, a Georgia corporation ("**Tenant**") relating to certain premises at 2300 Windy Ridge Parkway, Atlanta, Georgia 30339 ("**Property**")

Gentlemen:

This letter is intended to confirm our agreement (" **Agreement**") that in the event of the execution and consummation of the above Amendment, Owner shall pay you in consideration for your brokerage services rendered and subject to the other provisions hereof, a commission computed and payable in accordance as described below. Capitalized terms used but not defined herein shall have the meanings given to them in the Amendment.

1. Commission Payable. Owner shall pay you a commission equal to a Procurement Fee (**"Procurement Fee"**) equal to the first full months "gross" rental payable by Tenant under the Amendment for any additional space leased pursuant to the Amendment and subsequent space leased prior to the Effective Date that exceeds 137,868 rentable square feet. Landlord shall also pay you a commission equal to the product of Aggregate Rent (as defined on Attachment I hereto) less the Procurement Fee payable during the Extension Term, times four percent (4%). Aggregate Rent shall be calculated in accordance with Attachment I.

2. Time of Payment. The amount payable pursuant to Section 1 above shall be deemed earned upon execution of the Amendment by both Tenant and Landlord and shall be paid in two separate installments. Owner shall pay 50% of such amount upon full execution of the Amendment by Tenant and Owner and receipt by both Tenant and Owner of an original thereof, and the remaining 50% will be paid within thirty (30) days of the Effective Date. In the event a default by Tenant occurs under the Lease, as amended, beyond applicable notice and cure periods, such that the Lease is terminated prior to Tenant taking possession of the Demised Premises and the second installment of the commission being paid, then you shall forfeit the second half of the commission. If the default is later cured, you will receive the second half of the commission. Since the exact square footage of the Second Expansion Space and Retained Premises (as both are defined in the Amendment) will not be known at the time the first (1^{st}) installment is paid to you, the first installment will be paid based on an estimate of 160,000 rentable square feet, with such amount being reconciled at the time the 2^{nd} installment is paid, based then on the exact amount of square footage of the Second Expansion Space and Retained Premises which will then have been determined.

3. Renewals, Extensions or Expansions. If the Lease is renewed or extended, whether pursuant to an option contained in the Lease or Amendment or otherwise, any commission payable to you in connection with such renewal or extension shall be governed by the terms of a new agreement between you and Owner, provided Tenant confirms in writing to Owner that you are representing them with respect to such renewal or extension. If after the Effective Date, the Demised Premises is expanded, whether pursuant to an option contained in the Lease or Amendment or otherwise, Owner will pay you a commission provided Tenant confirms in writing to Owner that you are representing them with respect to such expansion equal to the product of Aggregate Rent (as defined on Attachment I hereto) payable for the expansion space, times four percent (4%). Aggregate Rent shall be calculated in accordance with Attachment I. In the event of any such expansion, the commission shall be deemed earned when the amendment reflecting such expansion is executed and delivered by both Landlord and Tenant and shall be paid in two separate installments. Owner shall pay 50% of such amount upon full execution of the amendment by Tenant and Owner and receipt by both Tenant and Owner of an original thereof, and the remaining 50% will be paid following the commencement date of such expansion. In the event a default by Tenant occurs under the Lease, as amended, such that the Lease is terminated prior to Tenant taking possession of the expansion space and the second installment of the commission being paid, then you shall forfeit the second half of the commission. If the default is later cured, you will receive the second half of the commission.

4. Exclusive Representation of Tenant; No Other Brokers. By signing this Agreement, you represent and warrant that (a) you hold a valid real estate broker's license, (b) you have caused Tenant to give Owner written notice that it is being represented exclusively by you, and (c) Tenant has not withdrawn such exclusive representation or notified you that it is being represented by another broker. In the event that any person makes a claim that any of the foregoing items are not true or Owner has a reasonable belief that any of such items are not true or if any other person claims any commission from Owner respecting the Lease or Amendment (other than the Owner's leasing broker), Owner may elect to withhold payment of the commission hereunder until presented with a duly executed valid and binding agreement between you and such other person or with a final, valid court order setting forth how the commission will be divided or who is entitled to receive the commission (and you agree that Owner shall be authorized to pay in accordance with the same). Upon Owner's payment of the commission owed pursuant to Section 1 above, you shall be responsible for all other fees or commissions owing to or claimed to be owing by any other broker or other person for services rendered or claimed to have been rendered to Tenant in connection with the Lease or Amendment, except for any amounts which may be claimed, or due, pursuant to an agreement between Owner and Owner's leasing broker or any other person. You shall indemnify, defend and hold Owner harmless from any and all claims, losses, demands, judgments, orders, settlements or decrees (including any and all costs and expenses and reasonable attorneys' fees and disbursements) arising as a result of or which are attributable to any misrepresentation or breach of any warranty set forth in this Section or any breach of your obligations under this Section. This Section shall survive expiration or termination of this Agreement.

5. Confidentiality. By execution of this Agreement, you agree after the date hereof not to divulge to any other person or entity any of the terms or conditions of the Lease or Amendment between Tenant and Owner, except you shall have the right to provide such information (a) if compelled by law or court order and (b) as and when required in connection with your application for the Atlanta Board of Realtors "Million Dollar Club" or similar designation and (c) internally for either audit purposes or for purposes of payment. It is further agreed that all proposals, discussions, terms and conditions pertaining to Tenant's potential or actual lease of space in the Building shall be treated by you in a strictly confidential manner and not disclosed in any fashion or context to anyone other than Tenant or its designees. Any material breach of the confidentiality provisions of this Agreement will terminate your rights and Owner's obligations under this Agreement.

6. No Assignments. You shall not assign or encumber your rights hereunder nor delegate your duties hereunder, without Owner's prior written consent (which Owner may withhold in its sole discretion). Any attempted assignment, encumbrance or delegation without Owner's consent shall be null and void and of no force or effect. Notwithstanding the foregoing, this Agreement may be assigned without Owner's consent if same is assigned in connection with the sale of the assets or stock of CB Richard Ellis, Inc. so long as Tenant confirms in writing to the Owner that the successor to CB Richard Ellis, Inc. is still representing Tenant in connection with the Lease, as amended.

7. Owner's Right to Reject Lease Agreement; No Authority to Represent Owner . Owner, in its sole and absolute discretion, may withhold its approval or decline to enter into the Amendment for any reason whatsoever or for no reason, without incurring an obligation to you for the payment of a commission or any other amounts to you. No binding agreement shall exist unless and until the Amendment has been approved, executed and delivered by authorized representatives of Tenant and Owner and all conditions and contingencies have been satisfied. You have no authority to enter into any agreement on behalf of Owner and you are not authorized to make any representations on behalf of Owner.

8. Termination of this Agreement; Sale of Property. This Agreement and Owner's obligations hereunder shall terminate upon the sale or other transfer of Owner's interest in the Property and Owner shall be released automatically from any obligations hereunder so long as Owner or the transferee has paid you all amounts then due hereunder and has caused the transferee to assume the obligation to pay any future amounts due hereunder.

9. Owner's Liability. Owner's liability under this Agreement shall be limited to Owner's interest in the Property, and no personal liability shall at any time be asserted or enforceable against Owner or its manager, members, partners, officers, directors, shareholders, or employees or their respective heirs, legal representatives, successors and assigns on account of this Agreement. In addition, if Owner has entered into this Agreement on behalf of one or more separate accounts (as such term is defined in Section 3(17) of ERISA), then Owner's liability shall be further limited to the assets of such separate account.

10. Miscellaneous. This Agreement is the entire agreement and understanding of the parties hereto, superseding and canceling all other agreements between the parties, whether written or oral, relative to the subject matter hereof. This Agreement may not be modified except by written instrument hereafter executed by the parties hereto. This Agreement shall not be valid or binding unless and until signed and delivered by all of the parties hereto.

11. Anti-Terrorism. Broker is not a person or entity described by Sec. 1 of the Executive Order (No. 13,224) Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, 66 Fed. Reg. 49,079 (Sept. 24, 2001), and does not engage in any dealings or transactions, and is not otherwise associated, with any such persons or entities.

[SIGNATURES COMMENCE ON NEXT PAGE]

BROKER:

CB RICHARD ELLIS, INC.
A Delaware corporation

By: ____________________
Name: ____________________
Title: ____________________

OWNER:

2300 WINDY RIDGE PARKWAY INVESTORS LLC, a Delaware limited liability company

By: UBS Realty Investors LLC, a Massachusetts limited liability company, its Manager

By: ____________________
Name: ____________________
Title: ____________________

Attachment I

[Definition of Aggregate Rent]

As used herein, the term "**Aggregate Rent**" shall mean the aggregate base fixed rent plus fixed stated escalations plus Estimated Operating Expenses as defined hereinafter payable during the Extension Term; provided, that, no commissions will be paid on, and Aggregate Rent shall not include:

(i) any percentage rent of any type, kind or character, including, without limitation, any rent payable based on the tenant's sales or income;

(ii) implied rent during free rent periods or other periods during which the tenant has no rent payment obligations;

(iii) rent payable in connection with any future renewal, extension or expansion option that the tenant may have;

(iv) rent payable during month-to-month, holdover or statutory tenancy periods;

(v) rent payable during portions of the term of the lease that can be cancelled or terminated by the tenant unless the tenant's termination option requires tenant to pay the unamortized leasing commissions as a part of any termination fee;

(vi) any amount payable by the tenant in connection with any cancellation or termination of the lease or any exercise of any purchase option, right of first refusal to purchase or similar right;

(vii) reimbursement to Owner for any parking, decorations, improvements, space planning or moving, or any security deposits;

(viii) amounts payable by the tenant pursuant to the lease that constitute or are considered in the ordinary course of business to be a payment of anything other than Aggregate Rent, including, without limitation, payments in the form of warrants or other equity interests in the tenant;

(ix) any free rent periods or rent concessions, cash credits, payment deferments or other concession items, and any amounts payable by the tenant to reimburse Owner for amounts paid by Owner to take-over, buy- out or take-back another lease;

(x) any amounts payable by the tenant (whether denominated as rent or not) that are attributable to amortizing or defraying the cost of special or above-standard tenant improvements or special services being provided by Owner to tenant; and

(xi) in that the Amendment effects an early renewal of the Lease term (term currently expires March 31, 2008), that portion of the Aggregate Rent applicable to the Retained Premises for the period of July 1, 2007 through March 31, 2008, as a commission has previously been paid on the Retained Premises in connection with the Lease.

For purposes hereof, the term "**Estimated Operating Expenses**" shall mean the amount equal to the operating expenses and taxes that are passed through to tenants generally which Owner reasonably estimates would be incurred with respect to the first full calendar year following the Effective Date under the Amendment if the Property were ninety-five percent (95%) occupied throughout such calendar year.

EXHIBIT 21.1

MANHATTAN ASSOCIATES, INC. AND ITS SUBSIDIARIES

Manhattan Associates Limited
Manhattan Associates Europe B.V.
Manhattan Associates France SARL
Manhattan Associates GmbH
Manhattan Associates KK
Manhattan Associates Software (Shanghai), Co. Ltd.
Manhattan Associates Pty Ltd.
Manhattan Associates Software Pte Ltd.
Manhattan Associates (India) Development Centre Private Limited

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of Manhattan Associates, Inc. listed below of our reports dated March 12, 2007, with respect to the consolidated financial statements and schedule of Manhattan Associates, Inc. and subsidiaries, Manhattan Associates, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Manhattan Associates, Inc. and subsidiaries, included in the Annual Report (Form 10-K) for the year ended December 31, 2006.

1. Registration Statement on Form S-8 pertaining to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (File No. 333-68968);
2. Registration Statement on Form S-8 pertaining to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (File No. 333-45802);
3. Registration Statement on Form S-8 pertaining to the Manhattan Associates, LLC Option Plan, Manhattan Associates, Inc. Stock Incentive Plan and Other Stock Options (File No. 333-60635);
4. Registration Statement on Form S-8 pertaining to the Manhattan Associates, Inc. Stock Incentive Plan (File No. 333-105913);
5. Registration Statement on Form S-8 pertaining to the Manhattan Associates, Inc. Stock Incentive Plan (File No. 333-129272);
6. Registration Statement on Form S-8 pertaining to the Manhattan Associates, Inc. Stock Incentive Plan (File No. 333-139598).

/s/ Ernst & Young LLP

Atlanta, Georgia
March 12, 2007

EXHIBIT 31.1

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, Peter F. Sinisgalli, Chief Executive Officer of Manhattan Associates, Inc. (the "registrant"), certify that:

1. I have reviewed this annual report on Form 10-K 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 annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of March, 2007.

/s/ Peter F. Sinisgalli
Peter F. Sinisgalli, Chief Executive Officer

EXHIBIT 31.2

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, Dennis B. Story, Chief Financial Officer of Manhattan Associates, Inc. (the “registrant”), certify that:

1. I have reviewed this annual report on Form 10-K 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 annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated this 14th day of March, 2007.

/s/ Dennis B. Story

Dennis B. Story, Chief Financial Officer

EXHIBIT 32.1

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:

1. the Annual Report on Form 10-K of the Company for the twelve month period ended December 31, 2006 (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

2. 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 March, 2007.

/s/ Peter F. Sinisgalli
Peter F. Sinisgalli, Chief Executive Officer

/s/ Dennis B. Story
Dennis B. Story, Chief Financial Officer

In accordance with SEC Release No. 34-47986, this Exhibit is 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. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.