SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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 (State or Other Jurisdiction of Incorporation or Organization)	58-2373424 (I.R.S. Employer Identification No.)
2300 WINDY RIDGE PARKWAY, SUITE 700 ATLANTA, GEORGIA (Address of Principal Executive Offices)	30339 (Zip Code)

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

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

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
NONE	NONE

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

COMMON STOCK, $.01 PAR VALUE PER SHARE

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sales price of the Common Stock on March 30, 2001 as reported by the Nasdaq Stock Market, was approximately $170,035,766. The shares of Common Stock held by each officer and director and by each person known to the Registrant who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of March 30, 2001, the Registrant had outstanding 26,658,191 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 19, 2001 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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 "Safe Harbor Compliance Statement for Forward-Looking Statements" included as Exhibit 99.1 to this Annual Report on Form 10-K. 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.

PART I

ITEM 1. BUSINESS

We are a leading provider of technology-based solutions to improve supply chain effectiveness and efficiencies. Our solutions enhance distribution efficiencies through the integration of supply chain constituents, including manufacturers, distributors, retailers, suppliers, transportation providers and consumers. Our solutions focus on supply chain execution, which begins with the execution of an order and ends with the fulfillment of the order to the end customer. Our solutions consist of software, including products to enable the execution, fulfillment and delivery of customer orders, the optimization of distribution center operations and the collaboration between and among trading partners; services, including design, configuration, implementation, and training services, plus customer support services and software enhancement subscriptions; and hardware.

Our software products allow organizations to manage the receiving, stock locating, stock picking, order verification, assembly, order packing and shipment of products in complex distribution centers and to provide better visibility between our customers and their trading partners. Our software products are designed to optimize the operation of a distribution center and to facilitate supply chain collaboration by:

- reducing inventory levels and increasing inventory turnover;

- improving inventory and order accuracy;

- reducing response times;

- complying with industry shipping standards;

- improving communication with other participants in the supply chain;

- enabling and facilitating distribution through multiple delivery channels;

- increasing the productivity of labor, facilities and materials-handling equipment; and

- lowering transportation costs.

We currently provide our solutions to manufacturers, distributors, retailers and transportation providers primarily in the following markets: retail, apparel/footwear, consumer goods manufacturing, direct-to-consumer, third-party logistics, food and grocery, healthcare, and industrial/automotive parts distribution. As of December 31, 2000, our software was licensed for use by approximately 800 customers including Abbott Laboratories, Agrilink Foods, Calvin Klein, ClientLogic Corporation, Exel Logistics, Guess?, Jockey International, Mikasa, Newell Rubbermaid, Nordstrom, Patagonia, Playtex Apparel, SEIKO Corporation of America, Sainsbury's Supermarkets Ltd., Siemens Energy and Automations, Staples, The Sports Authority, Tibbett & Britten Group Plc, Tiffany & Co., Timberland, Warnaco, and Venator Group.

We are a Georgia corporation formed in March 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC. References in this prospectus 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

In recent years, many businesses have employed technologies to improve the flow of information among supply chain participants, which include manufacturers, suppliers, distributors, retailers and transportation providers. These technologies have helped businesses to reduce inventory levels, improve inventory turnover and, most importantly, to compete more successfully. Competitive influences have forced many manufacturers and distributors to ship larger volumes of small orders. Consequently, distribution centers have increased in size, complexity and cost. The efficient management of a distribution center now requires collecting and processing increasing amounts of key information. This information includes customer orders, inbound shipments of products, products available on-site, product storage locations, weights and sizes, customer- or store-specific shipping requirements, routing data, carrier requirements, and order status. Manufacturers, distributors, retailers, and transportation providers must continuously exchange this information with other participants in the supply chain in order to effectively integrate the operation of their distribution centers with the entire supply chain.

Supply chain participants have historically utilized technology solutions to gain efficiencies that increase competitive advantage. Practices to improve inventory management, which is the process of managing the receipt, storage and shipment of inventory, have been at the forefront of these supply chain re-engineering efforts. Such practices enable retailers to advise manufacturers and distributors of their inventory replenishment needs more rapidly and allow manufacturers and distributors to restock retailers more efficiently. More recently, the advent of the Internet and the rapid growth of e-commerce have altered the relative value propositions of many supply chain participants. In this increasingly competitive environment, effective supply chain execution technology solutions have become critical to success in order to handle the very sophisticated distribution services required today, including:

- more frequent store-specific inventory replenishments;

- more customized packing of goods within each delivery to reduce in-store unpacking times;

- more sophisticated packaging and labeling of goods to meet merchandising strategies;

- compliance with unique, customer-specific and industry-specific shipping standards; and

- the exchange of trading information electronically.

The Internet and the rapid growth of e-commerce have increased the demands on participants in the supply chain. For example, many retailers, suppliers and manufacturers are selling their products through a broader range of distribution channels, including directly to consumers, either through the Internet or through catalog sales operations. These new multi-channel distribution models present significant challenges to traditional distribution centers that were primarily designed to replenish "bricks and mortar" establishments, such as retail stores and distributors, where orders are typically large and undifferentiated. Selling products in direct-to-consumer environments requires these participants to provide additional services, such as individual packaging, labeling and shipping of orders directly to the consumer, as well as other value-added services such as apparel monogramming.

As a result of these additional demands, distribution centers have increased in size, complexity and cost. Distribution centers today can comprise one million square feet or more with thousands of stock keeping units, or "SKUs," multi-million dollar investments in automated materials-handling equipment, and software solutions that can manage and provide access to huge amounts of real-time data. The efficient management of a distribution center operation now requires collecting information regarding:

- customer orders;

- inbound shipments of products;

- products available on-site;

- product storage locations;

- weights and sizes;

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

- electronic communication with other supply chain participants; and

- personalization for direct-to-consumer shipping.

Distribution center management systems must be able to analyze dynamically the information to determine the most efficient use of the distribution center's labor, materials handling equipment, packaging equipment and shipping and receiving areas. These systems must interface directly with Enterprise Resource Planning ("ERP") and other host systems to exchange business information. Their mission critical function within a distribution center requires that these systems operate with high reliability and efficiency, while supporting very high transaction volumes and multiple users. Manufacturers, distributors and retailers must exchange information in real time with other participants in the supply chain in order to effectively integrate the operation of their distribution centers with the entire supply chain. Additionally, front-office Internet business software applications require real-time access to data provided by these distribution center management systems to provide a dynamic view of a company's supply chain.

Traditionally, distribution center management systems have been highly customized, difficult to upgrade and have required costly and lengthy implementations. Furthermore, these systems have not readily supported the increased volumes and complexities associated with recent advances in supply chain re-engineering initiatives. Specifically, they have failed to quickly incorporate changing industry- and customer-specific shipping standards. Most legacy distribution center management systems are unable to effectively manage operations in an increasingly multi-channel distribution environment. In addition, legacy distribution center management systems are unable to provide the real-time access to supply chain data to interact with Internet-based supply chain optimization, procurement and commerce applications.

THE MANHATTAN ASSOCIATES SOLUTION

Our solution features a modular software system that employs leading database technology to address a full range of requirements of modern, complex distribution centers, including the receiving, stock locating, stock picking, order verification, order packing and shipment of products. Our software products, together with our professional services capabilities, enable our customers to optimize their supply chain effectiveness and efficiencies by:

- reducing inventory levels and increasing inventory turnover;

- improving inventory and order accuracy;

- reducing response times;

- complying with industry shipping standards;

- improving communication with other participants in the supply chain;

- enabling and facilitating distribution through multiple delivery channels;

- increasing the productivity of labor, facilities and materials-handling equipment; and

- lowering transportation costs.

Our featured product is PkMS, which provides our customers with:

- Comprehensive Functionality -- PkMS addresses a full range of requirements of modern, complex distribution centers with an existing product rather than custom-designed and developed applications. PkMS provides comprehensive functionality for specific vertical markets, incorporating industry-wide initiatives.

- Ease of Implementation -- PkMS' modular design, along with our knowledge of specific vertical markets and expertise in planning and installation, allows our solutions to be implemented more rapidly than highly-customized distribution center management systems. Typical implementations can be completed within four to six months. Our PRISM methodology can result in full implementation within two months.

- Timely Response to Industry Initiatives -- PkMS features a comprehensive program to provide our customers with timely software upgrades offering increased functionality and technological advances that address emerging supply chain and other industry initiatives.

- Flexibility and Configurability -- PkMS is designed to be easily configured to meet a distribution center's specific requirements and reconfigured to meet changing customer and industry requirements. Because of its modular design, PkMS can be implemented in phases to meet specific customer demands.

- Scaleability -- PkMS is designed to facilitate the management of evolving distribution center systems to accommodate increases in the number of system users, complexity and distribution volume.

- Multi-Channel Distribution -- PkMS allows for distribution through multiple channels, including traditional means, the Internet and mail order, with its robust design and superior functionality over competitive offerings. Moves to additional channels can be done with speed and ease of implementation.

To further optimize the complex operations within distribution centers and to bring about supply chain efficiencies through collaboration, we have recently developed our Optimize Suite of products and infolink. Our Optimize Suite includes SlotInfo, WorkInfo and SmartInfo. SlotInfo enables the optimal configuration of distribution facilities to maximize existing space, achieve greater throughput and reduce replenishment costs. WorkInfo is a comprehensive productivity tracking and labor-planning tool to help maximize the utilization and productivity of human resources within the distribution center. SmartInfo provides real-time monitoring of distribution center activities and determines trends based on historical data contained within PkMS. infolink is an Internet-based application that enables real-time collaboration between suppliers and their customers regarding customer order entry and order/inventory status. The value proposition of infolink resides in the ability to provide real-time information to customers to enable better purchasing and inventory allocation decisions to meet end-customer demands.

With the purchase of Intrepa, L.L.C. in October 2000, we acquired Logistics PRO WMS and Logistics PRO TMS. Logistics PRO WMS is an integrated warehouse management system with a modular design, but less functionality than PkMS. It can be a lower priced alternative to PkMS and is targeted at certain vertical markets. Logistics PRO TMS is a stand-alone transportation management system exceeding the transportation functionality of PkMS. It enables load planning and optimization, shipment consolidation, vendor and carrier compliance and documentation for domestic as well as international shipping.

STRATEGY

Our objective is to be the leading provider of technology-based solutions to improve supply chain effectiveness and efficiencies. We will continue to provide solutions to targeted vertical markets by offering

advanced, highly functional, highly scaleable applications that allow customers to leverage their investment in distribution centers and meet frequently changing customer requirements. Our strategy to achieve this objective includes the following key elements:

Develop and Enhance Software Solutions. We intend to continue to focus our product development resources on the development and enhancement of our software solutions. In addition to our featured product, PkMS, we offer complementary software products, as described herein, in order to provide additional functionality and value to our solutions. We plan to continue to provide enhancements to existing products and to introduce new products to address evolving industry standards and market needs. We identify further enhancements to our solutions and opportunities for new products 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.

Expand International Sales. We believe that our solutions offer significant benefits for customers in international markets. We have over 60 employees outside the United States, primarily in the United Kingdom and the Netherlands, focused on international sales and servicing our international clients. In addition to our sales in Europe, our product has recently been installed in Asia. We intend to continue to invest in our infrastructure and increase our sales and marketing efforts in Europe, Australia, Asia and the Pacific Rim, and Latin America. Our international strategy includes leveraging the strength of our relationships with current customers that also have overseas operations and the pursuit of strategic marketing partnerships with international systems integrators and third-party software application providers.

Develop Indirect Sales Channel. We currently sell our products primarily through our direct sales personnel. In addition to expanding our direct sales organization, we plan to invest in the expansion and development of our indirect sales channels through reseller agreements, marketing agreements and agreements with third-party logistics providers.

Expand Our Strategic Alliances. We have established strategic alliances with industry-leading consultants and software systems implementers, including IBM Global Services and Accenture, to supplement our direct sales force and professional services organization. These alliances help extend our market coverage and provide us with new business leads and access to trained implementation personnel. We have strategic alliances with complementary software vendors including Microsoft and Intentia.

Promote Adoption of Our infolink Product. In September 2000, we released infolink, an Internet-based application that enables real-time communication and collaboration between suppliers and their customers. By using infolink, customers can automatically track their purchases through the distribution centers of their suppliers and immediately request or respond to modifications in their order. By allowing trading partners to make intelligent business decisions in real time, we believe infolink will improve the ability of suppliers to fulfill the purchasing demands of customers while decreasing the resources that both customers and suppliers currently spend manually tracking and managing orders. We believe that infolink will play a key role for customers by bringing greater visibility and collaboration within their respective trading communities, which will in turn improve merchandise flow and customer support.

Acquire or Invest in Complementary Businesses. We intend to pursue strategic acquisitions of technologies, products and businesses that enable us to enhance and expand our software products and service offerings. Specifically, we intend to make acquisitions that will provide us with additional complementary products and expand our geographic presence and distribution channels.

PRODUCTS AND SERVICES

Products. Our software products are designed to enable our customers to manage the operations of their distribution centers and improve collaboration between supply chain partners to achieve greater effectiveness and efficiency. Our software products operate across the iSeries (AS/400), Unix and Windows NT computing platforms. Our products 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 interface toolkits for most ERP systems to enhance communication and reduce implementation costs between our core products and our clients' host systems. We currently offer interface toolkits to systems developed by Oracle, Essentus/Richter, Intentia, J.D. Edwards and Lawson.

We categorize our software products according to their focus and value proposition within supply chain execution. We offer the Fulfill Suite, consisting of PkMS, Logistics PRO WMS and complementary products; the Deliver Suite, consisting of Logistics PRO TMS; the Optimize Suite, consisting of SlotInfo, WorkInfo and SmartInfo; and the Collaborate Suite, consisting of infolink and complementary products. The following table lists and provides descriptions of our products categorized by offering suite:

FULFILL SUITE
PKMS -- ISERIES(AS/400), UNIX AND WINDOWS NT

MODULE	DESCRIPTION
INVENTORY MANAGEMENT SYSTEM ("IMS").......	Manages the receipt, put-away and movement of all inventory throughout the distribution center
Receiving..............................	- Verifies the accuracy of incoming shipments against the advanced shipping notice - Designates incoming inventory for quality audit and immediate out-going shipment (cross-docking) - Manages receiving yard by scheduling time, dock location and priority of shipments
Stock Locator...........................	- Enhances inventory movement efficiency by directing put-away, minimizing travel distances and optimizing storage capacity - Tracks movement of inventory by allowing real-time inquiries by location, SKU and other criteria
Cycle Count............................	- Enables more efficient inventory counts by permitting specific zones of a distribution center to be "frozen" without interrupting ongoing operations - Automatically generates cycle count tasks for specific SKUs, locations or other user-designated criteria
Work Order Management..................	- Directs the assembly of finished goods within a distribution center to match customer demands
Radio Frequency Functions for the IMS...	- Allows the real-time collection of inventory product information and location with remote, hand-held mobile devices for integration with the IMS - Communicates real-time task assignments to workers in remote locations of the distribution center
Task Management System for the IMS......	- Coordinates the sequence of distribution center tasks to optimize labor efficiency

MODULE	DESCRIPTION
OUTBOUND DISTRIBUTION SYSTEM ("ODS")......	Manages the picking, packing and shipping of orders in efficient release waves
Wave Management.........................	- Selects, prioritizes and groups outgoing orders in manageable increments based upon user-defined criteria - Routes picktickets based upon retailer requirements and pre-determines carton contents to minimize the number of outgoing cartons - Facilitates stock replenishment for active picking and packing locations
Verification...........................	- Provides automatic verification of orders and identifies order shortages and overages to maximize shipping accuracy at several different points within the order fulfillment process
Radio Frequency Functions for the ODS...	- Allows the real-time collection of shipment information and location with remote, hand-held mobile devices - Communicates real-time task assignments to workers in remote locations of the distribution center
Freight Management System..............	- Sorts orders by specific freight carriers, calculates shipping charges and controls load sequencing based upon truck routes - Generates all documentation required for shipping such as bills of lading and retailer compliant required manifests
Parcel Shipping System.................	- Calculates all shipping charges for parcel shipments, generates tracking numbers and provides appropriate documentation for parcel carriers

ADDITIONAL FULFILL SUITE PRODUCTS

PRODUCT	DESCRIPTION
Logistics PRO WMS........................	- Integrates full warehouse and transportation management functions into one flexible system
Platforms:	- Streamlines procedures
AS/400	- Facilitates management of inventory
Windows NT	- Eliminates process redundancy
PkAllocate..............................	- Prioritizes and allocates orders based on current aggregate inventory levels for customers whose host system is unable to perform this function
PkCost..................................	- Tracks effort and cost for activities in the distribution center - Provides critical billing information for third party logistics companies
PkView..................................	- Provides online graphs and e-mail notification for PkMS on the iSeries (AS/400) and Unix platforms

DELIVER SUITE
LOGISTICS PRO TMS

MODULE	DESCRIPTION
Outbound Planning	- Determines the most efficient carrier - Generates the most effective shipping plan - Facilitates load planning and optimization
International Compliance	- Translates document headings into local languages to meet requirements of destination countries
Audits	- Verifies each freight bill for accuracy to prevent duplicate payments and incorrect charges

OPTIMIZE SUITE

PRODUCT	DESCRIPTION
SmartInfo	- Enables the optimization and analysis of a distribution center via the real-time monitoring of warehouse activities and determines trends based on historical data contained within PkMS
WorkInfo	- Provides employee performance tracking information to warehouse managers, while supplying the warehouse employee estimated task durations prior to starting the task and their individual employee performance throughout the day
SlotInfo	- Optimizes inventory physical location within a distribution center based on volume, seasonal demands, location of products and size - May be used with PkMS or as a stand-alone product

COLLABORATE SUITE

PRODUCT	DESCRIPTION
infolink	- An Internet-based application that enables real-time communication and collaboration between retailers and their suppliers - Provides immediate visibility into production status, shipment information and labels for streamlined receiving - Provides real-time status of product availability - May be integrated with PkMS, other warehouse management systems and ERP Systems

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 add 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 these services for the implementation and ongoing support of our software products. Professional services are typically billed on an hourly basis, except for support contracts and training, which are based on established fees. We will

sometimes perform implementations for a fixed fee when the scope of the project is reasonably quantifiable. We believe that increased sales of our software products will drive higher demand for our consulting services. Accordingly, we plan to continue to increase the number of consultants to support anticipated growth in product implementations and software upgrades. We anticipate that our internal growth will be balanced with our success in achieving our strategy of alliances expansion.

Our professional services group consists of business consultants, systems analysts and technical personnel devoted to assisting customers in all phases of systems implementation including planning and design, customer-specific configuring of modules, and on-site implementation or conversion from existing systems. Our consulting personnel undergo extensive training on distribution center operations and our products. We believe that this training, together with the ease of implementation of our products, enables us to productively use newly-hired consulting personnel. 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 products' architecture with the knowledge and expertise gained from completing more than 1,100 installations worldwide. The modular design of our products significantly reduces the complexities associated with integrating to existing ERP, e-business and complex material handling systems. As a result, we have been able to deploy a fully automated inbound and outbound system in less than two months.

Customer Support Services and Software Enhancements. We offer a comprehensive program that provides our customers with timely software upgrades offering increased functionality and technological advances incorporating emerging supply chain and other industry initiatives. As of December 31, 2000, approximately 80% of our customers since our formation subscribe to our comprehensive support and enhancements program. 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 24-hour support plus upgrades for 16%-20% of the software license fee.

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 six courses available to provide training on product 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 distribution center management solution. These products include computer hardware, radio frequency terminal networks, bar code printers and scanners, and other peripherals. We resell all third-party hardware products pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

SALES AND MARKETING

We employ multiple discipline sales teams that consist of professionals with industry experience in sales and technical and sales support. To date, we have generated substantially all of our revenue 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 and other international locations and to pursue strategic marketing partnerships. We conduct comprehensive marketing programs that include advertising, public relations, trade shows, joint programs with vendors and consultants and ongoing customer communication programs. The sales cycle typically begins with the generation of a sales lead, through in-house telemarketing efforts 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 distribution center management system and contract negotiation. The sales cycle can vary substantially from customer to customer, but typically requires three to six months.

We currently sell our products primarily through our direct sales personnel. We plan to expand our direct sales organization. In addition to sales to new customers, we intend to continue to leverage our existing customer base to provide for system upgrades, sales of additional licenses of purchased products and sales of new or add-on products. 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 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. In the fourth quarter of 2000, we entered into an agreement with IBM Global Services in which we are the preferred provider of supply chain execution software for eight mid-market verticals of IBM. As business dictates, we will train approximately 20 to 25 IBM personnel on the implementation of our solutions.

CUSTOMERS

To date, our customers have been manufacturers, distributors, retailers and transportation providers in a variety of industries. The following table sets forth a representative list of our customers and the industries as of December 31, 2000, that have purchased products and services from us.

Apparel/Footwear
- ASICS Tiger
- Birkenstock
- Calvin Klein
- Duck Head Apparel
- Hugo Boss
- Jockey International
- Jones Apparel
- London Fog
- Nike Team Sports
- Oxford Industries
- Playtex Apparel
- Timberland
- Tropical Sportswear
- Warnaco

Consumer Goods Manufacturing
- Advanced Marketing Services
- Alliance Entertainment
- Bulova
- Conair Group
- Fossil Watch
- Hunter Fan
- Mikasa
- Newell Rubbermaid
- Remington Products
- SEIKO Corp. of America
- Staples
- The Diamond Trading Company
- Tiffany & Co.

Food and Grocery
- Abbott Foods
- Agrilink Foods, Inc.
- Alliant Atlantic Foodservice
- Arrow Industries
- Ben E. Keith Company
- Burns Philp Food/Tones Brothers
- DeLuca Liquor
- Reser's Fine Foods
- Southern Wine & Spirits
- Sainsbury's Supermarkets Ltd.
- Tanimura & Antle
- Tree of Life, Inc.

Direct-to-Consumer
- Cabelas
- Coldwater Creek
- Columbia Sportswear
- Cornerstone Brands
- J. Jill Group
- Nordstrom.com
- Patagonia
- ValuVision

Third Party Logistics
- ClientLogic Corporation
- Exel Logistics
- SubmitOrder.com
- Tibbett and Britten Ltd.

Retail
- American Eagle Outfitters
- Belk, Inc.
- Brown Group Retail
- Casual Corner Group
- Cost Plus
- Debenhams Retail
- Mars Music
- Nordstrom
- The Children's Place
- The Limited
- The Sports Authority

Industrial/Automotive Products
- AGFA/Bayer
- Delta International Machinery
- Liberty Hardware
- Loctite
- Motors & Armatures, Inc.
- Nissan
- O'Reilly Automotive
- PPG Architectural Finishes
- Rain Bird Sales
- Siemens Energy and Automation
- Straus Discount Tire
- Toyota Australia

Healthcare
- Abbott Laboratories, Inc.
- Amerisource Health Corporation
- Bristol-Myers Squibb
- DuPont Merck Pharmaceuticals
- Stryker Endoscopy

Our top five customers in aggregate accounted for 22%, 10% and 14% of total revenue for each of the years ended December 31, 2000, 1999, and 1998, respectively. No single customer accounted for 10% or more of our total revenue during any of the three years ended December 31, 2000.

PRODUCT DEVELOPMENT

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

We will continue to spend a portion of our research and development efforts on the development and enhancement of our infolink product. infolink is an Internet-based application that enables real-time collaboration between suppliers and their customers regarding customer order entry and order/inventory status. Real-time communication will be facilitated via infolink through Internet-based XML technology. Microsoft Corporation, through its representation on the infolink advisory board, is collaborating with us to provide expertise in the XML document definition, which will be based on the BizTalk(TM) Framework. We released the first version of infolink, called Orderinfo, in September 2000. Orderinfo provides information allowing for real-time business decisions between retailers and their suppliers. Our development plans call for another version of infolink to be released in the second half of 2001, called Sourceinfo, which provides for similar types of communication between suppliers and their factories.

We continue to devote a significant portion of our research and development efforts to the enhancement of the N-Tier version of PkMS. Our N-Tier version of PkMS incorporates a distributed client/server architecture to allow different software applications and systems and hardware platforms to operate together more efficiently. N-Tier currently operates with desktops running Windows 95/98/NT, standard radio frequency device clients and servers running both the Windows NT and the UNIX server operating environments. Much of our development efforts in the second half of 2000 included the re-architecture of the N-Tier version of PkMS to improve the product's responsiveness and overall efficiency. The re-architected version of N-Tier was released in the first quarter of 2001.

We are also spending a portion of our research and development efforts on the development of Logistics PRO for Windows. We continue to develop new and enhanced functionality for PkMS. We also plan to integrate the functionality of Logistics PRO TMS into future releases of PkMS. The integration of Logistics PRO TMS into PkMS is anticipated to be completed in the second half of 2001. Additionally, we will continue to enhance the functionality of our featured product, PkMS, and our Optimize Suite, consisting of SlotInfo, WorkInfo and SmartInfo.

Our research and development expenses for the years ended December 31, 2000, 1999 and 1998 were $16.1 million, $10.2 million, and $7.4 million, respectively. We intend to continue to invest heavily in product development.

COMPETITION

Our products are targeted at the supply chain execution market, which is highly fragmented, intensely competitive, and characterized by rapid technological change. The principal competitive factors affecting the market for our products include:

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

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

- supply chain execution vendors, including Catalyst International, Inc., EXE Technologies, Inc., LIS, McHugh Software International, Inc., Optum, Inc. and Provia among others;

- ERP or Supply Chain Management ("SCM") application vendors with products or modules of their product suite offering varying degrees of warehouse management functionality, such as ReTek, JD Edwards or SAP;
- the corporate information technology departments of current or potential customers capable of internally developing solutions; and
- smaller independent companies that have developed or are attempting to develop distribution center management software that competes with our software solution.

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

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.

INTERNATIONAL OPERATIONS

For the years ended December 31, 2000 and 1999, we had international revenues of approximately $10.7 million, or 8% of total revenues, and $5.6 million, or 7% of total revenues, respectively. International revenues include all revenues derived from sales to customers outside the United States. We now have over 60 employees outside the United States, most of whom are located in the United Kingdom and the Netherlands. We recently installed our product in Asia and also began distributing our solutions in Australia. We expect to begin offering our products in Latin America and the Pacific Rim.

During 1998, we commenced operations in Europe. Total revenues for Europe were approximately $10.3 million, $3.8 million and $130,000 for the years ended December 31, 2000, 1999 and 1998, respectively, which represents approximately 8%, 5% and less than 1%, respectively, of our total revenues.

PROPRIETARY RIGHTS

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have a registered trademark in "PkMS" and "Logistics PRO". We have trademarks in SlotInfo, SmartInfo, WorkInfo, infolink and the Manhattan logo. We have no registered copyrights. We generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license PkMS to our customers in source code format and restrict the customer's use for internal purposes without the right to sublicense the PkMS, SlotInfo, SmartInfo, WorkInfo, infolink or Logistics PRO products. 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 products is difficult, and while we are unable to determine the extent to which piracy of our software products exist, software piracy could become a problem.

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

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

EMPLOYEES

As of December 31, 2000, we had 802 full-time employees. None of our employees are covered by a collective bargaining agreement. We consider our relations with our employees to be good. As of December 31, 2000, certain of our employees were employed pursuant to the H-1(B), non-immigrant work-permitted visa classification.

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors and certain information about them are as follows:

NAME	AGE	POSITION
Alan J. Dabbiere.............	39	Chairman of the Board of Directors(1)
Richard M. Haddrill...........	47	President, Chief Executive Officer and Director
Neil Thall....................	54	Executive Vice President -- Professional Services
Deepak Raghavan...............	34	Senior Vice President, Product Strategy and Director(1)
Jeffry W. Baum................	38	Senior Vice President -- International Operations
Thomas W. Williams, Jr.	44	Senior Vice President, Chief Financial Officer and Treasurer
Jeffrey S. Mitchell...........	33	Senior Vice President -- North American Sales
Brian J. Cassidy..............	55	Director
John J. Huntz, Jr.............	50	Director(2)(3)
Thomas E. Noonan..............	40	Director(2)(3)
John R. Hardesty..............	61	Director(2)(3)

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(1) Member of the Executive Committee.
(2) Member of the Compensation Committee.
(3) Member of the Audit Committee.

The Board of Directors is divided into three classes, each of whose members serve for a staggered three-year term. The Board is currently comprised of two Class I directors (Messrs. Dabbiere and Cassidy), two Class II directors (Messrs. Raghavan and Haddrill) and three Class III directors (Messrs. Huntz, Noonan and Hardesty). At each annual meeting of shareholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the Class I directors, Class II directors and Class III directors will expire upon the election and qualification of successor directors at the 2002, 2003 and 2001 annual meetings of shareholders, respectively.

Alan J. Dabbiere, a founder of Manhattan, has served as Chairman of the Board since February 1998 and served as Chief Executive Officer and President of Manhattan from October 1990 until October 1999. From 1986 until 1990, Mr. Dabbiere was employed by Kurt Salmon Associates, a management consulting firm specializing in consumer products manufacturing and retailing, where he specialized in consulting for the retail and consumer products manufacturing industries. At Kurt Salmon Associates, Mr. Dabbiere participated in Quick Response pilot projects focused on the value of an integrated supply-chain initiative. Mr. Dabbiere serves on the American Apparel Manufacturer Association's Management Systems Committee.

Richard M. Haddrill has served as President and Chief Executive Officer of Manhattan since October 1999 and has served on the Board of Directors since October 1999. Prior to joining Manhattan, Mr. Haddrill served as a consultant and board member for Anchor Gaming from June 1999 through October 1999 and as President, CEO and a board member for Powerhouse Technologies, a successful technology, services and gaming company. He served Powerhouse as its Executive Vice President from December 1994 through September 1996 and served as President and Chief Executive Officer from September 1996 through June 1999. From 1992 until 1994, Mr. Haddrill was President of computer software company Knowledgeware's international subsidiaries. During his employment at Ernst & Young, from 1975 until 1991, Mr. Haddrill held various positions within the company, including Managing Partner and Partner.

Neil Thall has served as Executive Vice President -- Professional Services of Manhattan since January 2000. From August 1998 to January 2000, Mr. Thall served as Senior Vice President -- Supply Chain Strategy, and from January 1998 to August 1998, he served as Vice President -- Supply Chain Strategy of Manhattan. From February 1997 through January 1998, Mr. Thall served as the Principal of Neil Thall Consulting. From January 1992 to July 1997, Mr. Thall served as President of Neil Thall Associates, a software development and management consulting subsidiary of HNC Software that specialized in inventory

management, Quick Response and vendor managed inventory initiatives. Prior to 1992, Mr. Thall was employed by Kurt Salmon Associates as National Service Director -- Retail Consulting, where he specialized in the development and implementation of information systems for major department stores and specialty and mass merchant chains.

Deepak Raghavan, a founder of Manhattan, has served as Senior Vice President of Manhattan since August 1998 and as a Director since February 1998. He served as our Chief Technology Officer from 1990 until 2001. He currently services as Senior Vice President, Product Strategy. From 1987 until 1990, Mr. Raghavan was a Senior Software Engineer for Infosys Technologies Limited, a software development company, where he specialized in the design and implementation of information systems for the apparel manufacturing industry.

Jeffry W. Baum has served as Senior Vice President -- International Operations of Manhattan since January 2000. From January 1998 to January 2000, Mr. Baum served as Vice President, International Business Development. From January 1997 until February 1998, Mr. Baum served as Vice President, Sales and Marketing of Haushahn Systems & Engineers, a warehouse management systems and material handling automation provider. From March 1992 until December 1996, Mr. Baum served as Senior Account Manager at Haushahn. Prior to that, Mr. Baum served in a variety of business development, account management and marketing positions with Logisticon and Hewlett-Packard.

Thomas W. Williams, Jr. has served as Senior Vice President of Manhattan since January 2001 and Chief Financial Officer and Treasurer of Manhattan since February 2000. Mr. Williams served as a Vice President of Manhattan from February 2000 through January 2001. From February 1996 to February 2000, Mr. Williams served as Group Vice President, Finance and Administration for Sterling Commerce, a worldwide leader in providing e-business solutions for the Global 5000 companies. From December 1994 to January 1996, Mr. Williams served as Division Vice President, Finance and Administration for Sterling Software, one of the 20 largest independent software companies in the world. From June 1989 to November 1994, Mr. Williams held various senior management finance and accounting positions with Knowledgeware. Mr. Williams joined Knowledgeware from Ernst & Young.

Jeffrey S. Mitchell has served as Senior Vice President, North American Sales of Manhattan since February 2001. Prior to that, Mr. Mitchell served in various sales management roles at Manhattan since April 1997, including Vice President, North American Sales from May 1999 through February 2001. From April 1995 until April 1997, Mr. Mitchell was a sales representative for Intrepa (formerly The Summit Group), a provider of warehouse and transportation management packages. From May 1991 until April 1995, Mr. Mitchell served in various aspects of account management in the employer services division of ADP providing outsource payroll and human resources solutions.

Brian J. Cassidy has served as a Director of Manhattan since April 1998.

Mr. Cassidy has served as the Vice-Chairman and Co-Founder of Webforia, formally known as LiveContent, a developer and supplier of computer software applications, since April 1996. Prior to joining Webforia, Mr. Cassidy served as Vice President of Business Development of Saros Corporation, a developer of document management software, from January 1993 to March 1996. Prior to joining Saros Corporation, Mr. Cassidy was employed by Oracle Corporation, as Joint Management Director of European Operations and a member of the Executive Management Board from 1983 to 1988 and as Worldwide Vice President of Business Development from 1988 to 1990.

John J. Huntz, Jr. has served as a Director of Manhattan since January 1999. Mr. Huntz serves as Managing Director of Fuqua Ventures, LLC, a private equity investment firm. Mr. Huntz served as Executive Vice President and Chief Operating Officer of Fuqua Enterprises, a company that manufactures health-care products, from August 1995 to March 1998 and as its Senior Vice President since March 1994. From September 1989 to January 1994, Mr. Huntz served as the Managing Partner of Noble Ventures International, a private international investment company. From 1984 to 1989, Mr. Huntz held the position of Director of Capital Resources for Arthur Young & Company and from 1979 to 1984, Mr. Huntz was with Harrison Capital, a venture capital investment subsidiary of Texaco. Mr. Huntz founded and serves as President of the Atlanta Venture Forum, a risk capital network and is a member of the National Association

of Small Business Investment Companies and the Southern Regional Association of Small Business Investment Companies. Mr. Huntz serves as a director and chairman of the compensation committee of GMP Companies, a developer of medical technologies.

Thomas E. Noonan has served as a Director of Manhattan since January 1999. Mr. Noonan has served as the President and as a Director of ISS Group, a provider of network security monitoring, detection and response software, since August 1995, and as its Chief Executive Officer and Chairman of the Board of Directors since November 1996. Prior to joining ISS Group, Mr. Noonan served as Vice President, Sales and Business Development with TSI International, an electronic commerce company, from October 1994 until August 1995. From November 1989 until October 1994, Mr. Noonan held high-level sales and marketing position at Dun & Bradstreet Software, a developer of enterprise business software.

John R. Hardesty has served as a Director of Manhattan since July 2000. Mr. Hardesty has been self-employed as an investor since March 1995. From 1988 until 1995, Mr. Hardesty was the owner and chairman of Dixson, a manufacturer of electronic instruments for the heavy-duty truck market and process control market. Mr. Hardesty also serves as a director of La Teko Resources Ltd., a gold exploration company.

ITEM 2. PROPERTIES

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 112,600 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through December 31, 2002. At this time, 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. We are not currently a party to any material legal proceeding that would require disclosure under this Item.

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, 2000.

PART II

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

Our common stock commenced trading on the Nasdaq National Market on April 23, 1998 and is traded 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:

FISCAL PERIOD	HIGH PRICE	LOW PRICE
1998		
Second Quarter (from April 23, 1998)	$24.56	$17.88
Third Quarter	27.00	10.00
Fourth Quarter	27.25	8.00
1999		
First Quarter	$26.25	$ 7.66
Second Quarter	15.38	7.56
Third Quarter	10.56	5.50
Fourth Quarter	9.44	3.53
2000		
First Quarter	$34.25	$ 7.38
Second Quarter	31.75	18.69
Third Quarter	61.25	24.50
Fourth Quarter	71.31	32.63

The closing sale price of our common stock as reported by the Nasdaq National Market on March 30, 2001 was $15.56. The number of shareholders of our common stock as of March 30, 2001 was approximately 60.

Prior to our initial public offering in April 1998, our predecessors historically made distributions to shareholders related to their limited liability company status and the resulting tax payment obligations imposed on its shareholders. We do not intend to declare or pay cash dividends in the foreseeable future. Our management anticipates that all earnings and other cash resources, if any, will be retained by us for investment in our business.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with our 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, 1998, 1999 and 2000, and the balance sheet data as of December 31, 1999 and 2000, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form

10-K. The statement of income data for the year ended December 31, 1996 and 1997, and the balance sheet data as of December 31, 1996, 1997 and 1998, are derived from the audited financial statements not included herein. Historical and pro forma results are not necessarily indicative of results to be expected in the future.

	YEAR ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF INCOME DATA:					
Revenue:					
Software fees	$ 3,354	$ 7,160	$13,816	$14,578	$ 26,190
Services	6,236	14,411	32,358	52,889	81,085
Hardware	4,810	10,886	15,891	13,825	25,821
Total revenue	14,400	32,457	62,065	81,292	133,096
Cost of revenue:					
Software fees	177	461	920	1,471	1,489
Services	2,026	6,147	15,286	30,643	34,299
Hardware	3,734	8,001	11,791	10,526	20,822
Total cost of revenue	5,937	14,609	27,997	42,640	56,610
Gross margin	8,463	17,848	34,068	38,652	76,486

	YEAR ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Operating expenses:					
Research and development	1,236	3,025	7,429	10,201	16,106
Sales and marketing	1,900	3,570	9,045	14,344	18,051
General and administrative	1,321	2,842	6,577	12,849	15,123
In-process research and development and acquisition-related charges	--	--	1,602	--	3,001
Amortization of goodwill	133	133	154	821	915
Total operating expenses	4,590	9,570	24,807	38,215	53,196
Income from operations	3,873	8,278	9,261	437	23,290
Other income, net	103	56	1,070	1,218	2,718
Income before income taxes	3,976	8,334	10,331	1,655	26,008
Income tax expense (benefit):					
Tax provision as a "C" corporation	--	--	3,329	554	9,740
Deferred tax adjustment	--	--	(316)	--	--
Net income	$ 3,976	$ 8,334	$ 7,318	$ 1,101	$ 16,268
Diluted net income per share	$ 0.20	$ 0.40	$ 0.29	$ 0.04	$ 0.53
Shares used in computing diluted net income per share	20,308	20,761	25,651	26,553	30,453
Income before pro forma income taxes	$ 3,976	$ 8,334	$10,331		
Pro forma income taxes(1)	1,486	3,023	4,244		
Pro forma net income(1)	$ 2,490	$ 5,311	$ 6,087		
Pro forma diluted net income per share(2)			$ 0.24		
Shares used in computing pro forma diluted net income per share(2)			25,686		

	DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	$3,199	$ 3,194	$32,763	$39,915	$ 67,667
Working capital	4,116	6,268	44,561	46,948	70,192
Total assets	7,276	15,006	67,775	80,923	152,375
Total shareholders' equity	4,882	8,454	55,635	58,606	110,001

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

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

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

All statements, trend 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, and our actual results of operations may differ materially from those contained in the forward-looking statements.

OVERVIEW

We are a leading provider of technology-based solutions to improve supply chain effectiveness and efficiencies. Our solutions enhance distribution efficiencies through the integration of supply chain constituents, including manufacturers, distributors, retailers, suppliers, transportation providers and end consumers. Our solutions are designed to optimize the receipt, storage, assembly and distribution of inventory and the management of equipment and personnel within a distribution center, and to enhance communications between the distribution center and its trading partners. Our solutions consist of software, including products to enable the execution, fulfillment and delivery of customer orders, the optimization of distribution center operations and the collaboration between and among trading partners; services, including design, configuration, implementation, and training services, plus customer support and software enhancement subscriptions; and hardware. We currently provide solutions to manufacturers, distributors, retailers and transportation providers primarily in the following markets: retail, apparel/footwear, consumer goods manufacturing, direct-to-consumer, third-party logistics, food and grocery, healthcare, and industrial/automotive parts distribution.

Revenues

Our revenues consist of fees from the licensing of software; fees from consulting, implementation and training services (collectively, "professional services"), plus customer support and software upgrades; and sales of complementary radio frequency and computer equipment.

We recognize license revenue in accordance with Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained;

(2) shipment of the product has occurred; (3) the license fee is fixed and determinable; (4) collectibility is probable; and (5) remaining obligations under the license agreement are insignificant. 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. SOP 98-9 was effective for transactions entered into after March 15, 1999, and we adopted the residual method for such arrangements at that time. For those contracts that contain significant future obligations, license revenue is recognized under the percentage of completion method.

Our services revenue consists of fees generated from professional services, customer support and software upgrades related to our software products. Revenue related to professional services performed by us are generally billed on an hourly basis and revenue is recognized as the services are performed. Revenue related to customer support and software upgrades are generally paid in advance and recognized ratably over the term of the agreement, typically 12 months.

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

Organization and Income Taxes

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

Acquisitions

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

In October 1998, we purchased certain assets of Kurt Salmon Associates, Inc., or KSA. The total purchase price for these assets was approximately $2.0 million consisting of $1.75 million in cash and assumed liabilities of approximately $250,000. The purchase price was allocated to the intangible assets acquired, including a customer list, assembled workforce, purchased software, trade names and goodwill. The assets are being amortized over periods ranging from three to ten years.

On October 24, 2000, we acquired substantially all of the assets of Intrepa, L.L.C. ("Intrepa") for a purchase price of approximately $31.0 million. The purchase price consists of a cash payment of $13.0 million, the issuance of approximately $10.0 million of our $.01 par value per share common stock (approximately 174,000 shares), and the issuance by us of a promissory note for $7.0 million. We also incurred approximately $0.9 million of transaction costs related to the acquisition. The purchase price includes the assumption of substantially all of the liabilities of Intrepa, including immediate payment by us of the remaining $2.0 million of principal and up to $15,000 of interest on a promissory note previously issued by Intrepa. The acquisition has been accounted for under the purchase method of accounting. Based on an independent appraisal, the purchase price has been allocated to net liabilities assumed of $2.6 million, acquired research and development of $2.4 million, acquired developed technology of $7.5 million, and other intangible assets of $23.3 million. Acquired developed technology is being amortized over an estimated five-year useful life and other intangible assets are being amortized over a seven-year useful life. In connection with this acquisition, we realigned our resources, which resulted in severance-related expenses of $576,000 during the quarter ended December 31, 2000.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
STATEMENT OF INCOME DATA:			
Revenue:			
Software fees	22.3%	17.9%	19.7%
Services	52.1	65.1	60.9
Hardware	25.6	17.0	19.4
Total revenue	100.0	100.0	100.0
Cost of revenue:			
Software fees	1.5	1.8	1.1
Services	24.6	37.7	25.8
Hardware	19.0	12.9	15.6
Total cost of revenue	45.1	52.4	42.5
Gross margin	54.9	47.6	57.5
Operating expenses:			
Research and development	12.0	12.6	12.1
Sales and marketing	14.6	17.6	13.6
General and administrative	10.6	15.8	11.3
In-process research and development and acquisition-related charges	2.6	--	2.3
Amortization of goodwill	0.2	1.0	0.7
Total operating expenses	40.0	47.0	40.0
Income from operations	14.9	0.6	17.5
Other income, net	1.7	1.5	2.0
Income before income taxes	16.6	2.1	19.5
Income tax expense (benefit):			
Tax provision as a "C" corporation	5.3	0.7	7.3
Deferred tax adjustment	(0.5)	--	--

Net income	11.8%	1.4%	12.2%
Income before pro forma income taxes	16.6		
Pro forma income taxes	6.8		
Pro forma net income	9.8%		

YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000

REVENUE

Our revenue consists of fees from the licensing of software; performance of professional services; sales of customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment. Total revenue increased 31.0% from $62.1 million in 1998 to $81.3 million in 1999. Total revenue increased 63.7% from $81.3 million in 1999 to $133.1 million in 2000. The increases in total revenue were primarily attributable to increases in sales of software licenses and services to new and existing customers.

Software Fees. Revenue from sales of software increased from $13.8 million in 1998 to $14.6 million in 1999, an increase of $.8 million or 6.0%. Revenue from sales of software increased from $14.6 million in 1999 to $26.2 million in 2000, an increase of $11.6 million or 79.7%. The increases in software fees were principally due to increases in the number of PkMS licenses sold. Additionally, sales of new, internally-developed

products, including WorkInfo and SmartInfo, and acquired products, including SlotInfo and Logistics PRO WMS, contributed to the increase in software sales in 2000, particularly in the fourth quarter of 2000. During 1999 and 2000, we experienced an increase in the average size and sales price of PkMS due to increased product functionality through our ongoing product development efforts and growing market acceptance of PkMS.

Services. Services revenue increased from $32.4 million in 1998 to $52.9 million in 1999, an increase of $20.5 million or 63.4%. Services revenue increased from $52.9 million in 1999 to $81.1 million in 2000, an increase of $28.2 million or 53.3%. The increases in services revenue were principally due to (i) increases in the amount of professional services purchased by customers as part of purchases of PkMS and in conjunction with upgrades by existing customers to more current versions of PkMS; and (ii) the renewal by customers of customer support services and software enhancement subscriptions on a growing installed base.

Hardware. Hardware revenue decreased from $15.9 million in 1998 to $13.8 million in 1999, a decrease of $2.1 million or 13.0%. Hardware revenue increased from $13.8 million in 1999 to $25.8 million in 2000, an increase of $12.0 million or 86.8%. Sales of hardware are largely dependent upon the number of PkMS licenses sold, the scope of such implementations and the technological sophistication and purchasing power of customers. Hardware revenue decreased in 1999 from 1998 due to a decline in the number of PkMS licenses sold and an increase in such sales to customers with technological sophistication and purchasing power. The increase in 2000 is attributable to PkMS implementations of larger scope, prompting customers seeking a unified solution to purchase more hardware from us.

COST OF REVENUE

Cost of Software Fees. Cost of software fees consists of the costs associated with software reproduction and delivery; media, packaging, documentation and other related costs; and the amortization of purchased software and capitalized research and development costs. Cost of software fees increased from $920,000 in 1998, or 6.7% of software fees, to $1.5 million in 1999, or 10.1% of software fees. Cost of software fees remained at $1.5 million in 2000, and decreased to 5.7% of software fees. The increase in cost of software fees as a percentage of software fees in 1999 was primarily due to approximately $472,000 of purchased software and capitalized research and development costs expensed in conjunction with discontinued products. Cost of software fees decreased as a percentage of software fees in 2000 due to the 79.7% increase in sales of software over 1999 without a corresponding increase in cost of software fees. The decrease in amortization expense from products discontinued in 1999 was partially offset by $250,000 of amortization expense recorded in the fourth quarter of 2000 associated with acquired software from Intrepa.

Cost of Services. Cost of services revenue consists primarily of salaries and other personnel-related expenses of employees dedicated to the implementation of and consulting on our software, software support services and training and educational services. Cost of services revenue increased from $15.3 million in 1998, or 47.2% of services revenue, to $30.6 million in 1999, or 57.9% of services revenue. Cost of services revenue increased to $34.3 million in 2000, or 42.3% of services revenue. The increases in cost of services revenue were directly related to increases in the number of employees and contracted personnel dedicated to services activities. The increase in cost of services as a percentage of services revenue in 1999 was principally due to over-staffing as a result of a 35% increase in services personnel combined with a lower level of software license sales and service revenues than anticipated. The decrease in cost of services revenue as a percentage of services revenue in 2000 is due to increased efficiencies in the delivery of professional services, principally an increase in the utilization of services personnel and planned efficiency initiatives associated with implementations of our software.

Cost of Hardware. Cost of hardware revenue decreased from $11.8 million in 1998, or 74.2% of hardware revenue, to $10.5 million in 1999, or 76.1% of hardware revenue. Cost of hardware revenue increased to $20.8 million in 2000, or 80.6% of hardware revenue. The increases in the cost of hardware as a percentage of hardware revenue are principally due to increases in the percentage of hardware products sold with relatively lower gross margins.

OPERATING EXPENSES

Research and Development. Research and development expenses principally consist of salaries and other personnel-related costs of personnel involved in our product development efforts. Our research and development expenses increased by 37.3% from $7.4 million in 1998, or 12.0% of total revenue, to $10.2 million in 1999, or 12.6% of total revenue. Our research and development expenses increased by 57.9% from $10.2 million in 1999, or 12.6% of total revenue, to $16.1 million in 2000, or 12.1% of total revenue. The increases in research and development expenses were principally due to the addition of development personnel devoted to the enhancement of existing products and new product development. The increase in 1999 over 1998 reflects the costs and expenses of additional personnel devoted to the enhancement of the AS400 and UNIX versions of PkMS and the development of the N-Tier version of PkMS and SlotInfo. The increase in 2000 over 1999 reflects the costs and expenses of personnel devoted to the enhancement of all versions of PkMS and SlotInfo, as well as additional personnel devoted to the development of WorkInfo, SmartInfo and infolink. Research and development expenses for 2000 also reflect approximately two months of personnel related costs and expenses associated with products acquired from Intrepa, including Logistics PRO WMS and Logistics PRO TMS. We capitalized $909,000 of research and development costs in 1999, of which approximately $300,000 of such capitalized costs were subsequently expensed during 1999 in conjunction with discontinued projects and classified as cost of software fees. No research and development costs were capitalized in 2000.

Sales and Marketing. Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing programs and related activities. Sales and marketing expenses increased by 58.6% from $9.0 million in 1998, or 14.6% of total revenue, to $14.3 million in 1999, or 17.6% of total revenue. Sales and marketing expenses increased by 25.8% from $14.3 million in 1999, or 17.6% of total revenue, to $18.1 million in 2000, or 13.6% of total revenue. The increases in sales and marketing expenses were principally attributable to (i) increases in the number of sales and marketing personnel in both domestic and international operations; (ii) increased incentive compensation for sales and marketing personnel arising from increases in software fees and overall revenue performance; and (iii) continued expansion of our marketing programs and related activities.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources and administrative personnel, as well as facilities, depreciation of tangible assets, legal, insurance, accounting and other administrative expenses. General and administrative expenses increased from $6.6 million in 1998, or 10.6% of total revenue, to $12.8 million in 1999, or 15.8% of total revenue. General and administrative expenses increased from $12.8 million in 1999, or 15.8% of total revenue, to $15.1 million in 2000, or 11.4% of total revenue. The increase in general and administrative expenses in 1999 was principally attributable to increased personnel, expenses associated with the recruitment of new members of our executive management team, expenses associated with the abandonment of excess leased facilities, increased depreciation expense from capital purchases to support our infrastructure and other administrative costs related to our growth. The increase in general and administrative expenses in 2000 was principally attributable to increased depreciation expense from capital purchases to support our growth and infrastructure and increased executive management bonuses tied to our record financial performance. Depreciation expense included in general and administrative expenses was $1.3 million, $3.2 million and $4.3 million during 1998, 1999 and 2000, respectively.

In-Process Research and Development and Acquisition-Related Charges. In February 1998, we purchased all of the outstanding stock of PAC for approximately $2.2 million in cash and 106,666 shares of our common stock valued at $10.00 per share. The acquisition has been accounted for as a purchase. In connection with this acquisition, approximately $1.6 million of the purchase price was allocated to acquired research and development and expensed during the first quarter of 1998.

On October 24, 2000, we purchased substantially all of the assets of Intrepa, L.L.C. for approximately $31.0 million. The purchase price consists of a cash payment of $13.0 million, the issuance of approximately $10.2 million of our $.01 par value per share common stock (approximately 174,000 shares), and the issuance by us of a promissory note for $7.0 million. We also incurred approximately $0.9 million of transaction costs

related to the acquisition. In connection with this acquisition, approximately $2.4 million of the purchase price was allocated to in-process research and development and expensed during the fourth quarter of 2000. In connection with this acquisition, we realigned our resources to reap expense synergies and eliminate redundant positions. Such realignment resulted in severance related payments of $576,000, which were also expensed in the fourth quarter of 2000.

Amortization of Goodwill. We have recorded goodwill as part of the purchase accounting associated with three acquisitions: (i) the acquisition of PAC in February 1998; (ii) the acquisition of certain assets of KSA in October 1998; and (iii) the acquisition of Intrepa in October 2000. Amortization of goodwill increased from $154,000 in 1998, or 0.2% of total revenue, to $821,000 in 1999, or 1.0% of total revenue, to $915,000 in 2000, or 0.7% of total revenue, as a direct result of these acquisitions. The increase in 1999 reflects a charge of $194,000 associated with an impairment review of the assets acquired from KSA. The increase in 2000 reflects goodwill amortization expense of $540,000 associated with the acquisition of Intrepa.

Operating Income. Operating income decreased from $9.3 million in 1998, or

14.9% of total revenue, to $437,000 in 1999, or 0.6% of total revenue. Operating income increased from $437,000 in 1999, or 0.6% of total revenue, to $23.3 million in 2000, or 17.5% of total revenue. The decrease in operating income in 1999 was primarily due to increased payroll and related costs across all areas of our business. Additionally, operating income for 1999 was affected by amounts expensed for the recruitment of new members of our executive management team, impaired intangible assets, the abandonment of excess leased facilities, as described above, and severance-related costs to terminate approximately 10% of our workforce as part of a plan to realign our resources with anticipated revenue growth. The increase in operating income in 2000 represents a combination of significant revenue growth, totaling 63.7% over 1999, and improved efficiencies across all areas of our business. Operating income for 2000 reflects non-recurring charges totaling $3.0 million associated with the acquisition of Intrepa and non-cash expenses associated with acquisitions totaling $1.2 million, all as discussed above. Excluding one-time non-recurring charges and the acquisition amortization expense, operating income for 2000 would be $27.5 million or 20.6% of total revenues.

OTHER INCOME, NET

Other income, net, principally includes interest earnings on short-term investments. Other income, net, increased from $1.0 million in 1998, or 1.7% of total revenue, to $1.2 million in 1999, or 1.5% of total revenue, to $2.7 million in 2000, or 2.0% of total revenue. The increases in other income, net, was primarily due to the increases in cash available for investment during the year. The increases in other income, net, in 1999 and 2000 were partially offset by interest expense incurred for obligations under capital lease obligations and, in 2000, for the note payable issued in connection with the acquisition of Intrepa, which was outstanding for approximately two months.

INCOME TAXES

Provision for Income Taxes. Prior to the initial public offering in April 1998, our predecessor, Manhattan Associates Software, LLC, was treated as a partnership and was not subject to federal income taxes. The income or loss of Manhattan Associates Software, LLC was included in the owners' individual federal and state tax returns, and as such, no provision for income taxes was recorded in the accompanying statements of income prior to April 23, 1998.

In connection with the conversion of Manhattan Associates Software, LLC to Manhattan Associates, Inc., we recognized a one-time benefit of $316,000 in 1998 by recording the asset related to the future reduction of income tax payments due to temporary differences between the recognition of income for financial statements and income tax regulations. The provision for income taxes in 1998 was $3.0 million, representing the approximate 9-month period that we operated as Manhattan Associates, Inc.

The pro forma provision for income taxes was $4.2 million in 1998 as compared to an income tax provision of $554,000 in 1999. The decrease in the provision for income taxes for 1999 as compared to the pro forma provision for income taxes in 1998 is attributable to the substantial decrease in income before income taxes in 1999. The provision for income taxes in 2000 is $9.7 million and reflects the substantial increase in

income before income taxes in 2000. Our effective income tax rates, assuming pro forma rates for 1998, were 41.1%, 33.5% and 37.5% in 1998, 1999 and 2000, respectively. The effective pro forma income tax rate for 1998 reflects the non-deductibility of the in-process research and development charge associated with the acquisition of PAC. Excluding the effect of the in-process research and development charge, our effective pro forma tax rate was 35.6% in 1998. 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.

EARNINGS PER SHARE

Net Income per Share. Pro forma net income was $6.1 million, or 9.8% of total revenue and $0.24 per diluted share, for the year ended December 31, 1998. Excluding the effect of the non-recurring acquired research and development charge of $1.6 million, pro forma net income for the year ended December 31, 1998 was $7.7 million, or 12.4% of total revenue and $0.30 per diluted share. Net income was $1.1 million, or 1.4 % of total revenue and $0.04 per diluted share for the year ended December 31, 1999. The decrease in net income in 1999 from 1998 is principally attributable to higher payroll and related costs arising from over-staffing in anticipation of higher revenues, plus other costs and expenses associated with a 10% reduction in workforce, recruitment of executive management personnel, impaired intangible assets and abandonment of leased facilities. Net income was $16.3 million, or 12.2% of total revenue and $0.53 per diluted share for the year ended December 31, 2000. Excluding the effect of the non-recurring in-process research and development and acquisition-related charges of $3.0 million and acquisition amortization related to Intrepa of $790,000, net income for the year ended December 31, 2000 was $18.6 million, or 14.0% of total revenue and $0.61 per diluted share. The increase in net income in 2000 over 1999 is principally attributable to 63.7% growth in revenue combined with improved efficiencies across all areas of our business.

PRO FORMA RESULTS OF OPERATIONS

The following summary of unaudited pro forma consolidated selected statement of income data presents our results of operations for the three years ended December 31, 2000, excluding: amortization of intangibles associated with the acquisition of Intrepa and the write-off of in-process research and development and other acquisition related charges associated with the acquisition of Intrepa. We believe the exclusion of these items provides a more relevant summary of the results of our operations as they relate to our core business and we use these measures internally to evaluate our operating performance. This information is not to be construed as a measurement of profitability under generally accepted accounting principles and is not to be accepted or used as an alternative to net income. Additionally, the pro forma results of operations, as presented, may not be consistent with measures used by other companies. As discussed in the Notes to Consolidated Financial Statements, the acquisition of Intrepa was completed in the fourth quarter of 2000 and, accordingly, the operating results of Intrepa are included with our results of operations since the date of acquisition, October 24, 2000.

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
STATEMENT OF INCOME DATA:			
Revenues	$62,065	$81,292	$133,096
Costs and expenses	52,804	80,855	106,015
Income from operations	9,261	437	27,081
Other income, net	1,070	1,218	2,718
Income before income taxes	10,331	1,655	29,799
Income tax expense:			
Tax provisions and pro forma income taxes	4,244	554	11,180
Net income and pro forma net income	$ 6,087	$ 1,101	$ 18,619

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000

	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Diluted net income or pro forma net income per share	$ 0.24	$ 0.04	$ 0.61
Shares used in computing diluted net income or pro forma net income per share	25,686	26,553	30,453

THE ABOVE PRO FORMA AMOUNTS HAVE BEEN ADJUSTED TO EXCLUDE THE FOLLOWING ITEMS:

Amortization of acquired software for Intrepa	$ --	$ --	$ 250
Amortization of goodwill for Intrepa	--	--	540
In-process research and development and other acquisition related charges	--	--	3,001
Income tax effect of excluded items	--	--	(1,440)
Net effect of pro forma adjustments	$ --	$ --	$ 3,791

QUARTERLY RESULTS OF OPERATIONS

The following table presents certain unaudited quarterly statements of income data for each of our last eight quarters for the period ended December 31, 2000, as well as the percentage of our total revenue represented by each item. The information has been derived from our audited Financial Statements. The unaudited quarterly Financial Statements have been prepared on substantially the same basis as the audited Financial Statements contained herein. In the opinion of our management, the unaudited quarterly Financial Statements include all adjustments, consisting only of normal recurring adjustments, that we consider to be necessary to present fairly this information when read in conjunction with our Financial Statements and notes thereto appearing elsewhere herein. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

	QUARTER ENDED							
	MAR. 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999	MAR. 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
STATEMENT OF INCOME DATA:								
Revenue:								
Software fees	$ 4,437	$ 3,095	$ 2,753	$ 4,293	$ 5,036	$ 5,686	$ 6,529	$ 8,939
Services	10,958	12,811	14,488	14,632	17,544	19,228	21,207	23,106
Hardware	2,755	3,933	2,814	4,322	5,763	9,714	5,968	4,376
Total revenue	18,150	19,839	20,055	23,247	28,343	34,628	33,704	36,421
Cost of revenue:								
Software fees	190	386	599	296	277	539	192	481
Services	6,042	7,542	8,778	8,281	8,162	8,029	8,753	9,355
Hardware	2,044	3,000	2,174	3,307	4,701	7,988	4,759	3,374
Total cost of revenue	8,276	10,928	11,551	11,884	13,140	16,556	13,704	13,210
Gross margin	9,874	8,911	8,504	11,363	15,203	18,072	20,000	23,211
Operating expenses:								
Research and development	2,719	3,082	2,265	2,135	3,046	3,042	4,213	5,805
Sales and marketing	4,044	4,043	3,235	3,022	3,977	4,631	4,298	5,145
General and administrative	2,884	3,139	3,098	3,728	3,773	3,589	3,743	4,018
In-process research and development and acquisition-related charges	--	--	--	--	--	--	--	3,001
Amortization of goodwill	124	127	127	443	94	94	93	634
Total operating expenses	9,771	10,391	8,725	9,328	10,890	11,356	12,347	18,603

QUARTER ENDED

	MAR. 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999	MAR. 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Income (loss) from operations	103	(1,480)	(221)	2,035	4,313	6,716	7,653	4,608
Other income, net	262	271	323	362	403	587	851	877
Income (loss) before income taxes	365	(1,209)	102	2,397	4,716	7,303	8,504	5,485
Income taxes	125	(449)	41	838	1,792	2,775	3,231	1,942
Net income (loss)	$ 240	$ (760)	$ 61	$ 1,559	$ 2,924	$ 4,528	$ 5,273	$ 3,543
Diluted net income (loss) per share	$ 0.01	$ (0.03)	$ 0.00	$ 0.06	$ 0.10	$ 0.15	$ 0.17	$ 0.11
Shares used in diluted net income (loss) per share	27,219	24,029	25,706	26,139	28,946	29,832	30,900	31,189

	AS A PERCENTAGE OF TOTAL REVENUE							
	MAR. 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999	MAR. 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000
Revenue:								
Software fees	24.4%	15.6%	13.7%	18.5%	17.8%	16.4%	19.4%	24.5%
Services	60.4	64.6	72.3	62.9	61.9	55.5	62.9	63.4
Hardware	15.2	19.8	14.0	18.6	20.3	28.1	17.7	12.1
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenue:								
Software fees	1.0	2.0	3.0	1.3	1.0	1.6	0.6	1.3
Services	33.3	38.0	43.8	35.6	28.8	23.2	26.0	25.7
Hardware	11.3	15.1	10.8	14.2	16.6	23.1	14.1	9.3
Total cost of revenue	45.6	55.1	57.6	51.1	46.4	47.8	40.7	36.3
Gross margin	54.4	44.9	42.4	48.9	53.6	52.2	59.3	63.7
Operating expenses:								
Research and development	15.0	15.5	11.3	9.2	10.7	8.8	12.5	15.9
Sales and marketing	22.2	20.4	16.1	13.0	14.0	13.4	12.7	14.1
General and administrative	15.9	15.9	15.5	16.0	13.4	10.3	11.1	11.1
In-process research and development and acquisition-related charges	--	--	--	--	--	--	--	8.2
Amortization of goodwill	0.7	0.6	0.6	1.9	0.3	0.3	0.3	1.7
Total operating expenses	53.8	52.4	43.5	40.1	38.4	32.8	36.6	51.0
Income (loss) from operations	0.6	(7.5)	(1.1)	8.8	15.2	19.4	22.7	12.7
Other income, net	1.4	1.4	1.6	1.5	1.4	1.7	2.5	2.4
Income (loss) before income taxes	2.0%	(6.1)%	0.5%	10.3%	16.6%	21.1%	25.2%	15.1%

Any factor adversely affecting the markets for distribution management center solutions could have an adverse impact on our business, financial condition, and results of operations at any time. Further, our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. Factors which could cause variations in our quarterly revenue and operating results are:

- delayed decisions by customers regarding purchases of software and services and/or postponements of scheduled implementations and upgrades due to poor macro-environmental or other economic outlooks;

- demand for our products;

- introductions of new products by our competitors;

- the level of price competition by our competitors;

- customers' budgeting and purchasing cycles;

- delays in our implementations at customer sites;

- timing of hiring new services employees and the rate at which such employees become productive;

- development and performance of our direct and indirect sales channels;

- timing of any acquisitions and related costs; and

- identification of software quality problems.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Since our initial public offering ("IPO") in April 1998, we have funded our operations primarily through cash generated from operations and the IPO proceeds. As of December 31, 2000, we had $67.7 million in cash, cash equivalents and short-term investments compared to $39.9 million at December 31, 1999.

Our operating activities provided cash of $36.4 million in 2000, $11.5 million in 1999 and $2.9 million in 1998. Cash from operating activities arose principally from an increase in net income. Also contributing significantly was an increase in current liabilities greater than the increase in accounts receivable. Days sales outstanding declined from 94 days at December 31, 1999 to 71 days at December 31, 2000. We reflect refundable income taxes at December 31, 2000 of $5.8 million arising principally from significant tax deductions for compensation expense associated with the exercise of stock options by employees in 2000. Approximately $3.5 million was received on an accelerated refund in the first quarter of 2001.

Our investing activities used approximately $14.3 million, $20.9 million and $14.5 million for the years ended December 31, 2000, 1999 and 1998, respectively. Our principal uses of cash were $12.8 million as portion of the acquisition price of Intrepa, as described below, and $5.1 million for purchases of computer equipment and furniture and fixtures to support our growth partially offset by net sales of $3.6 million in short-term investments.

Our financing activities provided approximately $9.1 million in 2000, $1.3 million in 1999, and $36.1 million in 1998. The principal sources of cash provided by financing activities for 2000 and 1999 were the proceeds from the issuance of our common stock pursuant to the exercise of stock options, partially reduced by the payments under capital lease obligations and repayment of a $2.0 million note payable assumed as part of the purchase price of Intrepa, as described below. The principal source of cash provided by financing activities for 1998 was proceeds from the issuance of our common stock in conjunction with our initial public offering partially reduced by distributions to shareholders prior to the initial public offering.

On October 24, 2000, we acquired substantially all of the assets of Intrepa, L.L.C. ("Intrepa") for a purchase price of approximately $31.0 million. The purchase price consists of a cash payment of $13.0 million, the issuance of approximately $10.2 million of our $.01 par value per share common stock (approximately

174,000 shares), and the issuance by us of a promissory note for $7.0 million with quarterly payments over thirty months bearing interest at 8% per annum. We also incurred approximately $0.9 million of transaction costs related to the acquisition. The purchase price includes the assumption of substantially all of the liabilities of Intrepa, including immediate payment by us of the remaining $2.0 million of principal and up to $15,000 interest on a promissory note previously issued by Intrepa.

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.

NEW ACCOUNTING PRONOUNCEMENT

In June of 1998, the Financial Accounting Standards Board issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We adopted the new statement on January 1, 2001. The Statement did not have a significant impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN EXCHANGE

During 1998, we commenced operations in Europe. Total revenues for Europe were approximately 8%, 5% and less than 1% of our total revenues for the year ended December 31, 2000, 1999 and 1998, respectively.

Our international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions and foreign exchange rate volatility. Accordingly, our future results could be materially adversely impacted by changes in these or other factors. The effect of foreign exchange rate fluctuations on us in 2000, 1999 and 1998 were not material.

INTEREST RATES

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged variable rate and fixed rate obligations of corporations, municipalities, and local, state and national governmental entities and agencies. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are derived from operations.

Interest income on our investments is carried in "Other income, net" on our Consolidated Financial Statements. 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 115"). All of the cash equivalents and short-term investments are treated as available-for-sale under SFAS 115.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, 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 which have seen a decline in market value due to changes in interest rates. The weighted-average interest rate on investment securities at December 31, 2000 was approximately 6.5%. The fair value of securities held at December 31, 2000 was $28.7 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) 1. Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Manhattan Associates, Inc.:

We have audited the accompanying consolidated balance sheets of MANHATTAN ASSOCIATES, INC. (a Georgia corporation) AND SUBSIDIARIES as of December 31, 1999 and 2000 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, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Associates, Inc. and subsidiaries as of December 31, 1999 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 25, 2001

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 31, 1999	DECEMBER 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$19,695	$ 51,032
Short-term investments	20,220	16,635
Accounts receivable, net of a $5,473 and $4,798 allowance for doubtful accounts in 1999 and 2000, respectively	24,275	28,177
Deferred income taxes	2,695	2,488
Refundable income taxes	--	5,795
Other current assets	1,492	2,573
Total current assets	68,377	106,700
Property and equipment:		
Property and equipment	14,207	20,020
Less accumulated depreciation	(4,962)	(9,187)
Property and equipment, net	9,245	10,833
Intangible assets, net of accumulated amortization of $2,596 and $4,381 in 1999 and 2000, respectively	3,172	32,454
Deferred income taxes	--	2,245
Other assets	129	143
Total assets	$80,923	$152,375
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,543	$ 9,355
Accrued compensation and benefits	1,589	5,174
Accrued liabilities	4,031	6,245
Current portion of note payable	--	1,853
Current portion of capital lease obligations	163	176
Income taxes payable	2,052	374
Deferred revenue	9,051	13,331
Total current liabilities	21,429	36,508
Long-term portion of note payable	--	5,250
Long-term portion of capital lease obligations	799	616
Deferred income taxes	89	--
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 1999 or 2000	--	--
Common stock, $.01 par value; 100,000,000 shares		

authorized, 24,221,587 shares issued and outstanding in 1999 and 26,443,996 shares issued and outstanding in 2000	242	264
Additional paid-in-capital	54,563	89,583
Retained earnings	4,157	20,425
Accumulated other comprehensive loss	(51)	(78)
Deferred compensation	(305)	(193)
Total shareholders' equity	58,606	110,001
Total liabilities and shareholders' equity	$80,923	$152,375

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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Revenue:			
Software fees	$13,816	$14,578	$26,190
Services	32,358	52,889	81,085
Hardware	15,891	13,825	25,821
Total revenue	62,065	81,292	133,096
Cost of revenue:			
Software fees	920	1,471	1,489
Services	15,286	30,643	34,299
Hardware	11,791	10,526	20,822
Total cost of revenue	27,997	42,640	56,610
Gross margin	34,068	38,652	76,486
Operating expenses:			
Research and development	7,429	10,201	16,106
Sales and marketing	9,045	14,344	18,051
General and administrative	6,577	12,849	15,123
In-process research and development and other acquisition-related charges	1,602	--	3,001
Amortization of goodwill	154	821	915
Total operating expenses	24,807	38,215	53,196
Income from operations	9,261	437	23,290
Other income, net	1,070	1,218	2,718
Income before income taxes	10,331	1,655	26,008
Income tax expense (benefit):			
Tax provision as a "C" corporation	3,329	554	9,740
Deferred tax adjustment	(316)	--	--
Net income	$ 7,318	$ 1,101	$16,268
Basic net income per share	$ 0.32	$ 0.05	$ 0.65
Diluted net income per share	$ 0.29	$ 0.04	$ 0.53
Weighted average shares:			
Basic	22,610	24,084	25,174

Diluted	25,651	26,553	30,453
Income before pro forma income taxes	$10,331		
Pro forma income taxes	4,244		
Pro forma net income	$ 6,087		
Pro forma basic net income per share	$ 0.27		
Pro forma diluted net income per share	$ 0.24		

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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
Balance, December 31, 1997	20,000,008	$200	$ 1,459	$ 7,458	$ --	$(663)	$ 8,454
Distribution to Manhattan LLC shareholders	--	--	--	(11,720)	--	--	(11,720)
Issuance of stock in connection with the acquisition of Performance Analysis Corporation	106,666	1	1,066	--	--	--	1,067
Issuance of stock to minority holder	100,000	1	999	--	--	--	1,000
Issuance of stock in connection with the initial public offering	3,500,000	35	47,223	--	--	--	47,258
Issuance of common stock options	--	--	580	--	--	(580)	--
Exercise of common stock options	231,200	2	647	--	--	--	649
Tax benefit from stock options exercised	--	--	1,331	--	--	--	1,331
Amortization of deferred compensation	--	--	--	--	--	285	285
Foreign currency translation adjustment	--	--	--	--	(7)	--	(7)
Net income	--	--	--	7,318	--	--	7,318
Balance, December 31, 1998	23,937,874	239	53,305	3,056	(7)	(958)	55,635
Issuance of stock to minority holder	85,000	1	299	--	--	--	300
Cancellation of common stock options	--	--	(505)	--	--	505	--
Exercise of common stock options	198,713	2	734	--	--	--	736
Tax benefit from stock options exercised	--	--	730	--	--	--	730
Amortization of deferred compensation	--	--	--	--	--	148	148
Foreign currency translation adjustment	--	--	--	--	(23)	--	(23)
Unrealized loss on investments	--	--	--	--	(21)	--	(21)
Net income	--	--	--	1,101	--	--	1,101
Balance, December 31, 1999	24,221,587	242	54,563	4,157	(51)	(305)	58,606
Issuance of stock in connection with the acquisition of Intrepa, L.L.C	173,900	2	10,235	--	--	--	10,237
Cancellation of common stock options	--	--	(27)	--	--	27	--
Exercise of common stock options	2,048,509	20	11,290	--	--	--	11,310
Tax benefit from stock options exercised	--	--	13,522	--	--	--	13,522
Amortization of deferred compensation	--	--	--	--	--	85	85
Foreign currency translation adjustment	--	--	--	--	(52)	--	(52)
Unrealized gain on investments	--	--	--	--	25	--	25
Net income	--	--	--	16,268	--	--	16,268
Balance, December 31, 2000	26,443,996	$264	$89,583	$ 20,425	$ (78)	$(193)	$110,001

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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Net income	$7,318	$1,101	$16,268
Other comprehensive net loss, net of tax:			
Foreign currency translation adjustment, net of taxes of $3, $9, and $20 in 1998, 1999 and 2000, respectively	(4)	(14)	(32)
Unrealized gain (loss) on investments, net of taxes of $8 and $9 in 1999 and 2000, respectively	--	(13)	16
Other comprehensive loss	(4)	(27)	(16)
Comprehensive net income	$7,314	$1,074	$16,252

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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Cash flows from operating activities:			
Net income or pro forma net income	$ 6,087	$ 1,101	$ 16,268
Adjustments to reconcile net income or pro forma net income to net cash provided by operating activities:			
Pro forma income taxes	899	--	--
Depreciation and amortization	1,330	4,035	4,935
Amortization of acquisition-related intangibles	372	1,102	1,165
Stock compensation	285	448	85
Gain on sale of equipment	(30)	(22)	--
Acquired in-process research and development	1,602	--	2,425
Tax benefit of options exercised	1,331	730	13,522
Deferred income taxes	(403)	(1,829)	(2,127)
Accrued interest on note payable	34	--	103
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(11,470)	(3,470)	(2,181)
Other assets	(1,691)	189	(988)
Accounts payable	2,399	(409)	4,484
Accrued liabilities	1,373	2,253	4,051
Income taxes	(128)	1,322	(7,467)
Deferred revenue	927	6,072	2,081
Net cash provided by operating activities	2,917	11,522	36,356
Cash flows from investing activities:			
Purchases of property and equipment	(6,036)	(4,754)	(5,089)
Proceeds from the sale of equipment	275	22	--
Capitalized software development costs	(614)	(909)	--
Net sales (purchases) of short-term investments	(5,012)	(15,229)	3,610
Payments in connection with the acquisition of certain			

assets of Intrepa, L.L.C., net of cash acquired	--	--	(12,780)
Payments in connection with the acquisition of certain assets of Kurt Salmon Associates, Inc.	(1,750)	--	--
Payments in connection with the acquisition of Performance Analysis Corporation, net of cash acquired	(1,351)	--	--
Net cash used in investing activities	(14,488)	(20,870)	(14,259)
Cash flows from financing activities:			
Distributions to shareholders	(11,720)	--	--
Borrowings under note payable to shareholder	900	--	--
Repayment of note payable	(1,953)	--	(2,000)
Payment of capital lease obligations	--	(155)	(170)
Proceeds from issuance of common stock	48,907	1,466	11,310
Net cash provided by financing activities	36,134	1,311	9,140
Foreign currency impact on cash	(6)	(19)	100
Increase (decrease) in cash and cash equivalents	24,557	(8,056)	31,337
Cash and cash equivalents, beginning of year	3,194	27,751	19,695
Cash and cash equivalents, end of year	$ 27,751	$ 19,695	$ 51,032
Supplemental cash flow disclosures:			
Issuance of common stock in connection with the acquisition of Performance Analysis Corporation	$ 1,067	$ --	$ --
Issuance of common stock in connection with the acquisition of Intrepa, L.L.C.	$ --	$ --	$ 10,237
Issuance of note payable in connection with the acquisition of Intrepa, L.L.C.	$ --	$ --	$ 7,000
Issuance of common stock to Company executive	$ --	$ 300	$ --
Assets acquired under capital lease	$ 965	$ 151	$ --
Cash paid (received) for income taxes	$ 2,845	$ (734)	$ 5,717

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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1999 AND 2000

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

Manhattan Associates, Inc. ("Manhattan" or the "Company") is a provider of technology-based solutions to improve supply chain effectiveness and efficiencies. The Company's solutions are designed to optimize the receipt, storage, assembly and distribution of inventory and the management of equipment and personnel within a distribution center, and to enhance collaboration between the distribution center and its trading partners. The Company's solutions consist of software, including, a comprehensive suite of robust and modular software products; services, including design, configuration, implementation and training services, plus customer support services and software enhancements subscriptions; and hardware.

COMPLETION OF INITIAL PUBLIC OFFERING AND CONVERSION

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

$52,500,000 less issuance costs of approximately $5,242,000.

In connection with the Company's initial public offering, Manhattan Associates, Inc., a Georgia corporation, was formed. The attached consolidated financial statements include certain accounts of Manhattan Associates, LLC ("Manhattan LLC") from January 1, 1998 to April 23, 1998. As of the effective date of the Offering, Manhattan LLC contributed its assets and liabilities to the Company in exchange for common stock of the Company (the "Conversion"). Manhattan LLC then distributed the common stock of the Company received to its shareholders and Manhattan LLC was dissolved.

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

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

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 from international customers were denominated in the respective local currencies and translated using the average monthly exchange rates for the year. The effect on the statements of operations related to transaction gains and losses is insignificant for all years presented. 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 is insignificant.

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-term investments and accounts receivable. The Company maintains cash and cash equivalents and short-term investments with two financial institutions. The Company's sales are primarily to companies located in the United States and Europe. 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. companies under stated contract terms. The Company provides for estimated credit losses at the time of sale.

Short-term Investments

The Company's short-term investments are categorized as available-for-sale securities, as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are reflected as a net amount in a separate component of shareholders' equity until realized. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. At December 31, 1999, the unrealized loss on short-term investments was $21,000 and at December 31, 2000, the unrealized gain on short-term investments was $4,000. The carrying amounts of the Company's investments are shown in the table below:

	DECEMBER 31,			
	1999		2000	
	COST	MARKET VALUE	COST	MARKET VALUE
Investments:				
U.S. government and state obligations	11,183	11,162	4,685	4,689
Corporate obligations	9,058	9,058	11,946	11,946
Total	20,241	20,220	16,631	16,635

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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying values of cash, 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.

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

The Company currently derives a substantial portion its revenues from sales of its software and related services and hardware. Any factor adversely affecting the markets for distribution management center solutions could have an adverse effect on the Company's business, financial condition, and results of operations.

The markets for supply chain collaboration and distribution center management 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.

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

Revenue Recognition

The Company's revenue consists of revenues from the licensing of software; fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software upgrades; and sales of complementary radio frequency and computer equipment.

Effective January 1, 1998, the Company adopted Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"). Under SOP 97-2, the Company recognizes software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed and determinable; (4) collectibility is probable; and (5) remaining obligations under the license agreement are insignificant. 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. SOP 98-9 was effective for transactions entered into after March 15, 1999, and the Company adopted the residual method for such arrangements at that time. For those contracts which contain significant future obligations, license revenue is recognized under the percentage of completion method.

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. Professional services are typically contracted for under separate service agreements. Revenue related to professional services performed by the Company are generally billed on an hourly basis, and revenue is recognized as the services are performed. 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 distribution center management solution the Company's customers frequently

purchase hardware from the Company in conjunction with the licensing of software. These products include computer hardware, radio frequency terminals networks, bar code printers and scanners, and other peripherals. Hardware revenue is recognized upon shipment to the customer. The Company generally purchases hardware from its vendors only after receiving an order from a customer. As a result, the Company does not maintain significant hardware inventory.

Deferred Revenue

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

Returns and Allowances

The Company provides for the costs of returns and product warranty claims at the time of sale. The Company has not experienced significant returns or warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 1999 or 2000.

Property and Equipment

Property and equipment consists of furniture, computers, other office equipment, purchased software for internal use, and leasehold improvements. The Company depreciates the cost of furniture, computers, other office equipment, purchased software and web site development on a straight-line basis over their estimated useful lives (three years for computer equipment and software, five years for office equipment, seven years for furniture). Leasehold improvements are depreciated over the lesser of its useful life or the term of the lease. Included in computer equipment and software is a capital lease of approximately $893,000 and $670,000, net of depreciation, as of December 31, 1999 and 2000, respectively. Depreciation and amortization expense for property and equipment for the years ended December 31, 1998, 1999, and 2000 was approximately $1,294,000, $3,213,000, and $4,315,000, respectively, and was included in general and administrative expenses in the consolidated statements of income.

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

	DECEMBER 31,	
	1999	2000
Computer equipment and software	$ 8,884	$13,640
Furniture and office equipment	3,765	4,672
Leasehold improvements	1,558	1,708
	14,207	20,020
Less accumulated depreciation and amortization	(4,962)	(9,187)
	$ 9,245	$10,833

Intangible Assets

Intangible assets include acquired software, goodwill and capitalized development costs. The assets are being amortized on a straight-line basis over a period of 3 to 10 years. Total amortization expense related to goodwill was approximately $154,000, $821,000, and $915,000 for the years ended December 31, 1998, 1999 and 2000, respectively, and is included separately in the accompanying consolidated statements of income. Total amortization expense related to acquired software and capitalized software development costs was approximately $252,000, $1,103,000, and $870,000 for the years ended December 31, 1998, 1999 and 2000, respectively, and is included in cost of software in the accompanying consolidated statements of income.

During 1999, the Company expensed approximately $300,000 of capitalized software development costs and approximately $495,000 of acquired software and goodwill due to impairment of certain assets, respectively.

Intangible Assets consist of the following:

	DECEMBER 31, 1999	DECEMBER 31, 2000
Goodwill	$ 2,837	$26,404
Acquired software	1,408	8,908
Capitalized software development costs	1,523	1,523
	5,768	36,835
Less accumulated amortization	(2,596)	(4,381)
	$ 3,172	$32,454

Income Taxes

Prior to April 23, 1998, Manhattan LLC was treated as a partnership; therefore, the Company was not subject to federal income taxes. The income or loss of Manhattan LLC was included in the owners' individual federal and state tax returns, and as such, no provision for income taxes is recorded in the accompanying statements of income prior to April 23, 1998. The Company historically made distributions on behalf of the owners to pay the anticipated tax liability.

In connection with the Conversion, the Company recognized a one-time benefit in April 1998 of $316,000 by recording the asset related to the future reduction of income tax payments due to temporary differences between the recognition of income for financial statements and income tax regulations. Pro forma net income amounts discussed herein include provisions for income taxes on a pro forma basis as if the Company were liable for federal and state income taxes as a taxable corporate entity throughout the periods presented. The pro forma income tax provision has been computed by applying the Company's anticipated statutory tax rate to pretax income, adjusted for permanent tax differences (Note 2).

Software Development Costs

Research and development expenses are charged to expense as incurred. The Company concluded that 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" was not material to the financial statements for the year ended December 31, 2000. Therefore, the Company expensed all internal software development costs as incurred for the year ended December 31, 2000. Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized in accordance with SFAS No. 86. 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 year ended December 31, 1999, the Company capitalized approximately $909,000 and in research and development costs. Amounts capitalized include salaries, other payroll-related costs and other direct expenses.

Impairment of Long-Lived and Intangible Assets

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

Segment Information

The Company operates in a single segment as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." See Note 9 for discussion of foreign operations.

Basic and Diluted Net Income Per Share

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

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

No adjustment is necessary for historical and pro forma net income for net income per share presentation. The following is a reconciliation of the shares used in the computation of net income per share for the years ended December 31, 1998, 1999 and 2000:

	1998		1999		2000	
	BASIC	DILUTED	BASIC	DILUTED	BASIC	DILUTED
Weighted shares	22,610,153	22,610,153	24,083,571	24,083,571	25,174,102	25,174,102
Effect of CESs	--	3,040,440	--	2,469,008	--	5,279,342
	22,610,153	25,650,593	24,083,571	26,552,579	25,174,102	30,453,444

	PRO FORMA 1998	
	BASIC	DILUTED
Weighted Shares	22,610,153	22,610,153
Shares issued to minority holder (Note 4)	--	12,877
Distribution shares	--	22,447
Effect of CESs	--	3,040,440
	22,610,153	25,685,917

Stock-Based Compensation Plan

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

Comprehensive Income

In fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." This statement establishes the rules for the reporting of comprehensive income and its components. The Company's comprehensive income includes net income, foreign currency translation adjustments and unrealized gains and losses on short-term investments. The adoption of SFAS No. 130 had no impact on total shareholders' equity.

Reclassifications

Certain reclassifications were made to the prior years' financial statements to conform with the 2000 presentation.

New Accounting Pronouncement

In June of 1998, the Financial Accounting Standards Board issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." This Statement established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted the new statement on January 1, 2001. The Statement did not have a significant impact on the Company's financial statements.

2. INCOME TAXES

After the Conversion, the Company is subject to future federal and state income taxes and has recorded net deferred tax assets. Deferred tax assets and liabilities are determined based on the difference between the financial accounting and the tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1999 and 2000 are as follows:

	DECEMBER 31,	
	1999	2000
Deferred tax assets:		
Accounts receivable	$1,955,000	$1,581,000
Accrued liabilities	740,000	911,000
Stock compensation expense	239,000	271,000
Intangible assets	--	1,179,000

Research and development credits	--	779,000
Other	174,000	39,000
	3,108,000	4,760,000
Deferred tax liabilities:		
Capitalized development costs	447,000	--
Depreciation	55,000	27,000
Net deferred tax assets	$2,606,000	$4,733,000

The components of the pro forma and historical income tax provision for the years ended December 31, 1998, 1999 and 2000 are as follows:

	1998	1999	2000
	(PRO FORMA)	(HISTORICAL)	
Current:			
Federal	$3,985,000	$ 2,264,000	$ 8,936,000
State	662,000	401,000	1,698,000
Foreign	--	--	450,000
	4,647,000	2,665,000	11,084,000
Deferred:			
Federal	(339,000)	(1,777,000)	(1,132,000)
State	(64,000)	(334,000)	(212,000)
	(403,000)	(2,111,000)	(1,344,000)
Total	$4,244,000	$ 554,000	$ 9,740,000

The income tax benefits related to the exercise of stock options were allocated to additional paid-in capital. Such amounts were approximately $1,331,000, $730,000 and $13,522,000 for 1998, 1999 and 2000, respectively. As a result of these income tax benefits, the Company recorded refundable income taxes of $5,795,000 at December 31, 2000. The refundable income taxes represent a refund for estimated payments in 2000 as well as refunds to be received for taxes paid in 1998 and 1999.

As a result of the tax benefit related to the exercise of stock options, the Company has federal net operating loss carry-forwards ("NOLs") of approximately $31,270,000 available to offset future income in those respective taxing jurisdictions. The federal NOLs expire in 2020. The NOLs may be subject to certain limitations in the event of a change in ownership. In addition, the Company has $779,000 of research and development tax credit carryforwards that expire in 2018 to 2020.

The following is a summary of the items which resulted in recorded and pro forma income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 1998, 1999 and 2000:

	1998	1999	2000
	(PRO FORMA)	(HISTORICAL)	
Statutory federal income tax rate	34.0%	34.0%	35.0%
Effect of:			

State income tax, net of federal benefit	4.0	4.0	4.0
Research and development credits	(4.6)	(16.6)	(1.0)
Other tax credits	(1.0)	--	--
Acquired in-process research and development	5.9	--	--
Foreign operations	2.3	(0.7)	(0.7)
Tax exempt income	(1.0)	(5.2)	(0.3)
Meals and entertainment	--	6.0	0.4
Intangibles	--	12.0	0.2
Other	1.5	--	(0.1)
Income taxes	41.1%	33.5%	37.5%

3. STOCK OPTION PLANS

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

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

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

The Stock Incentive Plan provides for issuance of up to 9,000,000 shares of common stock (subject to adjustment in the event of stock splits and other similar events), less the number of shares issued under the LLC Option Plan, in the form of stock options and other stock incentives.

A summary of changes in outstanding options is as follows:

	OPTIONS	PRICE	WEIGHTED AVERAGE EXERCISE PRICE
December 31, 1997	3,029,950	$0.24 - 7.50	$ 2.42
Granted	3,719,520	7.50 - 23.50	12.06
Canceled	(549,300)	2.50 - 22.38	9.54
Exercised	(231,200)	0.24 - 7.50	3.08
December 31, 1998	5,968,970	$0.24 - 23.50	$ 7.71
Granted	4,661,114	3.53 - 17.50	7.07
Canceled	(2,756,221)	2.50 - 23.50	10.60
Exercised	(198,713)	2.50 - 10.00	3.70

December 31, 1999	7,675,150	$0.24 - 23.50	$ 6.38
Granted	1,460,275	7.38 - 68.38	37.90
Canceled	(563,001)	2.50 - 61.25	9.61
Exercised	(2,048,509)	0.24 - 23.50	5.52
December 31, 2000	6,523,915	$0.24 - 68.38	$13.24

Details of options outstanding at December 31, 2000 are as follows:

OUTSTANDING				EXERCISABLE	
EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICES	OPTIONS EXERCISABLE	AVERAGE EXERCISE PRICE
$ 0.24 - 3.50	1,032,025	5.6	$ 1.53	950,220	$ 1.58
3.51 - 7.50	1,956,110	8.3	4.56	564,281	4.89
7.51 - 15.00	1,975,735	8.0	8.80	655,068	9.08
15.01 - 25.00	528,445	8.2	18.42	84,010	17.19
25.01 - 40.00	546,850	9.6	38.12	10,000	26.88
25.01 - 40.00	484,750	9.0	57.50	--	--
	6,523,915	7.9	$13.24	2,263,579	$ 5.27

At December 31, 2000, 659,447 shares are available for future grant.

The Company recorded deferred compensation of $580,000 on options granted during 1998, as the exercise price was less than the deemed fair value of the underlying common stock. The Company amortizes deferred compensation over a period not to exceed six years. The Company recognized compensation expense of $285,000, $148,000 and $85,000 for the year ended December 31, 1998, 1999 and 2000, respectively, and had deferred compensation expense of $305,000 and $193,000 at December 31, 1999 and 2000, respectively.

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

	1998	1999	2000
Dividend yield	--	--	--
Expected volatility	88%	119%	131%
Risk-free interest rate at the date of grant	4.0%	5.0%	5%
Expected life	5 years	5 years	5 years

Using these assumptions, the fair values of the stock options granted during the years ended December 31, 1998, 1999 and 2000 are $9,099,000, $24,410,000 and $37,221,000, respectively, which would be amortized over the vesting period of the options.

The weighted average fair market values of options at the date of grant for the years ended December 31, 1998, 1999, and 2000 was $8.48, $5.90 and $33.07, respectively.

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

	1998	1999	2000
Net income or pro forma net income:			
As reported	$ 6,087	$ 1,101	$16,268
Pro forma in accordance with SFAS No. 123	$(2,727)	$(11,481)	$(2,911)
Basic net income or pro forma net income per share:			
As reported	$ 0.27	$ 0.05	$ 0.65
Pro forma in accordance with SFAS No. 123	$ (0.12)	$ (0.48)	$ (0.12)
Diluted net income or pro forma net income per share:			
As reported	$ 0.24	$ 0.04	$ 0.53
Pro forma in accordance with SFAS No. 123	$ (0.12)	$ (0.48)	$ (0.12)

The following table summarizes the range of exercise price and the weighted average exercise price for the options granted during the three years ending December 31, 2000:

YEAR OF GRANT	NUMBER OF SHARES	RANGE OF EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
1998			
Options granted at fair market value	3,134,320	10.00-23.50	12.85
Options granted at less than fair market value	585,200	7.50	7.50
1999			
Options granted at fair market value	4,661,114	3.531-17.50	7.069
Options granted at less than fair market value	--	--	--
2000			
Options granted at fair market value	1,460,275	7.38-68.38	37.90
Options granted at less than fair market value	--	--	--

4. SHAREHOLDERS' EQUITY

ISSUANCE OF STOCK

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

During 1999, the Company issued 85,000 shares of common stock to one of the Company's executives as part of his employment agreement. Compensation expense of approximately $300,000 was recorded in connection with the issuance.

During 2000, the Company issued 173,900 shares of the Company's common stock in connection with the acquisition of Intrepa, L.L.C. The number of shares issued by the Company is subject to adjustment on January 1, 2001 and April 1, 2001 based on the average closing price of the Company's stock for the 20 days prior to January 1, 2001 and April 1, 2001. In January 2001, the Company issued 1,225 additional shares in connection with the acquisition.

5. COMMITMENTS AND CONTINGENCIES

LEASES

Rents charged to expense were approximately $1,740,000, $2,878,000 and $2,423,000 for the years ended December 31, 1998, 1999 and 2000, respectively. The principal leases expire on December 31, 2002. Aggregate future minimum lease payments under the capital lease and noncancellable operating leases as of December 31, 2000 are as follows (in thousands):

YEAR ENDED DECEMBER 31,	CAPITAL LEASES	OPERATING LEASES
2001	$ 241	$3,243
2002	241	2,306
2003	230	593
2004	116	436
2005 and thereafter	106	26
Total	934	$6,604
Less amount representing interest	(142)	
Net present value of future minimum lease payments	792	
Less current portion of capital lease obligation	(176)	
Long-term portion of capital lease obligation	$ 616	

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 $1.8 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 12 months.

LEGAL MATTERS

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

6. LONG-TERM DEBT

A portion of the purchase price of the Intrepa acquisition has been funded with the issuance of a promissory note (the "Note"). Unless prepaid at the option of the Company, the Note is payable in four equal installments of $1,750,000, to be paid every six months beginning on October 1, 2001 and concluding on April 1, 2003. The Note is subject to interest at a rate of 8% per year, which is due on the last day of each fiscal quarter of the Company for so long as principal remains outstanding under the Note. Long-term debt consists of the following (in thousands):

Promissory note bearing interest at 8% per year, repayable every six months through April 1, 2003	$ 7,000
Accrued interest at December 31, 2000	103
Less current portion	(1,853)
Long-term portion	$ 5,250

Future principal payments under the note as of December 31, 2000 are as follows (in thousands):

YEAR ENDED DECEMBER 31,	
2001	$1,750
2002	3,500
2003	1,750
Total	7,000

7. ACQUISITIONS

Fiscal 2000 Acquisition

On October 24, 2000, the Company acquired substantially all of the assets of Intrepa, L.L.C. ("Intrepa") for a purchase price of approximately $31.0 million. The purchase price consists of a cash payment of $13.0 million, the issuance of approximately $10.2 million of the Company's $.01 par value per share common stock (approximately 174,000 shares), and the issuance by the Company of a promissory note for $7.0 million. The Company also incurred approximately $0.9 million of transaction costs related to the acquisition. The purchase price includes the assumption of substantially all of the liabilities of Intrepa, including immediate payment by the Company of the remaining $2.0 million of principal and up to $15,000 interest on a promissory note previously issued by Intrepa. The acquisition has been accounted for under the purchase method of accounting. Based on an independent appraisal, the purchase price has been allocated to net liabilities assumed of $2.6 million, acquired in-process research and development of $2.4 million (see Note 8), acquired developed technology of $7.5 million, and other intangible assets of $23.3 million. Acquired developed technology is being amortized over an estimated five-year useful life and other intangible assets are being amortized over a seven-year useful life.

Unaudited pro forma operating results for the year ended December 31, 2000, assuming that the acquisition had occurred at the beginning of 2000 is as follows:

	2000
Revenues	$140,728

Pro forma net income..	11,528
Pro forma diluted net income per share......................	$ 0.38

Acquisitions prior to Fiscal 2000

On February 16, 1998, the Company purchased all of the outstanding stock of Performance Analysis Corporation ("PAC") for $2,200,000 in cash and 106,666 shares of the Company's common stock valued at $10.00 per share (the "PAC Acquisition"). PAC is a developer of distribution center slotting software. The PAC Acquisition was accounted for as a purchase. The purchase price of approximately $3,300,000, has been allocated to the assets acquired and liabilities assumed of $464,000, including in-process research and development of $1,602,000 (see Note 8), purchased software of $500,000, and other intangible assets of $765,000. Purchased software is being amortized over an estimated two-year useful life and other intangible assets are being amortized over a seven-year useful life.

In October 1998, the Company purchased certain assets of Kurt Salmon Associates, Inc., or KSA. The total purchase price for these assets was approximately $2,000,000 consisting of $1,750,000 in cash and assumed liabilities of approximately $250,000. The purchase price was allocated to the intangible assets acquired, including a customer list, assembled workforce, purchased software, trade names and goodwill. The assets are being amortized over periods ranging from three to ten years.

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

	YEAR ENDED DECEMBER 31,	
	1997	1998
Revenues..	$37,795	$66,249
Pro forma net income..	5,375	6,195
Pro forma diluted net income per share......................	0.26	0.24

8. IN-PROCESS RESEARCH AND DEVELOPMENT AND ACQUISITION-RELATED RESTRUCTURING CHARGES

In-process research and development represents the value assigned in a purchase business combination to research and development projects of the acquired business that had commenced but had not reached technological feasibility and has no alternative future use. In accordance with SFAS No. 2, "Accounting for Research and Development Costs," as clarified by FASB Interpretation No. 4, amounts assigned to in-process research and development meeting the above stated criteria must be charged to expense as part of the allocation of the purchase price of the business combination. Accordingly, charges totaling $2,425,000 and $1,602,000 were recorded during 2000 and 1998, respectively, as part of the allocations of the purchase prices related to the acquisitions of Intrepa and PAC.

In 2000, the Company recorded a restructuring charge as a result of the acquisition of Intrepa. The charge consists entirely of severance related costs. The Company expects these costs to be utilized in the next twelve months. The following is a summary of the amounts incurred at December 31, 2000:

	2000 CHARGE	UTILIZED 2000	TO BE UTILIZED
Employee severance..............................	$576,000	$121,000	$455,000

9. FOREIGN OPERATIONS

During 1998, the Company commenced operations in Europe. Total revenue for Europe was approximately $130,000, $3.8 million and $10.3 million for the year ended December 31, 1998, 1999 and 2000, respectively. Total net loss for Europe was approximately $609,000 for the year ended December 31, 1998. Total net income for Europe was approximately $28,000 and $1.2 million for the years ended December 31, 1999 and 2000, respectively. Total assets for Europe were approximately $283,000, $2.3 million and $4.6 million as of December 31, 1998, 1999 and 2000, respectively.

10. 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 18% up to $10,500 of eligible compensation, as defined, to the 401(k) Plan. The Company provides for a 50% matching contribution up to 6% of eligible compensation being contributed after the participant's first year of employment. During the years ended December 31, 1998, 1999 and 2000, the Company made matching contributions to the 401(k) Plan of $159,000, $413,000 and $706,000, respectively.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2001 under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance." Certain information regarding executive officers of the Company is included in Part I of this report on Form 10-K under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2001 under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2001 under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2001 under the caption "Certain Transactions."

PART IV

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

(a) 1. Financial Statements

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

2. Financial Statement Schedule

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To Manhattan Associates, Inc.

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Manhattan Associates, Inc. and subsidiaries included in this Form 10-K and have issued our report thereon dated February 25, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The forgoing schedule is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
February 25, 2001

SCHEDULE II

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

CLASSIFICATION:	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO OPERATIONS	DEDUCTIONS	BALANCE AT END OF PERIOD
Allowance for doubtful accounts for the year ended:				
December 31, 1998	$ 970,000	$3,409,000	$2,779,000	$1,600,000
December 31, 1999	1,600,000	9,015,000	5,142,000	5,473,000
December 31, 2000	5,473,000	3,510,000	4,185,000	4,798,000

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

(b) Reports on Form 8-K.

The Company filed a report on Form 8-K dated November 7, 2000 regarding its acquisition of Intrepa, L.L.C.

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

EXHIBIT NUMBER		DESCRIPTION
3.1	--	Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
3.2	--	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
4.1	--	Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
4.2	--	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 filed to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.1	--	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.2	--	First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.3	--	Summary Plan Description of the Registrant's Money Purchase Plan & Trust, effective January 1, 1997 (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.4	--	Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.5	--	Form of Indemnification Agreement with certain directors and officers of the Registrant (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.6	--	Contribution Agreement between the Registrant and Daniel Basmajian, Sr. (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.7	--	Form of Tax Indemnification Agreement for direct and indirect shareholders of Manhattan Associates Software, LLC

		(Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.8	--	Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.9	--	Third Amendment to Lease Agreement between Wildwood Associates and the Registrant, dated October 24, 2000.
10.10	--	Share Purchase Agreement between Deepak Raghavan and the Registrant effective as of February 16, 1998 (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

EXHIBIT NUMBER		DESCRIPTION
10.11	--	Manhattan Associates, Inc. Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.12	--	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).
10.13	--	Executive Employment Agreement executed by Neil Thall (Incorporated by reference to Exhibit 10.14 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.14	--	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).
10.15	--	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, filed on March 31, 1999).
10.16	--	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, filed on March 31, 1999).
10.17	--	Standard Sublease Agreement between Life Office Management Association, Inc. and the Registrant, dated October 20, 2000.
10.18	--	Standard Sublease Agreement between Chevron USA Inc. and the Registrant, dated November 20, 2000.
10.19	--	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, filed on March 31, 1999).
10.20	--	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, filed on March 31, 1999).

10.21	--	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, filed on March 31, 1999).
10.22	--	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, filed on March 31, 1999).
10.23	--	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, filed on March 30, 2000).
10.24	--	Executive Employment Agreement executed by Richard M. Haddrill, dated October 11, 1999 (Incorporated by reference to Exhibit 10.26 to the Company's Annual Report for the period ended December 31, 1999, filed on March 30, 2000).
10.25	--	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, filed on March 30, 2000).
21.1	--	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
23.1	--	Consent of Arthur Andersen LLP.
99.1	--	Safe Harbor Compliance Statement for Forward-Looking Statements.

SIGNATURES

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

MANHATTAN ASSOCIATES, INC.

By: /s/ ALAN J. DABBIERE

Alan J. Dabbiere
Chairman of the Board of Directors

Date: April 2, 2001

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

SIGNATURE	TITLE	DATE
/s/ ALAN J. DABBIERE Alan J. Dabbiere	Chairman of the Board	April 2, 2001
/s/ RICHARD M. HADDRILL Richard M. Haddrill	Chief Executive Officer, President and Director (Principal Executive Officer)	April 2, 2001
/s/ THOMAS W. WILLIAMS, JR. Thomas W. Williams, Jr.	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 2, 2001
/s/ DEEPAK RAGHAVAN	Director	April 2, 2001

Deepak Raghavan		
/s/ BRIAN J. CASSIDY Brian J. Cassidy	Director	April 2, 2001
/s/ JOHN R. HARDESTY John R. Hardesty	Director	April 2, 2001
/s/ JOHN J. HUNTZ, JR. John J. Huntz, Jr.	Director	April 2, 2001
/s/ THOMAS E. NOONAN Thomas E. Noonan	Director	April 2, 2001

EXHIBIT 10.9

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT (the "Third Amendment"), is made this 24th day of October, 2000, by and between WILDWOOD ASSOCIATES (as "Landlord") and MANHATTEN ASSOCIATES, INC. (as "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant did enter into that certain Lease Agreement (the "Original Lease"), dated as of September 24, 1997, for certain space more particularly described in the Original Lease (the "Demised Premises"), in that certain building known as "2300 Windy Ridge Parkway, Atlanta, Georgia 30339" (the "Building").

WHEREAS, Landlord and Tenant did enter into that certain First Amendment to Lease (the "First Amendment"), dated as of October 31, 1997.

WHEREAS, Landlord and Tenant did enter into that certain Second Amendment to Lease (the "Second Amendment"), dated as of February 27, 1998.

WHEREAS, the Original Lease, as modified by the First Amendment and the Second Amendment, is herein sometimes collectively referred to as the "Lease".

WHEREAS, Landlord and Tenant desire to modify and amend the Lease, in the manner and under the terms and conditions herein set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and for Ten and No/100 Dollars ($10.00) and other good and valuable consideration, paid by the parties hereto to one another, the receipt and sufficiency of which are acknowledged by the parties hereto, the parties hereto hereby covenant and agree as follows:

1. Defined Terms. Unless otherwise provided in this Third Amendment, all terms defined in the Lease shall have the same meanings when used herein as when used in the Lease, and all such defined terms in the Lease are incorporated herein by reference.

2. Effective Date. The effective date of this Third Amendment (the "Effective Date") shall be the earlier date to occur of (i) the date Tenant occupies the "Expansion Premises" (as herein defined) for the purpose of conducting its business therein, or (ii) January 1, 2001. Notwithstanding that the Effective Date shall be a later date, this Third Amendment shall be binding upon Landlord and Tenant upon the due execution and delivery of this Third Amendment.

3. Expansion Premises. From and after the Effective Date, Landlord hereby leases and rents to Tenant, and Tenant hereby leases and rents from Landlord, that certain area, consisting of six thousand five hundred eighty (6,580) square feet of Rentable Floor Area, on the 6th floor of the Wildwood 2300 building, as more particularly shown on Exhibit "A", attached hereto and by this reference incorporated herein (the "Expansion Space"). The Expansion Space is currently available for

Tenant's occupancy. Tenant shall, as of the Effective Date, have leased 69,876 feet of Rentable Floor Area, in the aggregate, under the Lease as hereby amended.

4. Lease Term. The lease term for the Expansion Space shall be for a period beginning on the Effective Date as set forth above and ending, unless sooner terminated in accordance with the Lease, on December 31, 2002.

5. Base Rental. (a) The Base Rental Rate due from Tenant for the Expansion Space shall initially be Twenty and 00/100 Dollars ($20.00) per square foot of Rentable Floor Area per annum, in the Expansion Space, from and after the Effective Date for the first "Lease Year" (as herein defined). Such amount shall be due in addition and not in lieu of any other amounts due under the Lease. Such payments shall be made at the time and in the manner Base Rental is paid under the Lease.

(b) As used in this Article, the term "Lease Year" shall mean the twelve month period commencing on the Effective Date, or, if the Effective Date is not on the first day of a calendar month, commencing on the first day of the first calendar month following the Effective Date, and each successive twelve month period thereafter during the Lease Term; provided, however, that the first Lease Year shall end on December 31, 2001, regardless of the Effective Date. The term "Subsequent Year" shall mean each Lease Year of the Lease Term following the first Lease Year. The term "Prior Year" shall mean the Lease Year prior to each Subsequent Year. The term "Index" shall mean the Consumer Price Index for all Urban Consumers (U.S. City Average; Base 1982-84=100), published by the Bureau of Labor Statistics of the United States Department of Labor. The term "Base Month" shall mean the calendar month which is two (2) months prior to the month during which the Lease was fully executed by Landlord and Tenant. The term "Comparison Month" shall mean the calendar month which is two (2) months prior to the first full month of each Subsequent Year in question.

(c) On the first day of each Subsequent Year, the Base Rental Rate shall be increased to an amount equal to the Base Rental Rate for the first Lease Year ($20.00) as set forth in Article 5(a) of the Original Lease, plus an amount equal to the product of fifteen (15) times the percentage increase in the Index for the Comparison Month as compared to the Index for the Base Month, multiplied by the Base Rental Rate for the first Lease Year ($20.00); provided, however, in no event shall the Base Rental Rate for a Subsequent Year be less than the Base Rental Rate applicable to the Prior Year and in no event shall the Base Rental Rate for the Subsequent Year be greater than the following amounts for the Lease Years shown:

Second Lease Year $21.00

(d) If the Bureau of Labor Statistics should discontinue the publication of the Index, or publish the same less frequently, or alter the same in some manner, then Landlord shall adopt a substitute Index or substitute procedure which reasonably reflects and monitors consumer prices.

6. Rent Deposit. Tenant hereby covenants and agrees to pay to Landlord, as part of leasing the Expansion Space, the amount of $10,966.67, as additional Rent Deposit under the original Lease. Said amount shall be paid by Tenant with the due execution and delivery of this Third Amendment by Tenant. This amount shall be credited against the initial Base Rental due under this Third Amendment.

7. Additional Rental. Tenant shall not owe Tenant's Additional Rental to Landlord with respect to the Expansion Space.

8. As Is. Tenant hereby leases the Expansion Space "as is, where is", with no obligation on the part of Landlord to do or perform any work therein or provide any allowance therefor. Any work within the Expansion Space shall be done in accordance with and subject to the terms of Exhibit "D" to the Original Lease.

9. Brokerage. COUSINS PROPERTIES INCORPORATED ("CPI") REPRESENTED LANDLORD IN THIS TRANSACTION. INSIGNIA/ES GORDON ("IES") REPRESENTED TENANT IN THIS TRANSACTION. CPI AND IES ARE ENTITLED TO A LEASING COMMISSION FROM LANDLORD BY VIRTUE OF THIS THIRD AMENDMENT, WHICH LEASING COMMISSION SHALL BE PAID BY LANDLORD TO SAID BROKERS IN ACCORDANCE WITH THE TERMS OF A SEPARATE AGREEMENT BETWEEN LANDLORD AND BROKERS. Tenant hereby authorizes Broker(s) and Landlord to identify Tenant as a tenant of the Building and to state the amount of space leased by Tenant in advertisements and promotional materials relating to the Building. Tenant represents and warrants to Landlord that (except with respect to any Broker[s] identified hereinabove) no broker, agent, commission salesperson, or other person has represented Tenant in the negotiations for and procurement of this Third Amendment and that (except with respect to any Broker[s] identified hereinabove) no commissions, fees, or compensation of any kind are due and payable in connection herewith to any broker, agent, commission salesperson, or other person as a result of any act or agreement of Tenant. Tenant agrees to indemnify and hold Landlord harmless from all loss, liability, damage, claim, judgment, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred by Landlord as a result of a breach by Tenant of the representation and warranty contained in the immediately preceding sentence or as a result of Tenant's failure to pay commissions, fees, or compensation due to any broker who represented Tenant, whether or not disclosed, or that it was obligated to pay pursuant to this Third Amendment, or as a result of any claim for any fee, commission or similar compensation with respect to this Lease made by any broker, agent or finder (other than the Broker[s] identified hereinabove) claiming to have dealt with Tenant, whether or not such claim is meritorious. Landlord represents and warrants to Tenant that (except with respect to any Broker[s] identified hereinabove) no broker, agent, commission salesperson, or other person has represented Landlord in the negotiations for and procurement of this Third Amendment and that (except with respect to any Broker[s] identified hereinabove) no commissions, fees, or compensation of any kind are due and payable in connection herewith to any broker, agent, commission salesperson, or other person as a result of any act or agreement of Landlord.

10. Transfers, Successors and Assigns. This Third Amendment shall inure to the benefit of and shall be binding upon Landlord, Tenant, and their respective transfers, successors and assigns.

11. Time of Essence. Time is of the essence of this Third Amendment.

12. Georgia Law. This Third Amendment shall be construed and interpreted under the laws of the State of Georgia.

IN WITNESS WHEREOF, the undersigned have caused this Third Amendment to be executed under seal and delivered, on the day and year first above written.

"Landlord"

Wildwood Associates, a Georgia general partnership

By: Cousins Properties Incorporated, Managing General Partner

By: /s/ Jack A. LaHue

Its: Senior Vice President

(CORPORATE SEAL)

"Tenant"

Manhatten Associates, Inc.

By: /s/ Tom W. Williams

Its: Chief Financial Officer

Attest: /s/ Sallie A. Rosenmarkle

Its: Paralegal

(CORPORATE SEAL)

SIXTH FLOOR

[ARCHITECTURAL FLOOR PLAN]

October 30, 2000

Cousins Properties Incorporated
2500 Windy Ridge Parkway
Suite 1600
Atlanta, GA 30339-5683

RE: Third Amendment to Lease (the "Third Amendment") involving Wildwood Associates (as "Landlord") and Manhattan Associates, Inc. (as "Tenant").

To whom it may concern:

This letter is to confirm that the Tenant "Manhatten Associates, Inc." as listed in the Third Amendment is the same as the Tenant "Manhattan Associates, Inc.", and that the intent of the parties to the Third Amendment is that the Tenant named in therein is "Manhattan Associates, Inc.", which is the same entity which was the party to the original lease between Landlord and Tenant.

Sincerely,

/s/ Joseph C. Howard
----
of Manhattan Associates, Inc.

EXHIBIT 10.17

AFCO REALTY SERVICES, LLC

STANDARD SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT is made on 20th October, 2000, by and among Life Office Management Association, Inc. (hereinafter "Sublessor") and Manhattan Associates, Inc. (hereinafter "Sublessee"), AFCO Realty Services, LLC. (hereinafter "Broker") and Insignia/ESG, Inc. (hereinafter "Co-Broker").

1. MASTER LEASE. Sublessor is the tenant under that certain lease dated April 03, 1995, wherein Wildwood Associates (hereinafter "Landlord") leased to Sublessor the. real property located in the City of Atlanta, County of Cobb, State of GA, described as 2300 Windy Ridge Parkway, Suite 600 (hereinafter "Master Premises"). Said lease has been amended by the following Agreement dated April 3, 1995 and First Amendment dated November 10, 1997; said lease and amendments are herein collectively referred to as the "Master Lease" and are attached hereto as Exhibit "A." Sublessor warrants and represents to Sublessee that the Master Lease has not been amended or modified except as expressly set forth herein, that Sublessor is not now, and as of the commencement of the Term hereof will not be, in default or breach of any of the provisions of the Master Lease, and that Sublessor has no knowledge of any claim by Landlord that Sublessor is in default or breach of any of the provisions of the Master Lease.

2. PREMISES. Sublessor hereby subleases to Sublessee on the terms and conditions set forth in this Sublease the following portion of the Master Premises (hereinafter "Premises"): 7,028 rentable square feet as attached hereto as Exhibit "C".

3. TERM. The Term of this Sublease shall commence on November 01, 2000 (hereinafter "Commencement Date") or the date upon which Landlord consents to this Sublease (if such consent is required under the Master Lease), whichever shall last occur, and shall end on October 31, 2005 (hereinafter "Termination Date") unless otherwise sooner terminated in accordance with the provisions of this Sublease.

4. COMMENCEMENT. In the event the Term commences on a date other than the Commencement Date, Sublessor and Sublessee shall promptly execute a memorandum setting forth the actual date of commencement of the Term. Possession of the Premises (hereinafter "Possession") shall be delivered to Sublessee on the commencement of the Term. If for any reason Sublessor does not deliver Possession to Sublessee, on the commencement of the Term, Sublessor shall not be subject to any liability for such failure, the Termination Date shall not be extended by the delay and the validity of this Sublease shall not be impaired, but rent shall abate until delivery of Possession. Notwithstanding the foregoing, if Sublessor has not delivered Possession to Sublessee within thirty (30) days after the Commencement Date, then at any time thereafter and before delivery of Possession, Sublessee may give written notice to Sublessor of Sublessee's intention to cancel this Sublease. Said notice shall set forth an effective date for such cancellation which shall be at least ten (10) days after delivery of said notice to Sublessor. If Sublessor delivers Possession to Sublessee on or before such effective date, this Sublease shall remain in full force and effect. If Sublessor fails to deliver Possession to Sublessee on or before such effective date, this Sublease shall be canceled, in which case all consideration previously paid by Sublessee to Sublessor pursuant to this Sublease shall be returned to Sublessee, this Sublease shall thereafter be of no further force or effect, and Sublessor shall have no further liability to Sublessee on account of such delay or cancellation. If Sublessor permits Sublessee to take Possession prior

to the commencement of the Term, such early Possession shall not advance the Termination Date and shall be subject to the provisions of this Sublease including, without limitation, the payment of rent.

5. RENT. (A) MINIMUM RENT. Sublessee shall pay to Sublessor as minimum rent, without deduction, setoff, notice, or demand at 2300 Windy Ridge Parkway, Suite 600, Atlanta, GA 30339 or at such other place as Sublessor shall designate from time to time by notice to Sublessee, the sum of Eleven Thousand One Hundred Twenty Seven and 67/100 Dollars ($11,127.67) per month, in advance on the first day of each month of the Term. Sublessee shall pay to Sublessor upon execution of this Sublease the sum of Eleven Thousand One Hundred Twenty Seven and 67/100 Dollars ($11,127.67) as rent for November, 2000. If the Term begins or ends on a day other than the first or last day of a month, the rent for the partial months shall be prorated on a per diem.

   (B) OPERATING COSTS. If the Master Lease requires Sublessor to pay to Landlord all or a portion of the expenses of operating the building and/or project of which the Premises area part, including, but not limited to, taxes, utilities or insurance (hereinafter "Operating Costs") then Sublessee shall pay to Sublessor as additional rent twelve and four tenths percent (12.4%) of the amounts payable by Sublessor for Operating Costs incurred during the Term. Such additional rent shall be payable as and when Operating Costs are payable by Sublessor to Landlord. If the Master Lease provides for the payment by Sublessor of Operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual Operating Costs are made under the Master Lease, the obligations of Sublessor and Sublessee hereunder shall be adjusted in a like manner, and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Sublessor and Subleases under this Paragraph 5(b) shall survive such expiration or termination. Sublessor shall, upon request by Sublessee, furnish Sublessee with copies of all statements submitted by Landlord of actual or estimated Operating Costs during the Term.

6. LATE CHARGES. Other remedies for nonpayment of rental notwithstanding, time is of the essence of this Sublease and if Sublessor elects to accept rent on or after the sixth (6th) day of the month, a late charge equal to the greater of five percent (5%) of the monthly rent or One Hundred Dollars ($100.00) will be due as additional rent. Sublessee agrees to tender all late rents by cashier's check, certified check or money order. In the event Sublessee's rent check is dishonored by the bank, Sublessee agrees to pay Sublessor $25.00 as a handling charge and, if applicable, the late charge, and Sublessee shall deliver said monies to Sublessor as specified in Paragraph 5. Dishonored checks must be replaced by cashier's check, certified check or money order. In the event more than one check is dishonored, Sublessee agrees to pay all future rents and charges in the form of cashier's check, certified check, or money order. Any other amounts payable to Sublessor under this Sublease, with the exception of rent shall be considered past due 30 days from Sublessor's billing date and Sublessee shall pay a monthly service charge of 5% of the amount past due for that and each subsequent month that the amount remains past due. The parties agree that such charges represent a fair and reasonable estimate of the costs the Sublessor will incur by reason of such late payment and/or returned check.

7. SECURITY DEPOSIT. On the date of execution of this Sublease by

Sublessee, Sublessee will pay to Sublessor a security deposit in the amount of $N/A for Sublessee's faithful performance of Sublessee's obligations hereunder (hereinafter "Security Deposit"). If Sublessee fails to pay rent or other charges. when due under this Sublease, or fails to perform any of its other obligations hereunder, Sublessor may use or apply all or any portion of the Security Deposit for the payment of any rent or other amounts then due hereunder and unpaid, for the payment of any other sum for which Sublessor may become obligated by reason of Sublessee's default or breach, or for any loss or damage sustained by Sublessor as a result of Sublessee's default or breach. If Sublessor so uses any portion of the Security Deposit, Sublessee shall, within (10) days after written demand by Sublessor, restore the Security Deposit to the full amount originally deposited, and Sublessee's failure to do so shall constitute a default under this Sublease. Sublessor shall not be required to keep the Security Deposit separate from its general accounts, and shall have no obligation or liability for payment of interest on the Security Deposit. In the event Sublessor assigns its interest in this Sublease, Sublessor shall deliver to its assignee so much of the Security Deposit as is then held by Sublessor. Within ten (10) days after the Term has expired, or Sublessee has vacated the Premises, or any

final adjustment pursuant to Paragraph 5(b) hereof has been made, whichever shall last occur, and provided Sublessee is not then in default of any of its obligations hereunder, the Security Deposit or so much thereof as had not theretofore been applied by Sublessor, shall be returned to Sublessee or to the last assignee, if any, of Sublessee's interest hereunder.

8. ACCEPTANCE OF PREMISES. Sublessor, Broker and Co-Broker have made no representations or promises with respect to the Premises, or this Sublease except as herein expressly set forth. The taking of Possession of the Premises by Sublessee shall be conclusive evidence that Sublessee accepts the Premises "as is" and that the Premises and are suitable for the use intended by Sublessee and were in good and satisfactory condition at the time such Possession was so taken.

9. USE OF PREMISES. Sublessee shall use the Premises for general office space and or all lawful activities normally incidental thereto and related to the conduct of Sublessee's business and for no other purpose.

10. OTHER PROVISIONS OF SUBLEASE. All applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublessor were the Landlord thereunder, Sublessee the Tenant thereunder, and the Premises the Master Premises, except for the following: No Exceptions. Sublessee assumes and agrees to perform the Tenant's obligations under the Master Lease during the Term to the extent that such obligations are applicable to the Premises, except the obligation to pay rent to Landlord. Sublessee shall not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. Sublessor shall exercise due diligence in attempting to cause Landlord to perform its obligations under the Master Lease for the benefit of Sublessee. If the Master Lease terminates, this Sublease shall terminate and the parties shall be relieved of any further liability or obligation under this Sublease, provided however, that if the Master Lease terminates as a result of a default or breach by Sublessor or Sublessee under this Sublease and/or the Master Lease,

then the defaulting party shall be liable to the nondefaulting party for the damage suffered as a result of such termination. Notwithstanding the foregoing, if the Master Lease gives Sublessor any right to terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Master Premises or the building or project of which the Master Premises are a part, the exercise of such right by Sublessor shall not constitute a default or breach hereunder.

11. ASSIGNMENT AND SUBLETTING. Sublessee shall not assign this Sublease or further sublet all or any part of the Premises without the prior written consent of Sublessor which shall not be unreasonably withheld (and without the prior written consent of Landlord, if such is required under the terms of the Master Lease).

12. INDEMNITY & INSURANCE. Sublessee and Sublessor agree to and hereby does indemnify and save Sublessee, Sublessor and Landlord harmless against all claims for damages to persons or property by reason of Sublessee's use or occupancy of the Premises, and all expenses incurred by Sublessor or Landlord because thereof, including attorney's fees and court costs. Supplementing the foregoing and in addition thereto, Sublessee shall during the Term of this Sublease, and at Sublessee's expense, maintain in full force and effect comprehensive general liability insurance with minimum limits of $500,000.00 per person and $1,000,000.00 per incident and property damage limits of $100,000.00, or the minimum amount of coverages required in the Master Lease, whichever is greater, which insurance shall contain a special endorsement recognizing and insuring any liability accruing to Sublessee under the first sentence of this Paragraph 12, and naming Sublessor and Landlord as additional insureds. Sublessee shall provide evidence of such insurance to Sublessor prior to the commencement of the Term of this Sublease. Sublessor and Sublessee each hereby release and relieve the other, and waive its right of recovery, for loss or damage arising out of or incident to the perils insured against which perils occur in, on or about the Premises, whether due to the negligence of Sublessor or Sublessee or their Brokers, employees, contractors and/or invitees to the extent that such loss or damage is within the policy limits of said comprehensive general liability insurance. Sublessor and Sublessee shall, upon obtaining the policies of insurance

required, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Sublease.

13. NOTICES. (a) Any notice by either party to the other required or permitted under this Sublease shall be valid only if in writing and shall be deemed to be duly given only if delivered personally or sent by registered or certified mail addressed (1) if to Sublessee, at the Premises, and (2) if to Sublessor, at the address set forth herein, or at such other address for either party as that party may designate by notice to the other, with copy to the Broker(s) at the address set forth herein; notice shall be deemed given, if delivered personally, upon delivery thereof and if mailed upon the mailing thereof.

(b) Sublessee hereby appoints as its agent to receive service of all dispossessory or distraint proceedings, the person in charge of the Premises at the time of occupying the Premises; and if there is no person in charge or occupying same, then such services may be made by attachment thereof on the main entrance of the Premises.

14. ENTIRE AGREEMENT. This Sublease contains the entire agreement of the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, between the parties, not embodied herein, shall be of any force or effect. No subsequent alteration, amendment, change or addition to this Sublease, except as to changes or additions to the Rules and Regulations, if any, as described in the Master Lease, shall be binding upon Sublessor or Sublessee unless reduced to writing and signed by Sublessor and Sublessee and consented to in writing by Landlord.

15. ATTORNEY'S FEES. In the event that any action or proceeding is brought to enforce any term, covenant or condition of this Sublease on the part of the Sublessor or Sublessee, the prevailing party in such litigation shall be entitled to recover reasonable attorney's fees to be fixed by the court in such action or proceeding, in the amount at least equal to fifteen percent of any damages due from the non-prevailing party. Furthermore, Sublessor and Sublessee agree to pay the attorney's fees and expenses of (a) the other party to this Sublease (either Sublessor or Sublessee) if it is made a party to litigation because of its being a party to this Sublease and when it has not engaged in any wrongful conduct itself, and (b) Broker and/or Co-Broker, if Broker and/or Co-Broker is made a party to litigation because of its being a party to this Sublease and when Broker and/or Co-Broker has not engaged in any wrongful conduct itself.

16. LIMITATION ON BROKER'S SERVICES AND DISCLAIMER. Broker and Co-Broker are parties to this Sublease for the purpose of enforcing their rights to receive a real estate commission. Sublessee must look solely to Sublessor as regards all covenants and agreements contained herein, and Broker and Co-Broker shall never be liable to Sublessee in regard to any matter which may arise by virtue of this Sublease. Sublessor and Sublessee acknowledge that the Atlanta Commercial Board of REALTORS(R), Inc. has furnished this Standard Sublease Agreement form to its members as a service and that it makes no representation or warranty as to the enforceability of this Standard Sublease Agreement form or any paragraph thereof.

17. TIME OF ESSENCE. Time is of the essence of this Sublease.

18. COMMISSION. Sublessor agree s to pay to Broker and Co-Broker for negotiating this Sublease, a commission as agreed to in a separate agreement or as follows: Broker to receive 1/2 month's rent and 2% of monthly rentals and Co-Broker to receive 1 month's rent and 4% of month rentals in cash after Sublessee occupies the space. Sublessee warrants and represents that it has had no dealings with any broker or broker(s) in connection with this Sublease, other than Broker and Co-Broker and Sublessee covenants to pay, hold harmless and indemnify Sublessor from and against any and all cost, expense or liability for any compensation, commissions or charges claimed by any broker or broker(s) on behalf of the Sublessee with respect to this Sublease or negotiation thereof, other than the Broker and Co-Broker.

19. SEVERABILITY. The terms, conditions, covenants and provisions of this Sublease shall be deemed to be severable. If any clause or provision herein contained shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law;

it shall not affect the validity of any other clause or provision herein, but such other clauses or provisions shall remain in full force and effect.

20. AGENCY DISCLOSURE. Sublessor and Sublessee hereby acknowledge that Broker has acted as an agent for the Sublessor in this transaction and will be paid a commission by the Sublessor and that the Co-Broker has acted as an agent for the Sublessee in this transaction and will be paid a commission by the Sublessor. In the event that __________ represents both Sublessor and Sublessee, Sublessor and Sublessee hereby confirm that they have signed a separate Dual Agency Disclosure and Consent Agreement

21. SECTION TITLES. The section titles in this Sublease are included for convenience only and shall not be taken into consideration in any construction or interpretation of this Sublease or any of its provisions.

22. SPECIAL STIPULATIONS. Special Stipulations shall control if in conflict with any of the foregoing provisions of this Sublease.

    1. Operating costs referred to in paragraph 5 (b) will be payable over a 2001 base year.

23. CONSENT OF THE LANDLORD. This Sublease shall be of no force or effect unless and until consented to, in writing, by Landlord within ten days after execution hereof, if such consent is required under the terms of the Master Lease.

24. THE FOLLOWING ARE ATTACHED HERETO AND MADE A PART HEREOF:

    Exhibit "A" - Master Lease
    Exhibit "C" - Premises

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

Signed sealed and delivered in the presence of:	SUBLESSOR: Life Office Management Association, Inc.
/s/ Janet M. Tobey	By: /s/ Aiken P. Rush Jr. (Seal)
Witness	Name/Title: Aiken P. Rush Jr., Vice President Address: 2300 Windy Ridge Parkway, Suite 600 Atlanta, GA 30339 Phone: (770) 984-3705 Date: 10/24/2000
Signed sealed and delivered in the presence of:	SUBLESSEE: Manhattan Associates, Inc.
/s/ Sallie A. Rosenmarkle	By: /s/ Tom W. Williams (Seal)
Witness	Name/Title: Thomas W. Williams, SVP, CFO & Treasurer Address: 2300 Windy Ridge Parkway, Suite 700 Atlanta, GA 30339 Phone: (678) 597-7129 Date: 10/20/00

ACBR FORM #006

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Signed sealed and delivered in the presence of:	BROKER: AFCO Realty Services, LLC
/s/ Gail G. Davis	By: /s/ J.M. Mendel (Seal)
Witness	Name/Title: J.M. Mendel, Sr. Vice President Address: 4200 Northside Parkway, NW, Building 12 Atlanta, GA 30327-3049 Phone: (404) 233-1700
Signed sealed and delivered in the presence of:	CO-BROKER: Insignia/ESG, Inc.
/s/ [Illegible Signature]	By: /s/ James E. Ledbetter, Jr. (Seal)
Witness	Name/Title: James E. Ledbetter, Jr., Executive Director Address: 3348 Peachtree Road, Suite 900 Atlanta, GA 30328 Phone: (404) 504-7900 Date: 10/13/00

EXHIBIT "B"

[DELETED IN ITS ENTIRELY]

[SEE ATTACHED CONSENT DATED OCTOBER 25, 2000]

[NO ATTACHMENT]

EXHIBIT "C"

WILDWOOD BUILDING 2300
2300 WINDY RIDGE PARKWAY

7,028 - SIXTH FLOOR

[ARCHITECTURAL FLOOR PLAN]

EXHIBIT 10.18

AFCO REALTY SERVICES, LLC

STANDARD SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT is made on November 20, 2000, by and among Chevron USA Inc. (hereinafter "Sublessor") and Manhattan Associates, Inc. (hereinafter "Sublessee"), AFCO Realty Services, LLC (hereinafter "Broker") and Insignia/ESG, Inc. (hereinafter "Co-Broker").

1. MASTER LEASE. Sublessor is the tenant under that certain lease dated June 15 1989, wherein Wildwood Associates (hereinafter "Landlord") leased to Sublessor the real property located in the City of Atlanta, County of Cobb, State of GA, described as 2300 Windy Ridge Parkway, Suite 800 (hereinafter "Master Premises"). Said lease has been amended by the following amendments: 1st May 11, 1990, 2nd December 20, 1990, 3rd August 15, 1991, 4th September 10, 1992, 5th September 30, 1992, 6th July 29, 1994, 7th August 31, 1998; said lease and amendments are herein collectively referred to as the "Master Lease" and are attached hereto as Exhibit "A." Sublessor warrants and represents to Sublessee that the Master Lease has not been amended or modified except as expressly set forth herein, that Sublessor is not now, and as of the commencement of the Term hereof will not be, in default or breach of any of the provisions of the Master Lease, and that Sublessor has no knowledge of any claim by Landlord that Sublessor is in default or breach of any of the provisions of the Master Lease.

2. PREMISES. Sublessor hereby subleases to Sublessee on the terms and conditions set forth in this Sublease the following portion of the Master Premises (hereinafter "Premises"): 5,448 rentable square feet as attached hereto as Exhibit "B".

3. TERM. The Term of this Sublease shall commence on November 20, 2000, (hereinafter "Commencement Date") or the date upon which Landlord consents to this Sublease (if such consent is required under the Master Lease), whichever shall last occur, and shall end on March 3, 2005 (hereinafter "Termination Date") unless otherwise sooner terminated in accordance with the provisions of this Sublease.

4. COMMENCEMENT. In the event the Term commences on a date other than the Commencement Date, Sublessor and Sublessee shall promptly execute a memorandum setting forth the actual date of commencement of the Term. Possession of the Premises (hereinafter "Possession") shall be delivered to Sublessee on the commencement of the Term. If for any reason Sublessor does not deliver Possession to Sublessee on the commencement of the Term, Sublessor shall not be subject to any liability for such failure, the Termination Date shall not be extended by the delay and the validity of this Sublease shall not be impaired, but rent shall abate until delivery of Possession. Notwithstanding the foregoing, if Sublessor has not delivered Possession to Sublessee within thirty (30) days after the Commencement Date, then at any time thereafter and before delivery of Possession, Sublessee may give written notice to Sublessor of Sublessee's intention to cancel this Sublease. Said notice shall set forth an effective date for such cancellation which shall be at least ten (10) days after delivery of said notice to Sublessor. If Sublessor delivers Possession to Sublessee on or before such effective date, this Sublease shall remain in full force and effect. If Sublessor fails to deliver Possession to Sublessee on or before such effective date, this Sublease shall be canceled, in which case all consideration previously paid by Sublessee to Sublessor pursuant to this Sublease shall be returned to Sublessee, this Sublease shall thereafter be of no further force or effect, and Sublessor shall

have no further liability to Sublessee on account of such delay or cancellation. If Sublessor permits Sublessee to take Possession prior to the commencement of the Term, such early Possession shall not advance the Termination Date and shall be subject to the provisions of this Sublease including, without limitation, the payment of rent.

5. RENT. (A) MINIMUM RENT. Sublessee shall pay to Sublessor as minimum rent (which includes 2001 base year expenses), without deduction, setoff, notice, or demand at P. 0. Box 297864, Houston, TX 77297 or at such other place as Sublessor shall designate from time to time by notice to Sublessee, the sum of Eight Thousand Six Hundred Twenty Six and no/100 Dollars ($8,626.00) per month, in advance on the first day of each month of the Term. Sublessee shall pay to Sublessor upon execution of this Sublease the sum of Eight Thousand Six Hundred Twenty Six and no/100 Dollars ($8,626.00) as rent for November 2000. If the Term begins or ends on a day other than the first or last day of a month, the rent for the partial months shall be prorated on a per diem.

(B) OPERATING COSTS. If the Master Lease requires Sublessor to pay to Landlord all or a portion of the expenses of operating the building and/or project of which the Premises are a part, including, but not limited to, taxes, utilities, or insurance (hereinafter "Operating Costs") then Sublessee shall pay to Sublessor as additional rent ten and six tenths percent (10.6%) of the amounts payable by Sublessor for Operating Costs incurred during the Term. Such additional rent shall be payable as and when Operating Costs are payable by Sublessor to Landlord. If the Master Lease provides for the payment by Sublessor of Operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual Operating Costs are made under the Master Lease, the obligations of Sublessor and Sublessee hereunder shall be adjusted in a like manner; and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Sublessor and Subleases under this Paragraph 5(b) shall survive such expiration or termination. Sublessor shall, upon request by Sublessee, furnish Sublessee with copies of all statements submitted by Landlord of actual or estimated Operating Costs during the Term. (See Special Stipulations, paragraph 1, attached hereto.)

6. LATE CHARGES. Other remedies for nonpayment of rental notwithstanding, time is of the essence of this Sublease and if Sublessor elects to accept rent on or after the sixth (6th) day of the month, a late charge equal to the greater of five percent (5%) of the monthly rent or One Hundred Dollars ($100.00) will be due as additional rent. Sublessee agrees to tender all late rents by cashier's check, certified check, or money order. In the event Sublessee's rent check is dishonored by the bank. Sublessee agrees to pay Sublessor $25.00 as a handling charge and, if applicable, the late charge, and Sublessee shall deliver said monies to Sublessor as specified in Paragraph 5. Dishonored checks must be replaced by cashier's check, certified check or money order. In the event more than one check is dishonored, Sublessee agrees to pay all future rents and charges in the form of cashier's check, certified check, or money order. Any other amounts payable to Sublessor under this Sublease, with the exception of rent, shall be considered past due 30 days from Sublessor's billing date and Sublessee shall pay a monthly service charge of 5% of the amount past due for that and each subsequent month that the amount remains past due. The parties agree that such charges represent a fair and reasonable estimate of the costs the Sublessor will incur by reason of such late payment and/or returned

check.

7. [DELETED IN ITS ENTIRETY.]

8. ACCEPTANCE OF PREMISES. Sublessor, Broker and Co-Broker have made no representations or promises with respect to the Premises, or this Sublease except as herein expressly set forth. The taking of Possession of the Premises by Sublessee shall be conclusive evidence that Sublessee accepts the Premises "as is" and that the Premises and are suitable for the use intended by Sublessee and were in good and satisfactory condition at the time such Possession was so taken.

9. USE OF PREMISES. Sublessee shall use the Premises for general office use and for all lawful activities normally incidental thereto and related to the conduct of Sublessee's business and for no other purpose.

10. OTHER PROVISIONS OF SUBLEASE. All applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublessor were the Landlord thereunder, Sublessee the Tenant thereunder, and the Premises the Master Premises, except for the following: no exceptions. Sublessee assumes and agrees to perform the Tenant's obligations under the Master Lease during the Term to the

extent that such obligations are applicable to the Premises, except the obligation to pay rent to Landlord. Sublessee shall not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. Sublessor shall exercise due diligence in attempting to cause Landlord to perform its obligations under the Master Lease for the benefit of Sublessee. If the Master Lease terminates, this Sublease shall terminate and the parties shall be relieved of any further liability or obligation under this Sublease, provided however, that if the Master Lease terminates as a result of a default or breach by Sublessor or Sublessee under this Sublease and/or the Master Lease, then the defaulting party shall be liable to the nondefaulting party for the damage suffered as a result of such termination. Notwithstanding the foregoing, if the Master Lease gives Sublessor any right to terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Master Premises or the building or project of which the Master Premises are a part, the exercise of such right by Sublessor shall not constitute a default or breach hereunder.

11. ASSIGNMENT AND SUBLETTING. Sublessee shall not assign this Sublease or further sublet all or any part of the Premises without the prior written consent of Sublessor which shall not be unreasonably withheld (and without the prior written consent of Landlord, if such is required under the terms of the Master Lease).

12. INDEMNITY & INSURANCE. Sublessee and Sublessor agree to and hereby does indemnify and save Sublessee, Sublessor and Landlord harmless against all claims for damages to persons or property by reason of Sublessee's use or occupancy of the Premises, and all expenses incurred by Sublessor or Landlord because thereof, including attorney's fees and court costs. Supplementing the foregoing and in addition thereto, Sublessee shall during the Term of this Sublease, and at Sublessee's expense, maintain in full force and effect comprehensive general liability insurance with minimum limits of $500,000.00 per person and $1,000,000.00, per incident, and property damage limits of $100,000.00,

or the minimum amount of coverages required in the Master Lease, whichever is greater, which insurance shall contain a special endorsement recognizing and insuring any liability accruing to Sublessee under the first sentence of this Paragraph 12, and naming Sublessor and Landlord as additional insureds. Sublessee shall provide evidence of such insurance to Sublessor prior to the commencement of the Term of this Sublease. Sublessor and Sublessee each hereby release and relieve the other, and waive its right of recovery, for loss or damage arising out of or incident to the perils insured against which perils occur in, on or about the Premises, whether due to the negligence of Sublessor or Sublessee or their Brokers, employees, contractors and/or invitees to the extent that such loss or damage is within the policy limits of said comprehensive general liability insurance. Sublessor and Sublessee shall, upon obtaining the policies of insurance required, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Sublease.

13. NOTICES. (a) Any notice by either party to the other required or permitted under this Sublease shall be valid only if in writing and shall be deemed to be duly given only if delivered personally or sent by registered or certified mail addressed (1) if to Sublessee, at the Premises, and (2) if to Sublessor, at the address set forth herein, or at such other address for either party as that party may designate by notice to the other, with copy to the Broker(s) at the address set forth herein; notice shall be deemed given, if delivered personally, upon delivery thereof, and if mailed upon the mailing thereof.

(b) Sublessee hereby appoints as its agent to receive service of all dispossessory or distraint proceedings, the person in charge of the Premises at the time of occupying the Premises; and if there is no person in charge or occupying same, then such services may be made by attachment thereof on the main entrance of the Premises.

14. ENTIRE AGREEMENT. This Sublease contains the entire agreement of the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, between the parties, not embodied herein, shall be of any force or effect. No subsequent alteration, amendment, change or addition to this Sublease, except as to changes or additions to the Rules and Regulations, if any, as described in the Master

Lease, shall be binding upon Sublessor or Sublessee unless reduced to writing and signed by Sublessor and Sublessee and consented to in writing by Landlord.

15. ATTORNEY'S FEES. In the event that any action or proceeding is brought to enforce any term, covenant or condition of this Sublease on the part of the Sublessor or Sublessee, the prevailing party in such litigation shall be entitled to recover reasonable attorney's fees to be fixed by the court in such action or proceeding, in the amount at least equal to fifteen percent of any damages due from the non-prevailing party. Furthermore, Sublessor and Sublessee agree to pay the attorney's fees and expenses of (a) the other party to this Sublease (either Sublessor or Sublessee) if it is made a party to litigation because of its being a party to this Sublease and when it has not engaged in any wrongful conduct itself, and (b) Broker and/or Co-Broker, if Broker and/or Co-Broker is made a party to litigation because of its being a party to

this Sublease and when Broker and/or Co-Broker has not engaged in any wrongful conduct itself.

16. LIMITATION ON BROKER'S SERVICES AND DISCLAIMER. Broker and Co-Broker are parties to this Sublease for the purpose of enforcing their rights to receive a real estate commission. Sublessee must look solely to Sublessor as regards all covenants and agreements contained herein, and Broker and Co-Broker shall never be liable to Sublessee in regard to any matter which may arise by virtue of this Sublease. Sublessor and Sublessee acknowledge that the Atlanta Commercial Board of REALTORS(R), Inc. has furnished this Standard Sublease Agreement form to its members as a service and that it makes no representation or warranty as to the enforceability of this Standard Sublease Agreement form or any paragraph thereof.

17. TIME OF ESSENCE. Time is of the essence of this Sublease.

18. COMMISSION. Sublessor agrees to pay to Broker and Co-Broker for negotiating this Sublease, a commission as agreed to in a separate agreement or as follows: Broker to receive 1/2 month's rent and two percent (2%) of monthly rentals and Co-Broker to receive one month's rent and four percent (4%) of monthly rentals in cash after Sublessee occupies the space. Sublessee warrants and represents that it has had no dealings with any broker or broker(s) in connection with this Sublease, other than Broker and Co-Broker and Sublessee covenants to pay, hold harmless and indemnify Sublessor from and against any and all cost, expense or liability for any compensation, commissions or charges claimed by any broker or broker(s) on behalf of the Sublessee with respect to this Sublease or negotiation thereof, other than the Broker and Co-Broker.

19. SEVERABILITY. The terms, conditions, covenants and provisions of this Sublease shall be deemed to be severable. If any clause or provision herein contained shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, it shall not affect the validity of any other clause or provision herein, but such other clauses or provisions shall remain in full force and effect.

20. AGENCY DISCLOSURE. Sublessor and Sublessee hereby acknowledge that Broker has acted as an agent for the Sublessor in this transaction and will be paid a commission by the Sublessor and that the Co-Broker has acted as an agent for the Sublessee in this transaction and will be paid a commission by the Sublessor. In the event that represents both Sublessor and Sublessee, Sublessor and Sublessee hereby confirm that they have signed a separate Dual Agency Disclosure and Consent Agreement.

21. SECTION TITLES. The section titles in this Sublease are included for convenience only and shall not be taken into consideration in any construction or interpretation of this Sublease or any of its provisions.

22. SPECIAL STIPULATIONS. Special Stipulations shall control if in conflict with any of the foregoing provisions of this Sublease.

See attached Special Stipulations to Sublease Agreement between Chevron USA Inc. and Manhattan Associates, Inc.

23. CONSENT OF THE LANDLORD. This Sublease shall be of no force or effect unless and until consented to, in writing, by Landlord within _____ days after execution hereof, if such consent is required under the terms of the Master Lease.

24. THE FOLLOWING ARE ATTACHED HERETO AND MADE A PART HEREOF.
    Exhibit "A" - Master Lease
    Exhibit "B" - Premises

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

Signed sealed and delivered in the presence of:	SUBLESSOR: Chevron USA Inc.
------------------------------	By: /s/ Gary D. Schuman (Seal)
Witness	Name/Title: Gary D. Schuman, Lease Mgr.
	Address:
	Phone:
Signed sealed and delivered in the presence of.	SUBLESSEE: Manhattan Associates, Inc.
------------------------------	By: /s/ Tom W. Williams (Seal)
Witness	Name/Title: Thomas W. Williams, CFO
	Address:
	Phone:
Signed sealed and delivered in the presence of:	BROKER: AFCO Realty Services, LLC
------------------------------	By: /s/ Jerome M. Mendel (Seal)
Witness	Name/Title: Jerome M. Mendel, Sr. V.P.
	Address: 4200 Northside Parkway, NW, Building 12 Atlanta, GA 30327-3049
	Phone: 404-233-1700
Signed sealed and delivered in the presence of.	CO-BROKER: Insignia / ESG, Inc.
------------------------------	By: /s/ John D. Shlesinger (Seal)
Witness	Name/Title: John D. Shlesinger - EMD
	Address:
	Phone:

ATLANTA COMMERCIAL BOARD OF REALTORS(R), INC.
STANDARD SUBLEASE AGREEMENT

ACBR FORM #006

SPECIAL STIPULATIONS.
TO SUBLEASE AGREEMENT
BETWEEN

CHEVRON USA INC.
AND
MANHATTAN ASSOCIATES, INC.

1. Operating costs, referred to in paragraph 5(b), will be payable over a 2001 base year.

2. Conflicts of interest relating to this Lease are strictly prohibited. Except as otherwise expressly provided herein, neither party nor any director, employee or agent of either party shall give to or receive from any director, employee or agent of the other party any gift, entertainment or other favor of significant value, or any commission, fee or rebate. Likewise, neither party nor any director, employee or agent of either party shall enter into any business relationship with any director, employee or agent of the other party, or of any affiliate of the other party, unless such person is acting for and on behalf of the original party, without prior written approval thereof from the original party.

EXHIBIT "B"

WILDWOOD BUILDING 2300
2300 WINDY RIDGE PARKWAY

8TH FLOOR
5,448 FSF

[ARCHITECTURAL FLOOR PLAN]

CONSENT TO SUBLEASE

BY

CHEVRON U.S.A. INC.

AND

MANHATTAN ASSOCIATES, INC.

THIS CONSENT is made this 20th day of November, 2000 by WILDWOOD ASSOCIATES, a Georgia general partnership (the "Landlord") having an office at 2500 Windy Ridge Parkway, Suite 1600, Atlanta, Georgia 30339-5683.

WHEREAS, CHEVRON U.S.A. INC., a California corporation (the "Tenant") and Landlord entered into that lease dated June 15, 1989, as the same may have been modified from time to time (the "Lease"), which Lease provides for the lease to Tenant of that certain premises located in the building known as 2300 Windy Ridge Parkway, Atlanta, Georgia 30339 (the "Demised Premises") (the "Building") on that certain tract of land described in Exhibit "A" of the Lease;

WHEREAS, Tenant desires to sublease 5,448 square feet of Rentable Floor Area of the Demised Premises on the eighth floor of the Building to MANHATTAN ASSOCIATES, INC., a Georgia corporation (the "Subtenant"), pursuant to the terms of a Sublease dated November 20, 2000 (the "Sublease"), a complete copy of which is attached hereto.

NOW, THEREFORE, Landlord hereby consents to the Sublease, subject to the following terms and conditions, and the other parties executing this Consent hereby agree as follows:

1. Neither this Consent nor the Sublease shall relieve Tenant of any of Tenant's obligations under this Lease, and Tenant shall remain fully liable for the faithful performance of all covenants, terms and conditions of the Lease on the Tenant's part to be performed. Neither this Consent nor any term or provision in the Sublease shall be deemed to (i) expand or otherwise alter Landlord's obligations under the Lease, (ii) diminish Landlord's rights under the Lease or (iii) otherwise modify the terms and conditions of the Lease. Notwithstanding the terms and conditions of the Sublease, Landlord may enforce the Lease as written, as if the Sublease did not exist, and Subtenant shall have no recourse against Landlord.

2. This Consent by Landlord to the Sublease shall not constitute Landlord's consent to any other or subsequent sublease and any other proposed sublease or assignment by the Subtenant or Tenant shall be subject to the provisions of Article 21 of the Lease.

3. This Consent is given in consideration, in part, for Tenant's representation and agreement that as of the date hereof (i) the Lease is in full force and effect as written, (ii) there are not defaults on the part of Landlord and (iii) there are no offsets available to Tenant under the Lease.

4. The terms and conditions of this Consent may only be modified by a written instrument signed by Landlord which expressly states that it is a modification of this Consent.

5. Tenant has executed this Consent below for the purpose of making the representations set forth in paragraph 3 above and for the purpose of evidencing its agreement to the other terms and conditions of this Consent. Subtenant has executed this Consent for the purpose of evidencing its understanding and agreement to the terms and conditions of this Consent, including those set forth in paragraph 1. above. This Consent shall only be effective upon execution of this Consent by Tenant and Subtenant, in the space provided below and by the return of one (1) fully executed original of this Consent to Landlord.

6. The parties executing this Consent agree that the Sublease is subordinate to any deed to secure debt to which the Building may be subject and Subtenant agrees to attorn to the grantee under such deed if so requested.

7. The undersigned officers and representatives of the corporation executing this Consent on behalf of the corporation represent and warrant that they are officers of the corporation with authority to execute this Consent on behalf of the corporation.

8. Landlord and Tenant agree that Landlord has no liability, whatsoever, for any fees or commissions to any broker, agent or finder in

connection with the Sublease and Tenant shall indemnify and hold Landlord harmless from and against any liability, claim, damage, cost or expense as a result of any employment or dealings with any broker, agent or finder in connection with the Sublease.

9. In connection with any sublease, Tenant shall pay to Landlord, a fee of three hundred dollars ($300.00) to defray Landlord's costs in affecting such sublease and such fee is due and payable upon execution of this Consent by Tenant and Subtenant and the deliverance of this Consent to Landlord for execution.

10. This Agreement shall be construed, interpreted and applied in accordance with, and shall be governed by, the laws applicable to the state in which the Building is located.

[signatures are on the following page]

IN WITNESS WHEREOF, the parties have here unto set their hands and seals as of the day, month and year first above written.

LANDLORD:

WILDWOOD ASSOCIATES,
a Georgia general partnership

By: COUSINS PROPERTIES INCORPORATED,
a Georgia corporation,
managing general partner

By: /s/ Jack A. LaHue

Jack A. LaHue
Its: Senior Vice President

TENANT:

CHEVRON U.S.A. INC.,
a California corporation

By: /s/ Gary D. Schuman

Gary D. Schuman (print or type name)

Its: Lease Mgr.

SUBTENANT:

MANHATTAN ASSOCIATES, INC.,
a Georgia corporation

By: /s/ Tom W. Williams

Thomas W. Williams

Its: CFO

[end of signatures]

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Manhattan Associates, Inc.'s previously filed Registration Statements, File Nos. 333-60635, 333-45802 and 333-53388.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 29, 2001

EXHIBIT 99.1

SAFE HARBOR COMPLIANCE STATEMENT FOR FORWARD-LOOKING STATEMENTS

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

OUR FAILURE TO MANAGE GROWTH OF OPERATIONS MAY ADVERSELY AFFECT US

We continue to increase the scope of our operations domestically and internationally and have increased our number of employees substantially. For example, at December 31, 1998, 1999 and 2000 we had a total of 517, 557 and 802 employees, respectively. This growth will continue to place a significant strain on our management systems and resources. If we are unable to manage our growth effectively, our business, financial condition and results of operations will be adversely affected. We may further expand domestically or internationally through internal growth or through acquisitions of related companies and technologies. 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 FLUCTUATING OPERATING RESULTS COULD CAUSE OUR STOCK PRICE TO FALL

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

- the 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 five years, we do not believe that our prior growth rates are sustainable or a good predictor of future operating results. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

OUR OPERATING RESULTS ARE SUBSTANTIALLY DEPENDENT ON ONE PRODUCT

A substantial portion of our revenue comes from the sale of our PkMS software and related services and hardware, and we expect this pattern to continue. Accordingly, our future operating results will depend on the demand for PkMS and related services and hardware by future customers, including new and enhanced releases that are subsequently introduced. We cannot assure 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 PkMS in performance or price, demand for our products may decline. A decline in demand for PkMS as a result of competition, technological change or other factors would reduce our total revenues and harm our ability to maintain profitability.

OUR INFOLINK PRODUCTS MAY NOT BE ACCEPTED BY THE MARKET

We have been developing our Internet-based application, infolink, and expect to release our initial version of this product in September 2000. Our future success will in part depend upon the adoption of our infolink product. While we have been collaborating with several retailers to develop and adopt infolink, we cannot assure you that these retailers or their suppliers and manufacturers will license infolink from us. Since we believe we are the first company to offer a product such as infolink, we will need to undertake substantial marketing efforts to make prospective customers aware of infolink and to persuade them to accept our product. We expect to face competition in the future with respect to this product offering. In light of these factors, the market for infolink may fail to develop or develop more slowly than we expect. Either outcome would limit the growth of our total revenues and make it more difficult for us to maintain profitability.

OUR LENGTHY SALES CYCLE AND DELAYS IN IMPLEMENTATIONS OF OUR PRODUCTS COULD ADVERSELY IMPACT US

Due to the size and complexity 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 INABILITY TO ATTRACT AND RETAIN MANAGEMENT AND OTHER PERSONNEL MAY ADVERSELY AFFECT US

Our success greatly depends on the continued service of our executives, several of whom joined the Company since October 1999, as well as our other key senior management, technical and sales personnel. The loss of any of our senior management or other key research, development, sales and marketing personnel, particularly if lost to competitors, could 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 distribution center management software market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

FLUCTUATIONS IN HARDWARE SALES MAY ADVERSELY AFFECT US

A significant portion of our revenue in any period is comprised of the resale of a variety of third-party hardware products to purchasers of our software. Our customers may choose to purchase this hardware directly from manufacturers or distributors of these products. Revenue from hardware sales as a percentage of total revenue decreased in 1998 and 1999, and may continue to decrease in the future. If we are not able to increase our revenue from software licenses and services or maintain our hardware revenue, our ability to maintain profitability may be adversely affected.

IMMIGRATION RESTRICTIONS MAY HINDER OUR EMPLOYEE RETENTION AND HIRING

A number of our employees are Indian nationals employed pursuant to non-immigrant work-permitted visas issued by the United States Immigration and Naturalization Service, or INS. There is a limit on the number of new visas issued by the INS each year. In years in which this limit is reached, we may be unable to retain or hire additional foreign employees. The federal government may in the future further restrict the issuance of new visas. If we are unable to retain or hire additional foreign employees, we may incur additional labor costs and expenses or not have sufficient qualified personnel to carry on our business, which could harm our ability to successfully continue and grow our business.

WE MAY NOT BE ABLE YOU CONTINUE TO COMPETE SUCCESSFULLY WITH OTHER COMPANIES

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

- supply chain execution vendors, including, Catalyst International, Inc., EXE Technologies, Inc., Optum, Inc., and McHugh Software International, Inc. among others;

- Enterprise Resource Planning ("ERP") or Supply chain Management ("SCM") application vendors that offer varying degrees of warehouse management functionality or modules of their product suites, such as ReTek, JD Edwards or SAP;

- the corporate information technology departments of potential customers capable of internally developing solutions; and

- smaller independent companies that have developed or are attempting to develop distribution center management software.

We may face competition in the future from business application software vendors that may broaden their product offerings by developing or acquiring distribution center management software, in addition to ERP, SCM and e-commerce applications vendors. These ERP and SCM vendors have a large number of strong customer relationships, which could provide a significant competitive advantage. New competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Many of our current or potential future competitors have longer operating histories, greater financial, technical, marketing and other resources, greater name recognition, and a larger installed base of customers than we do. To be successful, we must continue to produce products based on the leading technology in our market. If we cannot maintain our technological leadership or assemble the development, marketing, sales and customer service resources to meet any competitive threat, we may lose market share and suffer reductions in sales prices and gross margins. These developments could substantially harm our business and operating results.

IF WE CANNOT INTEGRATE ACQUIRED COMPANIES WITH OUR BUSINESS, OUR PROFITABILITY MAY BE ADVERSELY AFFECTED

We acquired Performance Analysis Corporation, or PAC, in February 1998, the Distribution Center Management Systems software product and related assets of Kurt Salmon Associates in October 1998, and Intrepa, L.L.C. in October 2000. We may from time to time acquire companies with complementary products and services. These acquisitions will continue to expose us to increased risks and costs, including the following:

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

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

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

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

Many business acquisitions must be accounted for using the purchase method of accounting. Many acquisition candidates have significant intangible assets, and an acquisition of these businesses, if accounted for as a purchase, would result in substantial goodwill amortization charges to us, reducing future earnings. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges. The acquisitions of PAC and Intrepa resulted in non-recurring, one-time charges of $1.6 million and $3.0 million, respectively, in 1999 and 2000, respectively.

OUR GROWTH IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF OUR DIRECT AND INDIRECT SALES CHANNELS

We believe that future growth also will depend on developing and maintaining successful strategic relationships with systems integrators and third-party software application providers. Our strategy is to continue to increase the proportion of customers served through these indirect channels. We are currently investing, and plan to continue to invest, significant resources to develop these indirect channels. This investment could adversely affect our operating results if these efforts do not generate license and service revenue necessary to offset this investment. Also, our inability to recruit and retain qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, increased indirect sales could 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 third-party software application providers may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent different systems integrators target the same customers, systems integrators may also come into conflict with each other. Any channel conflicts which develop may have a material adverse effect on our relationships with systems integrators or hurt our ability to attract new systems integrators.

MACRO-ECONOMIC OR OTHER EXTERNAL INFLUENCES MAY AFFECT OUR PERFORMANCE

Approximately 85% of our revenues and the vast majority of our profits and cash flows are derived within the United States. Beginning in the fourth quarter of 2000 and progressing into 2001, a declining United States economy began to adversely impact the performances of many businesses particularly within the technology sector. We are a technology company selling technology-based solutions with total pricing, in many cases, exceeding $1.0 million. A reduction in the capital budgets of our customers and prospective customers could have an adverse impact on our ability to sell our solutions. A prolonged recession of the U.S. economy will likely result in less capital expenditures, which may adversely impact our business and/or our ability to compete. It is likely to further intensify our already competitive markets. Competitors with greater capital resources and operational efficiencies than us are likely better positioned to prevail in a prolonged recession.

THERE ARE MANY RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS

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

We have committed resources to the opening and integration of additional international sales offices and the expansion of international sales and support channels. Our efforts to develop and expand international sales and support channels may not be successful. International sales are subject to many risks, including the following:

- difficulties in staffing and managing foreign operations;

- difficulties in managing international systems integrators;

- difficulties and expenses associated with complying with a variety of foreign laws;

- difficulties in producing localized versions of our products;

- import and export restrictions and tariffs;

- difficulties in collecting accounts receivable;

- unexpected changes in regulatory requirements;

- currency fluctuations; and

- political and economic instability abroad.

Our principal international presence is in the United Kingdom and the Netherlands. Seasonal fluctuations may arise from the lower sales that typically occur during the summer months in Europe and other parts of the world. Additionally, our concentration of international operations in Europe may give rise to greater foreign currency exchange risk.

WE MUST CONTINUE TO ADVANCE OUR TECHNOLOGY TO REMAIN COMPETITIVE

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

WE MAY FACE LIABILITY TO CLIENTS IF OUR SYSTEMS FAIL

Our products are often critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. We have guaranteed that our products will comply with certain labeling requirements of the top 100 consumer goods retailers as ranked by Stores Magazine. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts which would limit our liability or otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions, this coverage may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurer may disclaim coverage as to any future claim. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurer imposes premium increases, large deductibles or co-insurance requirements on us, our business 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.

INTELLECTUAL PROPERTY CLAIMS CAN BE COSTLY AND RESULT IN THE LOSS OF SIGNIFICANT RIGHTS

It is possible that third parties will claim that we have infringed their current or future products. We expect that distribution center management software developers like us will increasingly be subject to infringement claims as the number of products grow. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays, or require us to enter into royalty or licensing agreements, any of which could 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 were 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 caused to incur significant expense and delay in developing non-infringing software.

EXISTING SHAREHOLDERS WILL CONTINUE TO CONTROL MANHATTAN AND MAY INFLUENCE OUR AFFAIRS

Our directors, executive officers and greater-than-5% shareholders together control approximately 59% of our outstanding common stock. In particular, Alan J. Dabbiere, the Chairman of the Board, controls approximately 36% of our common stock. As a result, these shareholders, if they act together, are able to influence the management and affairs of our company and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of the common stock.

WE MAY REQUIRE ADDITIONAL CAPITAL

We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements will depend on many factors, including:

- demand for our products;
- the timing of and extent to which we invest in new technology;
- the level and timing of revenue;
- the expenses of sales and marketing and new product development;

- the success and related expense of increasing our brand awareness;

- the extent to which competitors are successful in developing new products and increasing their market share; and

- the costs involved in maintaining and enforcing intellectual property rights.

To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. Our inability to raise capital when needed could have a material adverse effect on our business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of Manhattan by our 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 limit the price that investors might be willing to pay in the future for shares of the common stock.