

MANHATTAN ASSOCIATES INC

Form 10-K

February 23, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2010**

**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 1000**

**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 each exchange on which registered |
|--|---|
| <b>Common Stock, \$.01 par value per share</b> | <b>The Nasdaq Stock Market LLC</b>        |

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

**None**

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting  
company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2010 was \$610,716,498, which was calculated based upon a closing sales price of \$27.55 per share of the Common Stock as reported by the Nasdaq Global Select Market on the same day. As of February 16, 2011, the Registrant had outstanding 21,836,134 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, 2011 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

**MANHATTAN ASSOCIATES, INC.**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended December 31, 2010**  
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**Forward-Looking Statements**

In addition to historical information, this Annual Report may contain forward-looking statements relating to Manhattan Associates, Inc. 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, the impact of acquisitions, availability of technical personnel, changes in customer requirements and general economic conditions. Additional factors are set forth in the *Risk Factors* in Part I, Item 1A of this Annual Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results. Our Annual Report on Form 10-K is available through our Website at [www.manh.com](http://www.manh.com).

**PART I**

**Item 1. Business**

**Overview**

We develop, sell, deploy, service and maintain supply chain software solutions that help organizations optimize business advantages gained through those solutions while effectively managing the long-term costs of operating them. Supply chain solutions help organizations ensure that the right products are available to the right customers at the right time and at the right cost, so that organizations can build customer loyalty, differentiate their brands, and calibrate costs and revenues to align with organizational goals. Some key benefits of implementing our solutions include:

Mastering channel proliferation by being able to forecast and manage inventory, sales and returns through multiple channels (stores, web sites, catalogs, call centers) independently, yet execute customer interactions as a united entity to deliver consistent brand experiences, optimize revenue, and mitigate unnecessary and duplicative costs.

Coordinating workflows and communication with other participants in a supply chain ecosystem, including suppliers, customers and transportation providers;

Increasing visibility across the supply network to improve sales and customer order fill rates while reducing network inventory;

Balancing transportation and inventory costs with desired service levels by channel;

Increasing productivity and asset utilization in distribution centers, transportation networks and delivery channels, including retail stores, to capture more customer revenue and improve return on supply chain investments, including storage, labor, inventory and transportation investments;

Improving compliance with customer requirements, including radio frequency identification (RFID) and electronic product code (EPC) requirements; and

Accelerating eco-friendliness through green initiatives such as reducing carbon footprints and greenhouse gas emissions and improving reuse and recycling.

Our point of view is that a platform-based approach is the best way to optimize supply chains and supply chain ecosystems, meaning all of the interdependent elements both within and external to an organization that interact to impact how effectively, efficiently and economically that organization's supply chain operates. Supply chain ecosystems encompass disparate functions within an organization that affect its supply chain (such as distribution, transportation, order lifecycle management, inventory optimization, and planning and forecasting) as well as interactions with entities outside the organization but integral to its supply chain, including manufacturers, suppliers, distributors, trading partners, transportation providers, channels (such as catalogs, store retailers, call centers and

Web outlets) and consumers.

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Platform Thinking™ describes the intelligence that infuses the way we design our software, consult with our customers and deliver our solutions. Our rationale is built on this premise: Making decisions about inventory, orders, transportation, and distribution in isolation without considering data, workflows and inputs from each discipline in the supply chain and from its ecosystem can lead to more costly and suboptimal decisions. This is because each of these areas generates cost and service-level consequences that impact the others directly or indirectly. Platform Thinking gives organizations a unified view of their supply chains by replacing silo thinking with Whole Chain Awareness™, a blend of insight and execution capabilities across supply chains and supply chain ecosystems that delivers advanced levels of visibility, agility, responsiveness and economy for organizations that depend on their supply chains for uncommon and strategic advantage.

We deliver these benefits in a market-differentiating way through a comprehensive array of supply-chain-centered people, principles, products, protocols and processes we call Manhattan MORE®: Manhattan's Optimized Roadmap to Excellence (See Figure 1). These elements work together to coordinate insights, people, workflows, assets, events and tasks holistically across supply chain functions from planning through execution. They also help to coordinate actions, data exchange and communication among participants in supply chain ecosystems.

We were founded in 1990 in Manhattan Beach, California. References in this filing to the Company, Manhattan, Manhattan Associates, we, our, and us refer to Manhattan Associates, Inc., our predecessors, and our wholly-owned and consolidated subsidiaries. Our principal executive offices are located at 2300 Windy Ridge Parkway, Suite 1000, Atlanta, Georgia 30339, and our telephone number is 770-955-7070.



**Table of Contents****Industry Background**

Globalization and technological advances have radically altered competition, service expectations and business operating imperatives for modern organizations. Pressures such as outsourcing, sales and distribution channel proliferation and convergence, growing item diversity and volume to satisfy evolving global consumer demands, fluctuating fuel costs, global labor sourcing, and regulatory and security requirements motivate organizations to closely examine not only their supply chain operations, but also how they interact in supply chain ecosystems that interlink suppliers, trading partners, manufacturers, sellers, distributors, transporters, channels and customers. We believe this is because mastering supply chains and ecosystems in unique ways is necessary to create sustainable competitive advantages in today's globally interacting commerce environment.

Profitable operations, brand leadership and customer loyalty depend not only on product mix, but also on the blends of services including item availability, channel choice, pricing options, return policies, ease of buying, ease of delivery and technical or operational support that uniquely surround those products to satisfy targeted customer desires in competitively differentiating ways. Supply chain solutions not only help organizations manage logistics operations, but also enable them to coalesce data, workflows, events and tasks from across the web of suppliers, trading partners, customers and other participants in a supply chain ecosystem to better understand customer preferences and buying motivations and to make optimal business decisions.

Organizations apply supply chain technology, software and services to solve identified operational inefficiencies or create operational advantages in ways that can scale as their businesses grow. They also look to easily integrate supply chain solutions with other technology, such as enterprise resource planning (ERP) systems, customer relationship management (CRM) systems, e-business systems, web- and mobile-based commerce systems, material handling equipment (MHE) and other solutions involved in creating efficient, competitive and profitable operations.

**Manhattan Associates Software Solution Portfolios**

Our platform-based supply chain software solution portfolios Manhattan SCOPE® and Manhattan SCALE™ are designed with our Platform Thinking approach to deliver both business agility and total cost of ownership advantages to customers. Manhattan SCOPE (Supply Chain Optimization, Planning through Execution, depicted in Figure 2) leverages our Supply Chain Process Platform (SCPP, depicted in Figure 3) to unify the full breadth of the supply chain, while Manhattan SCALE (Supply Chain Architected for Logistics Execution, depicted in Figure 4) leverages Microsoft's .NET platform to unify logistics functions.

Our solutions operate across Unix, IBM System I, Linux and Microsoft.NET computing platforms, as well as on multiple hardware platforms and systems. Because supply chain solutions necessarily interact with other business operation systems, our solutions are designed to interoperate with software from other providers as well as with a company's existing legacy systems. This interfacing and open system capability enables customers to continue using existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies. We provide adapters for many ERP systems to enhance system communication and reduce implementation costs, including (but not limited to) Oracle, SAP and Microsoft Dynamics AX. We also offer certain of our solutions in both premise software and cloud computing models so that customers can select the option that best meets their requirements for control, flexibility, cost of ownership, and time-to-deployment.

**Manhattan SCOPE®**

SCOPE is ideally suited for companies that consider supply chain software, processes and technology strategic to market leadership. Predictive and algorithmic technology embedded in SCOPE helps organizations refine decisions dynamically as market or operational conditions change. Advantages derived from coordinated real-time visibility, event management, ecosystem collaboration and intelligence across supply chain operational departments and functions avert having decisions in one supply chain area unexpectedly affect another unfavorably. By organizing supply chain optimization holistically, Manhattan enables customers to fine-tune costs, profitability and service levels as their business objectives and market conditions evolve.

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**Supply Chain Platform Applications**

SCOPE Platform Applications span the entire portfolio to provide key visibility, intelligence and adaptive functionality across the enterprise. These solutions offer the broad supply chain insight and analytics that are critical to an executive's ability to proactively manage the holistic supply chain. Whether deployed with our Solution Suite applications or integrated with other enterprise systems, our Platform Applications provide a comprehensive range of event and schedule tracking; alerts and notifications; inventory, order and shipment visibility; cost monitoring and tracking; leading-edge analytics, and reporting with graphical depictions of critical supply chain performance metrics.

**Table of Contents*****Supply Chain Solution Suites***

Each Solution Suite is designed to enable users to proactively plan, monitor and execute against supply chain objectives.

***Planning and Forecasting*** enables organizations to sense and respond to demand, and to support all levels of enterprise merchandise planning, from strategic level planning down to assortment and key item planning. Our Demand Forecasting solution leverages a unique Unified Forecasting Method™ (UFM) to enable organizations to optimally forecast and manage by specific channel challenging planning and forecasting situations, including forecasting buying patterns for seasonal items, intermittently sold items, and items that sell in different patterns and at different paces in different channels. Customer Preference Planning capabilities use multivariable shopper preference data to create merchandise, pricing and promotion plans tuned to how customers think when shopping and buying across multiple channels (including stores, catalogs, the web, and call centers) so retailers understand relationships among product type, style, brand, color, fabrication and price when customers make decisions to buy.

***Inventory Optimization*** enables enterprises to reduce overall network inventory to release working capital while improving sales and customer order fill rates. Inventory Optimization also provides analytical tools to better balance the financial trade-off between improving customer service levels and overall inventory investments. Our multi-echelon, all-channel solution helps organizations manage distribution networks with more than one type or level of distribution center between suppliers and various endpoints. Vendor Managed Inventory and Collaboration Gateway solutions help formulate tighter, lasting relationships with key trading partners, such as replenishing products into customers locations or sharing key supply chain performance indicators.

***Order Lifecycle Management*** orchestrates the order, fulfillment and returns processes across all channels to identify additional revenue opportunities, streamline inventory investments, match available inventory to current demand regardless of channel, avoid both overstock and out-of-stock situations, and reduce overall fulfillment costs. For retailers, in-store and call center capabilities enable associates to locate and sell items from across a company s supply chain network to meet real-time customer demand.

***Transportation Lifecycle Management*** optimizes all aspects of transporting product through supply chains, from procurement through delivery. The system helps companies manage assets, timing, accuracy and costs for both inbound and outbound shipments, and across private and contracted fleets. The solution also interconnects transportation partners and suppliers to improve visibility to initial and changing requirements as well as to improve delivery and billing accuracy.

***Distribution Management*** is designed to effectively manage the key assets required to run complex distribution operations, and to move goods and information through a warehouse with precision and velocity. The suite enables (among other processes) knowing what inventory will be arriving at a distribution center; receiving, putting away and shipping inventory, and managing distribution-related labor.

***X-Suite Solutions***

X-Suite Solutions leverage Manhattan s SCPP to synthesize capabilities of two or more solutions or solution components to solve a specific supply chain problem. For example, *Flow Management* synthesizes Demand Forecasting, Replenishment, Supply Chain Visibility, Distributed Order Management and Warehouse Management, while *Extended Enterprise Management* synthesizes Supplier Enablement, Hub Management, Transportation Enablement, Store / Consumer Gateway, Collaborative Gateway, Supply Chain Visibility and Supply Chain Event Management.

***Flow Management*** improves supply chain agility while reducing the volume of inventory required to deliver defined customer service levels. In a flow-through distribution model, goods literally flow directly from arriving at a distribution center to being shipped to their destination, without being put away in the interim. Businesses achieve the greatest benefit from a flow-through distribution model only by synchronizing demand management, inventory optimization, purchase order allocations, and the physical distribution of inventory. Flow Management enables organizations to evolve from a facilities-based distribution model to a more holistic, network-based model. Organizations leverage Flow Management to free inventory to drive maximum profitability and customer service across channels; redirect inbound supply directly to customers, alternate stores or distribution centers based on real-time demand signals; and optimize cross-channel inventory by using the same enterprise-wide supply planning

and inventory management process.

*Extended Enterprise Management* connects organizations with supply chain ecosystem participants to create insight to supply chain events and improve inventory ordering and movement through supply chains. The solution facilitates quick and fluid interactions with trading partners, optimizes order management, creates compliant case labels and advanced shipment notifications upstream, assures quality inventory and shipments, and senses and responds efficiently to supply chain events to increase on-time delivery rates, improve inventory control and meet demand expectations.

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**Supply Chain Process Platform**

At the foundation of Manhattan SCOPE is our Supply Chain Process Platform (SCPP), which utilizes a service-oriented architecture (SOA), common data model, collaborative gateways and an optimization engine (among other constructs) to facilitate supply chain transformations that help our customers create and sustain competitive advantages. Specific elements of Manhattan's SCPP, along with related core benefits, are detailed in Figure 3. Among its overall benefits, our SCPP enables customers using multiple Manhattan SCOPE applications to achieve Cross-Application Optimization™. Cross-Application Optimization is our term for the compound benefits derived not only from optimizing multiple functional supply chain elements *individually*, but also *collectively* by considering factors across multiple functions in a supply chain (warehouse management, transportation, inventory and labor, for example) simultaneously, so that their individual and related impacts inform each decision to determine the optimal course of action for the organization as a whole. Our SCPP's common architecture also enables customers to speed implementations, simplify upgrades, and achieve lower total cost of ownership over time.

**Manhattan SCALE™**

SCALE is our portfolio of logistics execution solutions built on the Microsoft®.NET platform. It is targeted toward companies with execution-focused supply chain needs that require speed-to-value, resource-light system configuration and maintenance, and the ability to quickly scale their logistics operations up or down in response to market fluctuations or business requirement changes. SCALE combines the features of Trading Partner Management, Yard Management, Warehouse Visibility and Optimization, Warehouse Management and Transportation Execution, as shown in Figure 4.

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Because SCALE leverages a common platform, solutions share common data elements, and each user can access all applications through a single sign-on. Users also can set up dashboards that enable easy access to real-time information most relevant to their jobs. SCALE's ease of deployment, operation and support make it a popular choice for organizations operating in countries with emerging and developing economies, and where technical support resources are limited.

**Professional Services**

We advise and assist our customers in planning and implementing our solutions through our global Professional Services Organization. To ensure long-term successful customer relationships, consultants assist customers with the initial deployment of our systems, the conversion and transfer of the customer's historical data onto our systems, and ongoing training, education and system upgrades. We believe our Professional Services teams enable customers to implement our solutions knowledgeably and in the appropriate amount of time; help customers achieve expected results from system investments; continuously identify new opportunities for supply chain advancements; and meaningfully add to our industry-specific knowledge base to inform future implementations and product innovations.

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

We believe our Professional Services team delivers unique supply chain expertise to our customers through industry-specific best-practices protocols and processes developed through the collective knowledge we have gained in more than 3,600 installations worldwide. We also extensively train our consulting personnel on supply chain operations and on our solutions.

Business consultants, systems analysts and technical personnel assist customers in all phases of implementing our systems, including planning and design, customer-specific module configuration, on-site implementation or conversion from existing systems, and integration with customer systems such as Enterprise Resource Planning (ERP), web- and mobile-based commerce platforms, and Material Handling Equipment (MHE) systems. At times, third-party consultants, such as those from major systems integrators, assist our customers with certain implementations.

**Customer Support Services and Software Enhancements**

We offer a comprehensive program that provides our customers with software upgrades for additional or improved functionality, and technological advances incorporating emerging supply chain and industry initiatives. Over the past three years, our annual renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. We are able to remotely access customer systems to perform diagnostics, provide on-line assistance, and facilitate software upgrades. We offer 24 hour customer support every day of the year, plus software upgrades for an annual fee that is paid in advance and is based on the solutions the customer has and the service level required. Software upgrades are provided under this program on a when-and-if- available basis.

**Training**

We offer training in a structured environment for new and existing users. Training programs are provided at fixed fees per-person, per-class, and cover topics such as (but not limited to) solution use, configuration, implementation and system administration. Several computer-based training programs can be purchased for a fixed fee for use at client sites.

**Hardware Sales**

Along with software licenses, and as a convenience for our customers, we sell a variety of hardware developed and manufactured by others, including (but are not limited to) computer hardware, radio frequency terminal networks, RFID chip readers, bar code printers and scanners, and other peripherals. We sell all hardware pursuant to agreements with manufacturers or through distributor-authorized reseller agreements. These agreements entitle us to purchase hardware at discount prices, and to receive technical support during product installations and in the event of any subsequent product malfunctions. We do not maintain hardware inventory as we generally purchase hardware from vendors only after receiving related customer orders.

**Table of Contents****Strategy**

Our objective is to extend our position as the best global supply chain solutions provider for supply chain leaders, meaning organizations intent on creating and sustaining market advantages by leveraging supply chain solutions. Our solutions help global distributors, wholesalers, retailers, logistics providers and manufacturer successfully manage accelerating and fluctuating market demands, as well as master the increasing complexity and volatility of their local and global supply chains. We believe our solutions are advanced, highly functional and highly scalable. They are designed to enable organizations to: create customer experiences consistent with their brand values; improve relationships with suppliers, customers and logistics providers; leverage investments across supply chain functions; effectively manage costs; and meet dynamically changing customer requirements. We believe our solutions are uniquely positioned to holistically optimize supply chains from planning through execution, and that customers can leverage this holistic approach to create operational and market advantages. Strategies to accomplish our objectives include (but are not limited to) the following:

*Develop and Enhance Software Solutions.* We intend to continue to focus our research and development resources on enhancing our supply chain solutions. We offer what we believe to be the broadest and most richly-featured software portfolio in the supply chain solutions marketplace. To continuously expand functionality and value, we plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify these opportunities through our Product Management, Professional Services, Customer Support and Account Management organizations, through interactions such as ongoing customer consulting engagements and implementations; sessions with our solution user groups; association with leading industry analyst and market research firms; and participation on industry standards and research committees. Our solutions address needs in various vertical markets, including retail, consumer goods, food and grocery, logistics service providers, industrial and wholesale, high technology and electronics, life sciences and government. We intend to continue to enhance our solutions to meet the dynamic requirements of these and new vertical markets as business opportunities dictate.

*Expand International Presence.* We believe that our solutions offer significant benefits to customers in markets outside the United States, and for organizations with global operations. Approximately 980 out of a total of approximately 1,925 Manhattan employees work outside the United States to build international sales, service our international clients, and further develop our solutions. We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, the Middle East, South Africa and Asia. Our Europe, Middle East, and Africa (EMEA) operations support sales, implementation services and customer support functions for customers in Europe as well as a number of customers across the Middle East, concentrated in countries we consider politically and economically stable, such as Saudi Arabia, United Arab Emirates, Kuwait, Turkey, Israel, Jordan, and Oman. Our Asia Pacific (APAC) operations service emerging opportunities in China, Southeast Asia and India, as well as more established markets in Australia and New Zealand. Our international strategy includes leveraging the strength of our relationships with current U.S.-based customers that also have significant overseas operations, and pursuing strategic marketing partnerships with international systems integrators and third-party solution providers.

*Expand Our Strategic Alliances and Indirect Sales Channels.* We currently sell our products primarily through our direct sales personnel, and through partnership agreements with a select number of organizations in emerging markets where we do not currently have a direct sales presence. We have worked on joint projects and joint sales initiatives with industry-leading consultants and software systems implementers, including most of the large consulting firms and other systems consulting firms specializing in our targeted industries, to supplement our direct sales force and professional services organization. We have been expanding our indirect sales channels through reseller agreements, marketing agreements, and agreements with third-party logistics providers. These alliances extend our market coverage and provide us with new business leads and access to trained implementation personnel.

*Acquire or Invest in Complementary Businesses.* We continuously evaluate strategic acquisition opportunities of technologies, solutions and businesses that are consistent with our platform-based strategy and enable us to enhance and expand our supply chain planning and execution solutions and service offerings. Preferred acquisition targets are those that would: be complementary to our existing solutions and technologies; expand our geographic presence and



distribution channels; extend our presence into additional vertical markets with challenges and requirements similar to those we currently serve; and further solidify our leadership position within the primary components of supply chain planning and execution.

**Sales and Marketing**

We employ multi-disciplinary sales teams that consist of professionals with industry experience in sales and technical sales support. To date, we have generated the majority of our revenue from software sales through our direct sales force. We plan to continue to invest in our sales, services and marketing organizations within the United States, EMEA, and APAC, and to pursue strategic marketing partnerships. We conduct comprehensive global marketing programs that include prospect profiling and targeting, lead generation, public relations, analyst relations, trade show attendance and sponsorships, supply chain conference hosting, online marketing, joint promotion programs with vendors and consultants, and ongoing customer communication programs.

Our sales cycle typically begins with the generation of a sales lead through in-house telemarketing efforts, targeted promotions, web inquiries, trade show presence, speaking engagements, hosted seminars, or other means of referral or the receipt of a request for proposal from a prospective customer. Leads are qualified and opportunities are closed through a process that includes telephone-based assessments of requirements; responses to requests for proposals; presentations and product demonstrations; site visits and/or reference calls with organizations already using our supply chain solutions; and contract negotiations. Sales cycles vary substantially from opportunity to opportunity, but typically require six to twelve months.

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In addition to new customer sales, we plan to continue to leverage our existing customer base to drive revenue from system upgrades, sales of additional licenses of purchased solutions, and sales of new or add-on solutions. To efficiently penetrate emerging global markets, we leverage indirect sales channels, including sales through reseller agreements, marketing agreements and agreements with third-party logistics providers. To extend our market coverage, generate new business leads and provide access to trained implementation personnel, we leverage strategic alliances with systems integrators skilled at implementing our solutions. Business referrals and leads are positively influenced by systems integrators, which include most of the large consulting firms and other systems consulting firms specializing in our targeted industries.

Our Manhattan Value Partner (Manhattan MVP ) and Manhattan GeoPartner programs foster joint sales and marketing with other organizations. Manhattan Value Partners are proven software and hardware providers, trusted third-party integrators and consultants who bring added value to customer engagements through vertical industry knowledge or technical specialization. Manhattan MVPs support and complement our supply chain solutions so we can provide customers with a comprehensive approach that is suited to their business requirements. This collaborative program is designed to benefit both Manhattan and our partners through tailored joint marketing, sales and, in some cases, co-development efforts. Among others, Manhattan MVPs include Accenture, Deloitte, IBM, Microsoft and Motorola. Manhattan GeoPartners represent a select group of companies that sell and implement our solutions in specific geographies around the world, each providing valuable localized expertise to meet customer needs in areas such as Western Europe, Eastern Europe, Russia, the Middle East, Latin America, Africa and the Asia Pacific region.

**Customers**

To date, our customers have been suppliers, manufacturers, distributors, retailers and logistics providers in a variety of industries. The following table sets forth a representative list of customers that contracted to purchase solutions and services from us in 2010.

3 Suisses International  
 A.N. Deringer, Inc.  
 AAA Cooper Transportation, Inc.  
 adidas AG  
 Aluminium Specialities Group  
 APL Co.  
 Archbrook Laguna  
 Associated Hygienic Products LLC  
 Avon Products, Inc.  
 Axstores AB  
 Baoxiniao Group Co.  
 Baylor Trucking, Inc.  
 Beijing Pacific Logistics Co.  
 Benjamin Moore & Co.  
 Bodega Latina Corporation  
 BodyBuilding.com, LLC  
 Bon Preu SAU  
 Brown Shoe Company, Inc.  
 Bulova Corporation  
 Bus Company  
 C&J Clark America, Inc  
 Catering Engros A/S  
 CEVA Logistics U.S., Inc.  
 Challenger Motor Freight, Inc.  
 Chanel (Australia) Pty Ltd  
 Chanel (China) Co.  
 Chico's Retail Services, Inc.

Converse, Inc.  
Cornerstone Brands, Inc.  
Costa s PTY  
Costa s PTY Limited  
Cotton on Group Services  
Deli XL B.V.  
Devanlay SA  
Devil-Dog Mfg. Co.  
DHL Supply Chain Asia Pacific  
Dick s Sporting Goods, Inc.  
DSW, Inc.  
Dubois Chemicals, Inc.  
Epes Carriers, Inc.  
ERC  
Excell Home Fashions Inc.  
EXE c&t Co.  
Exel, Inc.  
Factory Motor Parts  
Fantastic Holdings Limited  
Fasteners for Retail  
Fitness Quest  
Five Below, Inc.  
Gordon Trucking, Inc.  
Guangdong Xin Yang Logistics Equipment  
Guangzhou Fengshen Logistics Co.  
Guitar Center  
H.J. Heinz Company LP  
Hawaii Food Service Alliance LLC  
Hawaii Transfer Co.  
HVHC, Inc.  
IFC Global Logistics  
Innotrac Corporation  
Itochu Logistics China Co.  
Jasco Products Company LLC  
Jefferson Smurfit Corporation  
Kane Warehousing, Inc.  
Kawasaki-Rikuso Transportation Co.  
Keppel Logistics Pte. Ltd.  
Lam Soon Edible Oils  
Lamps Plus, Inc.  
Lenox Corporation  
Leroy Merlin France SA  
Limited Brands, Inc.  
McKesson Corporation  
Mitsubishi Fuso Truck  
Mitsubishi Motors  
Morris & Dickson Co.  
MTD Products, Inc.  
Mulberry Group  
Nature s Best  
Northern Safety Co. Inc.

Oatey Co.  
Olympus Corporation of the Americas  
O Reilly Automotive, Inc.  
Osotspa Co.  
Panalpina Management AG  
Panther Expedited Services, Inc.  
Performance Team Freight Systems, Inc.  
Petra Trading & Investment Company  
Petro LLC  
PETSMART, Inc.  
Phillips-Van Heusen Corporation  
Pickwick SAS  
Prime Success International Group  
Promate Electronic  
PT Multitrend Indo  
Qingdao Haier Logistics Co.  
Red Diamond, Inc.  
RGH Enterprises, Inc.  
Rocky Brands, Inc.  
Sanitex  
SFI Food Sdn Bhd  
Shanghai KW Logistics Co.  
Shanghai Shenda Logistics Co.  
Sigma Aldrich  
Southern Wine & Spirits of America, Inc.  
Speed Transportation  
Super Cheap Auto  
Syms Corporation  
The C.D. Hartnett Company  
The Chamberlain Group, Inc.  
The Harvard Drug Group LLC  
Tory Burch  
Total Sweeteners, Inc.  
Uhrenholt  
Union Underwear Company, Inc.  
Unipart Logistics Limited  
United Natural Foods, Inc.  
Vera Bradley Designs  
VF Services, Inc.  
VIP Shop  
Wakefern Food Corporation  
Wirtz Corporation  
Yankee Candle Company, Inc.  
YiFeng Super Drugstore

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Our top five customers in aggregate accounted for 10% of total revenue for the years ended December 31, 2010 and 11% of total revenue for each of the years ended December 31, 2009 and 2008, respectively. No single customer accounted for more than 10% of our total revenue in 2010, 2009 or 2008.

**Product Development**

We focus our development efforts on adding new functionality to existing solutions; integrating our various solution offerings; enhancing the operability of our solutions across our Supply Chain Process Platform and across distributed and alternative hardware platforms, operating systems and database systems; and developing new solutions. We believe that our future success depends, in part, on our ability to continue to enhance existing solutions, to respond to dynamically changing customer requirements, and to develop new or enhanced solutions that incorporate new technological developments and emerging supply chain and industry standards. To that end, development frequently focuses on base system enhancements and incorporating new user requirements and features into our solutions. As a result, we deliver packaged, highly configurable solutions with increasingly rich functionality rather than custom-developed software. We also deliver interface toolkits for many major ERP systems to enhance communication and improve data flows between our core solutions and our clients' host systems.

We leverage internal and external scientific advisors to inform our solution strategies and research and development approaches with the most advanced thinking on supply chain opportunities, challenges and technologies. Our internal research team is comprised of Ph.D.-credentialed math and science experts who work on creating and solving algorithms and other constructs that advance the optimization capabilities and other aspects of our solutions. Our external Science Advisory Board unites the thinking of experts from leading educational institutions known for their supply chain disciplines, and practitioners from organizations deploying supply chain technology in innovative and market-advancing ways. Together, our Research Team and Science Advisory Board inform both the practical business approaches and the mathematical and scientific inventiveness of our solutions.

We conduct most development internally in order to retain development knowledge and promote programming standards continuity. However, we may periodically outsource some projects that can be performed separately and/or that require special skills. We also use third-party research and development companies to localize our products into Chinese, French, Japanese, and Spanish. Since 2002 we have operated a development center in Bangalore, India, which houses approximately 440 research and development professionals.

Our research and development expenses for the years ended December 31, 2010, 2009 and 2008 were \$40.5 million, \$36.7 million and \$48.4 million, respectively. We intend to continue to invest significantly in product development.

**Competition**

Our solutions are solely focused on the supply chain planning and execution markets, which have been consolidating rapidly, are intensely competitive, and are characterized by rapid technological change. The principal competitive factors affecting the markets for our solutions include: industry expertise; company and solution reputation; company viability; compliance with industry standards; solution architecture; solution functionality and features; integration experience, particularly with ERP providers and material handling equipment providers; ease and speed of implementation; proven return on investment; historical and current solution quality and performance; total cost of ownership; solution price; and ongoing solution support structure. We believe that we compete favorably with respect to each of these factors.

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Our competitors are diverse and offer a variety of solutions directed at various aspects of the supply chain, as well as at the enterprise as a whole. Our existing competitors include:

Corporate information technology departments of current or potential customers capable of internally developing solutions;

Enterprise Resource Planning (ERP) vendors, including Oracle, SAP, and Infor, among others;

Supply chain execution vendors, including RedPrairie Holding, Inc., HighJump Software Inc., and CDC Software Corporation, among others;

Supply chain planning vendors, including JDA Software Group, Inc., and SAS Institute Inc., among others; and

Smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or supply chain planning solutions that apply in specific countries and/or globally.

We anticipate facing increased competition from ERP and Supply Chain Management (SCM) applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. Compared with us, some of these ERP and SCM companies and other potential competitors have longer operating histories; significantly more financial, technical, marketing and other resources; greater name recognition; broader solutions; and larger installed bases of customers. To the extent that ERP and SCM vendors or other large competitors develop or acquire systems with functionality comparable or superior to ours, their larger customer bases, long-standing customer relationships, and ability to offer broader solutions outside the scope of supply chain could create significant competitive advantage for them. It also is possible that new competitors or alliances among current and/or new competitors could emerge to win significant market share. Increased competition could result in price reductions, fewer customer orders, reduced earnings and margins and loss of market share. In turn, this could have a material adverse effect on our business, results of operations, cash flow, and financial condition.

We believe we have established meaningful competitive advantages and have built barriers to market entry through our supply chain expertise; our platform-based solution approach; our track record of continuous supply chain innovation and investment; our strong and endorsing customer relationships; our significant success in deploying and supporting supply chains for market-leading companies; and our ability to out-execute others in identifying sales opportunities and demonstrating expertise throughout the sales cycle. However, to further our market success, we must continue to respond promptly and effectively to technological change and competitors' innovations.

Consequently, we cannot assure that we will not be required to make substantial additional investments in 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.

### **International Operations: Segments**

We have three reporting segments, based on geographic location: the Americas; Europe, Middle East and Africa ( EMEA ); and Asia Pacific ( APAC ). For further information on our segments, see Note 8 to our consolidated financial statements. Our international revenue was approximately \$80.7 million, \$58.0 million and \$81.5 million for the years ended December 31, 2010, 2009 and 2008, respectively, which represents approximately 27%, 24% and 24% of our total revenue for the years ended December 31, 2010, 2009 and 2008, respectively. International revenue includes all revenue derived from sales to customers outside the United States. We now have approximately 980 employees outside the United States.

### **Proprietary Rights**

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have registered trademarks for Manhattan Associates and the Manhattan Associates logo, as well as Manhattan SCOPE,

SCOPE, Manhattan MORE and a number of solutions and features. We also have trademark applications submitted for Zero Disappointment Retail. We generally enter into confidentiality and assignment-of-rights agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license our solutions to our customers and restrict the customer's use for internal purposes and do not give customers the right to sublicense the solutions. However, we believe that this provides us only limited protection. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot ensure that we will successfully deter misappropriation or independent third-party development of our technology, or that we can prevent an unauthorized third party from copying or obtaining and using our products or technology. In addition, policing unauthorized use of our solutions is difficult, and while we are unable to determine the extent to which piracy of our software solutions exists, as is the case with any software company, piracy could become a problem.

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As the number of supply chain management solutions increases and solution functionality continues to overlap, 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 litigation outcome. 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 we take in this regard will adequately deter misappropriation or independent third party development of our technology, or effectively 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**

At December 31, 2010, we employed approximately 1,925 employees worldwide, of which approximately 950 employees are based in the Americas, approximately 140 employees in EMEA, and approximately 835 employees in APAC and India. Our distribution by function: approximately 150 in sales and marketing, 990 in services, 625 in research and development ( R&D ) and 160 in general and administration.

### **Available Information**

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the SEC or the Commission ). These materials can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may also be obtained by mail at prescribed rates from the SEC's Public Reference Room at the above address. Information about the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. On our website, [www.manh.com](http://www.manh.com), we provide free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments thereto, as soon as reasonably practicable after they have been electronically filed or furnished to the SEC. Information contained on our website is not part of this Form 10-K or our other filings with the SEC.

Additionally, our code of business conduct and ethics and the charters of the Audit, Compensation and Nomination and Governance Committees of the Board of Directors are available on our website.

### **Item 1A. Risk Factors**

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

#### **Our performance can be negatively impacted by global macroeconomic or other external influences which could have a material adverse effect on our business, results of operations, cash flow and financial condition.**

We are a technology company selling technology-based solutions with total pricing, including software and services, in many cases, exceeding \$1.0 million. Reductions in the capital budgets of our customers and prospective customers could have an adverse impact on our ability to sell our solutions. We believe that concerns over the slow economic recovery within the United States and/or other geographic regions in which we operate, continued delays in capital spending, or the timing of deals closed could have a material adverse impact on our business and our ability to compete, and is likely to further intensify in our already intensely competitive markets.





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**Disruptions in the financial and credit markets and economic downturns may adversely affect our business, results of operations, cash flow and financial condition.** Demand for our products depends in large part upon the level of capital and maintenance expenditures by many of our customers. Decreased capital and maintenance spending could have a material adverse effect on the demand for our products and our business, results of operations and financial condition. Disruptions in the financial markets, including the bankruptcy or restructuring of certain financial institutions, such as the events that began in the second half of 2008 from which the financial markets are now slowly recovering, may adversely impact the availability of credit already arranged and the availability and cost of credit in the future, which could result in the delay or cancellation of projects or capital programs on which our business depends.

In addition, continuing weakness or further deterioration in regional economies or the world economy could negatively impact the capital and maintenance expenditures of our customers and end users. There can be no assurance that government responses to the disruptions in the financial markets or to weakening economies will restore confidence, stabilize markets or increase liquidity and the availability of credit. These conditions may reduce the willingness or ability of our customers and prospective customers to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.

**We may not be able to continue to successfully compete 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. Our current competitors come from many segments of the software industry and offer a variety of solutions directed at various aspects of the extended supply chain, as well as the enterprise as a whole. We face competition for product sales from:

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

- Enterprise Resource Planning (ERP) vendors, including Oracle, SAP, and Infor, among others;

- supply chain execution vendors, including RedPrairie Holding, Inc., HighJump Software Inc., and CDC Software Corporation, among others;

- supply chain planning vendors, including JDA Software Group, Inc., and SAS Institute Inc., among others; and

- smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or supply chain planning solutions that competes with our Supply Chain Solutions.

We anticipate facing increased competition from ERP and Supply Chain Management (SCM) applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. Compared with us, some of these ERP and SCM companies and other potential competitors have longer operating histories; significantly more financial, technical, marketing and other resources; greater name recognition; broader solutions; and larger installed bases of customers. To the extent that ERP and SCM vendors or other large competitors develop or acquire systems with functionality comparable or superior to ours, their larger customer bases, long-standing customer relationships, and ability to offer broader solutions outside the scope of supply chain could create significant competitive advantage for them. It also is possible that new competitors or alliances among current and/or new competitors could emerge to win significant market share. Increased competition could result in price reductions, fewer customer orders, reduced earnings and margins and loss of market share. In turn, this could have a material adverse effect on our business, results of operations, cash flow, and financial condition.

We believe that the domain expertise required to continually innovate targeted supply chain technology, effectively and efficiently implement solutions, identify and attract sales opportunities, and compete successfully in the sales cycle provides us with a competitive advantage and is a significant barrier to market entry. However, in order to be

successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations, and consequently 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. Some of our competitors have significant resources at their disposal, and the degree to which we will compete with these new products in the marketplace is still undetermined.

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

**Our operating results are difficult to predict and could cause our stock price to fall.** Our quarterly revenue and operating results are difficult to predict and can 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: global macro-economic disruptions, credit and equity market disruptions which can significantly impact capital availability and spend timing, the varying sales cycle for our products and services from customer to customer, including multiple levels of authorization required by some customers; the varying demand for our products; customers' budgeting and purchasing cycles; potential deferral of license revenue well after entering into a license agreement due to extended payment terms, significant software modifications, future software functionality deliverables or other negotiated terms that preclude software revenue recognition under U.S. general accepted accounting principles; delays in our implementations at customer sites; timing of hiring new services employees and the rate at which these employees become productive; timing of introduction of new products; 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. Historical growth rates may not be a good indicator of future operating results. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

**Our future revenue is dependent upon continuing license sales which in turn drives sales of post-contract support and professional services.** We are dependent on our new customers as well as our large installed customer base to purchase additional software licenses, post-contract support and professional services from us. Our post-contract support agreements are generally for a one-year term and our professional services agreements generally only cover a particular engagement. In future periods customers may not license additional products, and in turn may not renew post-contract support agreements or purchase additional professional services from us. If our customers decide not to license or purchase these products and services from us, or if they reduce the scope of their post-contract support or hosting or professional services agreements, our revenue could decrease, significantly having a material adverse effect on our business, results of operations, cash flow and financial condition.

In addition, many of our customers are using older versions of our products for which we are no longer developing any further upgrades or enhancements. While we intend to migrate our customers who are using these versions to newer versions or products, there can be no assurance that these customers will do so. If customers using older versions of our products decide not to license our current software products, or decide to discontinue the use of our products and associated post-contract support services, our revenue could decrease and our operating results could be

materially adversely affected.

**We encounter long sales cycles, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue, adversely affecting our business, results of operations, cash flow and financial condition.** Our products have lengthy sales cycles, which typically extend from six to twelve months and may take up to several years. Potential and existing customers, particularly larger enterprise customers, often commit significant resources to an evaluation of available solutions and services and require us to expend substantial time and resources in connection with our sales efforts. The length of our sales cycles also varies depending on the type of customer to which we are selling, the product being sold and customer requirements. We may incur substantial sales and marketing expenses and expend significant management effort during this time, regardless of whether we make a sale. Many of the key risks relating to sales processes are beyond our control, including: our customers' budgetary and scheduling constraints; the timing of our customers' budget cycles and approval processes; our customers' willingness to replace their currently deployed software solutions; and general economic conditions.

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As a result of these lengthy and uncertain sales cycles of our products and services, it is difficult for us to predict when customers may purchase products or services from us, thereby affecting when we can recognize the associated revenue, and our operating results may vary significantly and may be adversely affected. The length of our sales cycle makes us susceptible to having pending transactions delayed or terminated by our customers if they decide to delay or withdraw funding for IT projects. Our customers may decide to delay or withdraw funding for IT projects for various reasons, including, but not limited to, global economic cycles and capital market fluctuations.

**Delays in implementations of our products could adversely impact us.** Due to the size of most of our software implementations, our implementation cycle can be lengthy and may result in delays. Our products may require modification or customization and must integrate with many existing computer systems and software programs of our customers. This can be time-consuming and expensive for customers and can result in implementation and deployment delays of our products. 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 limit our future sales opportunities, impact revenue and harm our reputation.

**Our pricing models may need to be modified due to price competition.** The competitive markets in which we operate may oblige us to reduce our prices in order to contend with the pricing models of our competitors. If our competitors discount certain products or services, we may choose to lower prices on certain products or services in order to attract or retain customers. Any such price modifications would likely reduce margins and could adversely affect our business, results of operations, cash flow and financial condition.

**Our ability to license our software is highly dependent on the quality of our services offerings, and our failure to offer high quality services could adversely affect our software licensing revenue and results of operations.** Most of our customers rely to some extent on our professional services to aid in the implementation of our software solutions. Once our software has been installed and deployed, our customers may depend on us to provide them with ongoing support and resolution of issues relating to our software. Therefore, a high level of service is critical for the continued marketing and sale of our solutions. If we or our partners do not efficiently and effectively install and deploy our software products, or succeed in helping our customers quickly resolve post-deployment issues, our ability to sell software products to these customers would be adversely affected and our reputation in the marketplace and with potential customers could suffer. In turn, our business, results of operations, cash flow and financial condition could be materially adversely affected.

**Our failure to manage the growth of our operations may adversely affect our business, results of operations, cash flow and financial condition.** We plan to continue to increase the scope of our operations domestically and internationally. This growth may place a significant strain on our management systems and resources. 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; develop the management skills of our managers and supervisors; attract, retain, train and motivate our employees; improve our operational, financial and management controls; improve our reporting systems and procedures; and enhance management and information control systems.

**Our international operations have many associated risks.** We continue to strategically manage our presence in international markets, 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 our business in these markets at the same rate as in North America. Because of these inherent complexities and challenges, it could adversely affect our business, results of operations, cash flow and financial condition. We have international offices in Europe: United Kingdom, Netherlands and France and in Asia: China, Japan, Singapore and Australia. Our expansion into international markets largely began in 2002. Prior to 2002, our international presence was in the United Kingdom and the Netherlands. We have committed resources to establishing and maintaining the international sales offices and the expansion of international sales and support channels in key international markets. Our efforts to develop and expand international sales and support channels may not be successful. International sales are subject to many risks and difficulties, including those arising from the following: building and maintaining a competitive presence in new markets; staffing and managing foreign operations; managing

international systems integrators; complying with a variety of foreign laws; producing localized versions of our products; import and export restrictions and tariffs; enforcing contracts and collecting accounts receivable; unexpected changes in regulatory requirements; reduced protection for intellectual property rights in some countries; potential adverse tax treatment; less stringent adherence to ethical and legal standards by prospective customers in some countries; language and cultural barriers; currency fluctuations; political and economic instability abroad; and seasonal fluctuations may arise from the lower sales that typically occur during the summer months in Europe and other parts of the world.

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**Our operating results may include foreign currency gains and losses.** Due to our international operations, we conduct a portion of our business in currencies other than the United States dollar. Our revenues, expenses, operating profit and net income are affected when the dollar weakens or strengthens in relation to other currencies. In addition, we have a large development center in Bangalore, India that does not have a natural in market revenue hedge to mitigate currency risk to our operating expense in India. Fluctuations in the value of other currencies, particularly the Indian rupee on expenses, could significantly affect our revenues, expenses, operating profit and net income.

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

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

**Our research and development activities may not generate significant returns.** Developing our products and software is costly, and recovering our investment in product development may take a lengthy amount of time, if it occurs at all. We anticipate continuing to make significant investments in software research and development and related product opportunities because we believe that we must continue to allocate a significant amount of resources to our research and development activities in order to compete successfully. We cannot estimate with any certainty when we will, if ever, receive significant revenues from these investments.

**Our liability to clients may be substantial if our systems fail.** Our products are often critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Defending a lawsuit, regardless of its merit, could be costly and divert management's time and attention. 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, results of operations, cash flow and financial condition could be adversely affected.

**We incorporate third-party software in our solutions, the failure or unavailability of which could adversely affect our ability to sell, support and service our products.** We incorporate and include third-party software into and with certain of our products and solutions and expect to continue to do so. The operation of our products could be impaired if errors occur in the third-party software that we use. It may be more difficult for us to correct any defects in third-party software because the development and maintenance of the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software.





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In addition, there can be no assurance that these third parties will continue to make their software available to us on acceptable terms, or at all; not make their products available to our competitors on more favorable terms; invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software; or remain in business. Any impairment in our relationship with these third parties or our ability to license or otherwise use their software could have a material adverse effect on our business, results of operations, cash flow and financial condition.

**The use of open source software in our products may expose us to additional risks and harm our intellectual property.** Some of our products use or incorporate software that is subject to one or more open source licenses. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on unfavorable terms or at no cost. This can subject previously proprietary software to open source license terms.

While we monitor the use of all open source software in our products, processes and technology and try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product or solution, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third party for our products and solutions, we could, under certain circumstances, be required to disclose the source code to our products and solutions. This could harm our intellectual property position and have a material adverse effect on our business, results of operations, cash flow and financial condition.

**If we are unable to develop software applications that interoperate with computing platforms developed by others, our business, results of operations, cash flow and financial condition may be adversely affected.** We develop software applications that interoperate with operating systems, database platforms and hardware devices developed by others, which we refer to collectively as computing platforms. If the developers of these computing platforms do not cooperate with us or we are unable to devote the necessary resources so that our applications interoperate with those computing platforms, our software development efforts may be delayed and our business and results of operations may be adversely affected. When new or updated versions of these computing platforms are introduced, it is often necessary for us to develop updated versions of our software applications so that they interoperate properly with these computing platforms. We may not accomplish these development efforts quickly or cost-effectively, and it is difficult to predict what the relative growth rates of adoption of these computing platforms will be. These development efforts require substantial investment, the devotion of substantial employee resources and the cooperation of the developers of the computing platforms. For some computing platforms, we must obtain some proprietary application program interfaces from the owner in order to develop software applications that interoperate with the computing platforms. Computing platform providers have no obligation to assist in these development efforts. If they do not provide us with assistance or the necessary proprietary application program interfaces on a timely basis, we may experience delays or be unable to expand our software applications into other areas.

The computing platforms we use may not continue to be available to us on commercially reasonable terms. Any loss of the right to use any of these systems could result in delays in the provision of our products and services and our results of operations may be adversely affected. Defects in computing platforms could result in errors or a failure of our products which could harm our business.

**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 could cause substantial harm to our reputation, result in additional unplanned expenses to remedy any defects, delay the introduction of new products, result in the loss of existing or potential customers and/or cause a loss in revenue. Further, such errors could subject us to claims from our customers for significant damages, and we cannot assure you that courts would enforce the provisions in our customer agreements that limit our liability for damages. In turn, our business, results of operations, cash flow and financial condition could be materially

adversely affected.

**Our business may require additional capital.** We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements may be impacted by many factors, including: demand for our products; the timing of and extent to which we invest in new technology; the timing of and extent to which we acquire other companies; the level and timing of revenue; the expenses of sales and marketing and new product development; the success and related expense of increasing our brand awareness; the cost of facilities to accommodate a growing workforce; the extent to which competitors are successful in developing new products and increasing their market share; and the costs involved in maintaining and enforcing intellectual property rights.

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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. In addition, since we have historically financed our growth through cash flow from operations and available cash, our relative inexperience in accessing the credit or capital markets may impair our ability to do so if the need arises. Our inability to raise capital when needed could have a material adverse effect on our business, results of operations, cash flow and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our company held by our current shareholders would be diluted.

**Our inability to attract, integrate and retain management and other personnel may adversely affect us.** Our success greatly depends on the continued service of our executives, as well as our other key senior management, technical and sales personnel. Our success will depend on the ability of our executive officers to work together as a team. The loss of any of our senior management or other key professional services, research and development, sales and marketing personnel particularly if they are 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, and thus we may encounter increased compensation costs that are not offset by increased revenue. We cannot assure you that we will be able to attract and retain sufficient numbers of these highly skilled employees or to motivate them. Because of the complexity of the SCM market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

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

**Our employee retention and hiring may be hindered by immigration restrictions.** Foreign nationals who are not U.S. citizens or permanent residents constitute a significant part of our professional U.S. workforce. Our ability to hire and retain these workers, and their ability to remain and work in the U.S. are impacted by laws and regulations as well as by processing procedures of various government agencies. Changes in laws, regulations or procedures may adversely affect our ability to hire or retain such workers and may affect our costs of doing business and/or our ability to deliver services.

**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, licensing arrangements, and contractual commitments, 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.

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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. In turn, our business, results of operations, cash flow and financial condition could be materially adversely affected.

**Our liability for intellectual property claims can be costly and result in the loss of significant rights.** It is possible that third parties will claim that we have infringed their current or future products. We expect that SCM software developers like us will increasingly be subject to infringement claims as the number of products grows. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require us to pay monetary damages or 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 also may be required to indemnify our customers for damages they suffer as a result of such infringement. We cannot assure you that legal action claiming patent infringement will not be commenced against us, or that we would prevail in litigation given the complex technical issues and inherent uncertainties in patent litigation. If a patent claim against us was successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non-infringing software. Any of these events could seriously harm our business, results of operations, cash flow and financial condition.

**Mergers or other strategic transactions involving our competitors could weaken our competitive position or reduce our revenue.** Our competitors have been consolidating, which may make them more formidable competitors to us. Competing with stronger companies may cause us to experience pricing pressure and loss of market share, either of which could have a material adverse effect on our business, results of operations, cash flow and financial condition. Our competitors may establish or strengthen their cooperative relationships with vendors, systems integrators, third-party consulting firms or other parties. Established companies may not only develop their own products but may also acquire or partner with our current competitors. If any of these events occur, our revenue and profitability could significantly decline.

**Our business, results of operations, cash flow and financial condition may be adversely affected if we cannot integrate acquired companies or manage joint ventures.** We may from time to time acquire companies with complementary products and services. These acquisitions will expose us to increased risks and costs, including those arising from the following: assimilating new operations and personnel; diverting financial and management resources from existing operations; and integrating acquired technologies. We may not be able to generate sufficient revenue from any of these acquisitions to offset the associated acquisition costs.

We will also be required to maintain uniform standards of quality and service, controls, procedures and policies. Our failure to achieve any of these standards may hurt relationships with customers, employees and new management personnel. In addition, future acquisitions may result in additional issuances of stock that could be dilutive to our shareholders.

Many acquisition candidates have significant intangible assets, and an acquisition of these businesses would likely result in significant amounts of goodwill and other intangible assets. Goodwill and certain other intangible assets are not amortized to income, but are subject to at least annual impairment reviews. If the acquisitions do not perform as planned, future charges to income arising from such impairment reviews could be significant. Likewise, future quarterly and annual earnings could be significantly adversely affected. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges.

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.

**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: global macro-economic contraction impacting demand for SCM solutions; 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; changes in financial estimates by securities analysts; and mergers, acquisitions and combinations involving our competitors or us.

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

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

**Item 1B. *Unresolved Staff Comments***

As of December 31, 2010, we do not have any unresolved SEC staff comments.

**Item 2. *Properties***

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 184,000 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through September 30, 2018. We have additional offices under multi-year agreements in Indiana. We also occupy facilities outside of the United States under multi-year agreements in the United Kingdom, the Netherlands, France, China, Japan, Singapore, India and Australia. We also occupy offices under short-term agreements in other geographical regions. We believe our office space is adequate to meet our immediate needs; however, we may expand into additional facilities in the future.

**Item 3. *Legal Proceedings***

From time to time, we are party to various legal proceedings arising in the ordinary course of business. The Company is not currently a party to any other legal proceeding the result of which it believes could have a material adverse impact upon its business, financial position or results of operations.

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.



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

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

| <b>Fiscal Period</b> | <b>High Price</b> | <b>Low Price</b> |
|----------------------|-------------------|------------------|
| <b>2010</b>          |                   |                  |
| First Quarter        | \$ 27.46          | \$ 20.97         |
| Second Quarter       | 30.92             | 25.59            |
| Third Quarter        | 29.72             | 25.23            |
| Fourth Quarter       | 31.99             | 28.56            |
| <b>2009</b>          |                   |                  |
| First Quarter        | \$ 17.32          | \$ 13.98         |
| Second Quarter       | 19.18             | 14.21            |
| Third Quarter        | 20.42             | 15.42            |
| Fourth Quarter       | 24.88             | 19.83            |

On February 16, 2011, the last reported sales price of our common stock on the Nasdaq Global Select Market was \$31.30 per share. The number of shareholders of record of our common stock as of February 16, 2011 was approximately 25.

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 for investment in our business.

**Equity Compensation Plan Information**

The following table provides information regarding our current equity compensation plans as of December 31, 2010:

| <b>Plan Category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options and rights</b> | <b>Weighted-average exercise price of outstanding options and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans</b> |
|--|--|--|---|
| Equity compensation plans approved by security holders     | 4,504,408  | \$ 21.39   | 1,594,226   |
| Equity compensation plans not approved by security holders |  |  |   |
| Total  | 4,504,408  | \$ 21.39   | 1,594,226   |

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

**Table of Contents****Purchase of Equity Securities**

The following table provides information regarding our common stock repurchases under our publicly-announced repurchase program and shares withheld for taxes due upon vesting of restricted stock for the quarter ended December 31, 2010. All repurchases related to the repurchase program were made on the open market.

| Period                         | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid per Share <sup>(b)</sup> | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|---|---|--|--|
| October 1 - October 31, 2010   | 92,182  | \$ 30.22                                    | 89,071   | \$ 22,305,089  |
| November 1 - November 30, 2010 | 494,215   | 30.89                                       | 494,150  | 7,038,567  |
| December 1 - December 31, 2010 | 97,513  | 31.66                                       | 96,701   | 3,977,024  |
| Total                          | 683,910   | \$ 30.91                                    | 679,922  | \$ 3,977,024   |

(a) Includes 3,111 shares, 65 shares and 812 shares withheld for taxes due upon vesting of restricted stock during October, November and December, respectively.

(b) The average price paid per share for shares withheld for taxes due upon vesting of restricted stock was \$29.13, \$30.81 and \$31.64 in October, November and December, respectively.

During the year ended December 31, 2010, we repurchased a total of 2,716,621 shares at an average price per share of \$28.15 under our publicly-announced buy-back program. In January 2011, our Board of Directors approved raising our remaining share repurchase authority from \$4.0 million to \$50.0 million of Manhattan Associates outstanding common stock.

**Item 6. Selected Financial Data**

You should read the following selected consolidated financial data in conjunction with our Consolidated Financial Statements and related Notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2010, 2009 and 2008, and the balance sheet data as of December 31, 2010 and 2009, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2007 and 2006 and the balance sheet data as of December 31, 2008, 2007, and 2006 are derived from audited financial statements not included herein. Historical results are not necessarily indicative of results to be expected in the future.

|                                  | Year Ended December 31,               |            |            |            |            |
|----------------------------------|---------------------------------------|------------|------------|------------|------------|
|                                  | 2006                                  | 2007       | 2008       | 2009       | 2010       |
|                                  | (in thousands, except per share data) |            |            |            |            |
| <b>Statement of Income Data:</b> |                                       |            |            |            |            |
| Software license                 | \$ 66,543                             | \$ 73,031  | \$ 65,313  | \$ 34,686  | \$ 54,450  |
| Total revenue                    | \$ 288,868                            | \$ 337,401 | \$ 337,201 | \$ 246,667 | \$ 297,117 |
| Operating income                 | \$ 30,755                             | \$ 43,058  | \$ 25,963  | \$ 21,142  | \$ 41,927  |
| Net income                       | \$ 19,331                             | \$ 30,751  | \$ 22,798  | \$ 16,562  | \$ 28,061  |
| Earnings per diluted share       | \$ 0.69                               | \$ 1.13    | \$ 0.94    | \$ 0.73    | \$ 1.25    |

|  | <b>2006</b> | <b>2007</b> | <b>December 31,<br/>2008</b><br>(in thousands) | <b>2009</b> | <b>2010</b>       |
|--|-------------|-------------|--|-------------|-------------------|
| <b>Balance Sheet Data:</b>             |             |             |  |             |                   |
| Cash, cash equivalents and investments | \$ 131,057  | \$ 72,772   | \$ 88,706                                      | \$ 123,014  | \$ <b>126,869</b> |
| Total assets                           | \$ 314,893  | \$ 271,660  | \$ 270,221                                     | \$ 264,711  | \$ <b>280,464</b> |
| Shareholders' equity                   | \$ 237,140  | \$ 185,705  | \$ 179,839                                     | \$ 183,365  | \$ <b>183,800</b> |

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

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

**Business Overview**

We are a leading developer and implementer of supply chain software solutions that help organizations optimize their supply chain operations from planning through execution. Our platform-based supply chain software solution portfolios *Manhattan SCOPE* and *Manhattan SCALE*<sup>TM</sup> are designed to deliver both business agility and total cost of ownership advantages to customers. *Manhattan SCOPE* (Supply Chain Optimization, Planning through Execution) leverages our Supply Chain Process Platform (SCPP) to unify the full breadth of the supply chain, while *Manhattan SCALE* (Supply Chain Architected for Logistics Execution) leverages Microsoft's *.NET* platform to unify logistics functions.

Early in the Company's history, our offerings were heavily focused on warehouse management solutions. As the Company grew in size and scope, our offerings expanded across the entire supply chain. As a result of the Company's historical beginnings however, we still enjoy significant presence in, and a relatively strong concentration of revenues from, warehouse management solutions, which are a component of our distribution management solution suite. Over time, as our non-warehouse management solutions have proliferated and increased in capability, the Company's revenue concentration in its warehouse management solutions has correspondingly decreased.

Our business model is singularly focused on the development and implementation of complex supply chain software solutions that are designed to optimize supply chain effectiveness and efficiency for our customers. We have three principal sources of revenue:

license revenue generated from the sales of our supply chain software;

professional services derived from implementing our solutions along with customer support services and software enhancements (services); and

hardware sales and other revenue.

In 2010, we generated \$297.1 million in total revenue, with a revenue mix of: license revenues 18%; services 72%; and hardware and other revenue 10%.

We manage our business based on three geographic regions: North America and Latin America (Americas), Europe, Middle East and Africa (EMEA), and Asia Pacific (APAC). Geographic revenue is based on the location of the sale. Our international revenue was approximately \$80.7 million, \$58.0 million and \$81.5 million for the years ended December 31, 2010, 2009 and 2008, respectively, which represents approximately 27%, 24% and 24% of our total revenue for the years ended December 31, 2010, 2009 and 2008, respectively. International revenue includes all revenue derived from sales to customers outside the United States. At December 31, 2010, we employed approximately 1,925 employees worldwide, of which approximately 950 employees are based in the Americas, approximately 140 employees in EMEA, and approximately 835 employees in APAC and India. We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, the Middle East, South Africa and Asia.

**Global Economic Trends and Industry Factors**

Global macro economic trends, technology spending and supply chain management market growth are important barometers for our business. In 2010, approximately 73% of our total revenue was generated in the United States, 11% in EMEA and the balance in APAC, Canada and Latin America. In addition, industry analysts estimate that approximately two-thirds of every supply chain software solutions dollar invested is spent in the United States; consequently, the health of the U.S. economy has a meaningful impact on our financial results.

We sell technology-based solutions with total pricing, including software and services, in many cases exceeding \$1.0 million. Reductions in capital budgets of our customers and prospective customers have had an adverse impact on our ability to sell our solutions. The concerns over the slow economic recovery within the United States and geographic regions in which we operate continues to affect customers and prospects decisions regarding timing of strategic capital spend. Timing of deals closed can have a material adverse impact on our business and is likely to further intensify competition in our already highly competitive markets.

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In January 2011, the International Monetary Fund (IMF) provided a World Economic Outlook (WEO) update raising its previous 2011 world economic growth forecast from October 2010. The update noted that, global output is projected to expand by 4<sup>1</sup>/<sub>2</sub> percent in 2011, an upward revision of about <sup>1</sup>/<sub>4</sub> percentage point relative to the October 2010 WEO. This reflects stronger-than- expected activity in the second half of 2010 as well as new policy initiatives in the United States that will boost activity this year. But downside risks to the recovery remain elevated. Advanced economies, which represent our primary revenue markets, are projected to expand sluggishly through 2011 and 2012 with annual growth of approximately 2.5%.

In 2009, we recognized five license deals greater than \$1.0 million. In contrast, in 2010, we recognized nine license deals greater than \$1.0 million and view this as a positive sign the economy is continuing to stabilize and customers and prospects are beginning to more actively plan for supply chain investment. While our 2010 results signal improving demand, we experienced second half slow down in license deals closed over \$1.0 million due to continued macro-economic turbulence and uncertainty in the United States and Western Europe. As a result, we and our customers still remain cautious regarding the global economic recovery as noted by IMF's World Economic Outlook. When reviewing our 2010 results compared to 2009 it is important to highlight temporary expense actions instituted in 2009 to offset the impact of the global economic crisis on our revenue. During 2009 we had no annual merit salary increases, our executives and Board of Directors absorbed a salary reduction, we asked many of our employees to take unpaid furlough days and we dramatically reduced many other expenses to help offset a revenue decline versus 2008. Moreover, due to poor financial results, 2009 incentive compensation was significantly reduced. In 2009, we had total revenue of \$246.7 million for the full year, a 27% decline in total revenue compared to the full year of 2008. Without sacrificing investment in innovation, our aggressive measures to reduce costs enabled us to achieve \$21.1 million in operating profit in 2009, with positive operating margins of 8.6%. For 2010, we have restored executives and Board of Directors salaries to pre-reduction levels, eliminated unpaid furlough days and provided merit increases to our employees, among other actions, to ensure long-term success. We expect expense comparisons will largely normalize in 2011 versus 2010.

In 2010, with improving macro-economic conditions, we achieved 20% total revenue growth, representing a strong rebound from 2009. License revenue and services revenue increased 57% and 13%, respectively, for full year 2010 as compared to the same period in 2009 as a result of an improving demand environment.

**Revenue**

**License revenue:** License revenue, a leading indicator of our business, is primarily derived from software license fees that customers pay for supply chain solutions. In 2010, license revenue totaled \$54.5 million, or 18% of total revenue, with gross margins of 88.7%. For the year ended December 31, 2010, Americas, EMEA and APAC recognized \$44.3 million, \$5.0 million, and \$5.2 million in license revenue, respectively. Our annual license revenue percentage mix of new and existing customers was approximately 30% and 70%, and over the past three years has averaged about 40% and 60%. We believe our mix of new customer to existing customer license sales is well balanced, reflecting solid demand from our install base, as well as from new customers in a tough macro-economic environment. License revenue growth is influenced by the strength of general economic and business conditions and the competitive position of our software products. Our license revenue generally has long sales cycles of which the timing of the closing of a few large license transactions can have a material impact on our quarterly license revenues, operating profit, operating margins and earnings per share. For example, \$1.0 million of license revenue in 2010 equates to approximately three cents of diluted earnings per share impact.

Our software solutions are singularly focused on the supply chain planning and execution markets, which are intensely competitive and characterized by rapid technological change. We are a market leader in the supply chain management software solutions market as defined by industry analysts such as AMR, ARC and Gartner. Our goal is to extend our position as a leading global supply chain solutions provider by growing our license revenues faster than our competitors. We expect to continue to face increased competition from ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share.

**Services revenue:** Our services business consists of professional services (consulting and training) and customer support services and software enhancements. In 2010, our services revenue totaled \$213.8 million, or 72% of total revenue, with gross margins of 53.8%. The Americas, EMEA and APAC realized \$176.9 million, \$26.3 million, and \$10.6 million, respectively, in services revenue for the year ended December 31, 2010. Professional services accounted for over 60% of total services revenue and approximately 45% of total revenue in 2010. When comparing our operating margins to other technology companies, our consolidated operating margin profile can be lower due to our large services revenue mix as a percentage of total revenue. While we believe our services margins are very strong, they do lower our overall operating margin as services margins are lower than license revenue margins.

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At December 31, 2010, our professional services organization totaled approximately 990 employees, accounting for 51% of our total employees worldwide. Our professional services organization provides 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 our professional services enable customers to implement our software rapidly, ensure the customer's success with our solution, strengthen our customer relationships, and add to our industry-specific knowledge base for use in future implementations and product innovations.

Although our consulting services are optional, the majority of our customers use at least some portion of these services for the implementation and ongoing support of our software solutions. Consulting services are typically rendered under time and materials-based contracts with services typically billed on an hourly basis. Professional services are sometimes rendered under fixed-fee based contracts with payments due on specific dates or milestones. Typically, our consulting services lag license revenue by several quarters, as implementation services are performed after the purchase of the software. Services revenue growth is contingent upon license revenue growth, which is influenced by the strength of general economic and business conditions and the competitive position of our software products. In addition, our consulting services business has competitive exposure to offshore providers and other consulting companies. All of these factors potentially create the risk of pricing pressure, fewer customer orders, reduced gross margins and loss of market share.

For customer support services and software enhancements (CSSE), we offer a comprehensive program that provides our customers with software upgrades when and if available that offer additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. We offer 24 hour customer support every day of the year plus software upgrades for an annual fee that is paid in advance.

Our CSSE revenues totaled \$81.9 million in 2010, representing approximately 40% of services revenue and approximately 30% of total revenue, respectively. The growth of CSSE revenues is influenced by: (1) new license revenue growth; (2) annual renewal of support contracts; (3) increase in customers through acquisitions; and (4) fluctuations in currency rates. Substantially all of our customers renew their annual support contracts. Over the last three years, our annual revenue renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. CSSE revenue is generally paid in advance and recognized ratably over the term of the agreement, typically 12 months. CSSE renewal revenue is not recognized unless payment is received from the customer.

**Hardware and other revenue:** Our hardware and other revenues totaled \$28.9 million in 2010 representing 10% of total revenue with gross margins of 17.5%. During 2010, Americas, EMEA and APAC were responsible for \$27.8 million, \$0.9 million, and \$0.2 million, respectively, in hardware and other revenues. In conjunction with the licensing of our software, and as a convenience for our customers, we resell a variety of hardware products developed and manufactured by third parties. These products include computer hardware, radio frequency terminal networks, RFID chip readers, bar code printers and scanners, and other peripherals. We resell all third-party hardware products pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain hardware inventory.

Other revenue represents amounts associated with reimbursements from customers for out-of-pocket expenses. The total amount of expense reimbursement recorded to hardware and other revenue was \$9.0 million, \$7.5 million and \$12.7 million for 2010, 2009 and 2008, respectively.



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**Product Development**

We intend to continue to invest significantly in research and development (R&D), which historically has averaged about 14 cents of every revenue dollar, to provide market leading solutions that help global manufacturers, wholesalers, distributors, retailers and logistics providers successfully manage accelerating and fluctuating demands as well as the increasing complexity and volatility of their local and global supply chains. Our research and development expenses for the years ended December 31, 2010, 2009 and 2008 were \$40.5 million, \$36.7 million and \$48.4 million, respectively. At December 31, 2010, our R&D organization totaled approximately 625 employees, located in the U.S. and India, representing about 30% of our total employees worldwide.

We will continue to focus our R&D resources on the development and enhancement of supply chain software solutions. We offer what we believe to be the broadest solution portfolio in the supply chain solutions marketplace, to address all aspects of planning and forecasting, inventory optimization, order lifecycle management, transportation lifecycle management and distribution management.

We also plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify further enhancements to existing solutions and opportunities for new solutions through our customer support organization, as well as through ongoing customer consulting engagements and implementations, interactions with our user groups, association with leading industry analysts and market research firms, and participation on industry standards and research committees. Our solutions address the needs of customers in various vertical markets, including retail, consumer goods, food and grocery, logistics service providers, industrial and wholesale, high technology and electronics, life sciences and government.

**Cash Flow and Financial Condition**

For 2010, we generated cash flow from operating activities of \$50.0 million and have generated a cumulative total of \$172.1 million for the three years ended December 31, 2010. Our cash and investments at December 31, 2010 totaled \$126.9 million, with no debt on our balance sheet. We currently have no credit facilities. During the past three years, our primary uses of cash have been funding investment in R&D and operations to drive earnings growth and to repurchase common stock.

During 2010, we repurchased approximately \$76.5 million of Manhattan Associates' outstanding common stock under the repurchase program approved by our Board throughout the year. In January 2011, our Board of Directors approved raising our remaining share repurchase authority to \$50.0 million. In 2011, we anticipate that our priorities for use of cash will be similar to prior years, with our first priority being continued investment in product development and profitably growing our business to extend our market leadership. We will continue to evaluate acquisition opportunities that are complementary to our product footprint and technology direction. We will also continue to weigh our share repurchase options against cash for acquisitions and investing in the business. We do not anticipate any borrowing requirements in 2011 for general corporate purposes.

**Application of Critical Accounting Policies and Estimates**

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

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

**Revenue Recognition**

Our revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, "professional services"), plus customer support services and software enhancements, and sales of

hardware and other (other consists of reimbursements of out of pocket expenses incurred by professional services). All revenue is recognized net of any related sales taxes.

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We recognize license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. Revenue recognition for software with multiple-element arrangements requires recognition of revenue using the residual method when (a) 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; (b) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (c) all other applicable revenue-recognition criteria for software revenue recognition, other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

We allocate revenue to customer support and software enhancements and any other undelivered elements of the arrangement based on vendor specific objective evidence, or VSOE, of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria have been met. The balance of the revenue, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If we cannot objectively determine the fair value of each undelivered element based on the VSOE of fair value, we defer revenue recognition until all elements are delivered, all services have been performed, or until fair value can be objectively determined. We must apply judgment in determining all elements of the arrangement and in determining the VSOE of fair value for each element, considering the price charged for each product on a stand-alone basis or applicable renewal rates.

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

Our services revenue consists of fees generated from professional services, customer support services and software enhancements related to our software products. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. Professional services are sometimes rendered under agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement. Revenue related to fixed-fee based contracts is recognized on a proportional performance basis based on the hours incurred on discrete projects within an overall services arrangement. Project losses are provided for in their entirety in the period in which they become known. Revenue related to customer support services and software enhancements is generally paid in advance and recognized ratably over the term of the agreement, typically 12 months.

Hardware and other revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties that are integrated with and complementary to our software solutions. As part of a complete solution, our customers periodically purchase hardware from us in conjunction with the licensing of software. These products include computer hardware, radio frequency terminal networks, radio frequency identification ( RFID ) chip readers, bar code printers and scanners and other peripherals. Hardware revenue is recognized upon shipment to the customer when title passes. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain hardware inventory.

In accordance with the other presentation matters within the Revenue Recognition Topic of the Financial Accounting Standards Board's ( FASB ) Accounting Standards Codification, we recognize amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been included in hardware and other revenue. The total amount of expense reimbursement recorded to revenue was \$9.0 million, \$7.5 million and \$12.7 million for 2010, 2009 and 2008, respectively.

*Allowance for Doubtful Accounts*

We continuously monitor collections and payments from our customers and maintain an allowance for doubtful accounts based upon our historical experience and any specific customer collection issues that we have identified.

Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. While such losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same loss rates that we have in the past.

**Table of Contents***Valuation of Goodwill*

In accordance with the Intangibles – Goodwill and Other Topic of the FASB Accounting Standards Codification, we do not amortize goodwill and other intangible assets with indefinite lives. Our goodwill is subject to an annual impairment test, which requires us to estimate the fair value of our business compared to the carrying value. The impairment reviews require an analysis of future projections and assumptions about our operating performance. Should such review indicate the assets are impaired, we would record an expense for the impaired assets. Annual tests or other future events could cause us to conclude that impairment indicators exist and that our goodwill is impaired. For example, if we had reason to believe that our recorded goodwill had become impaired due to decreases in the fair market value of the underlying business, we would have to record a charge to income for that portion of goodwill that we believed was impaired. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations. At December 31, 2010, our goodwill balance was \$62.3 million.

*Accounting for Income Taxes*

We provide for the effect of income taxes on our financial position and results of operations in accordance with the Income Taxes Topic of the FASB Accounting Standards Codification. Under this accounting pronouncement, income tax expense is recognized for the amount of income taxes payable or refundable for the current year and for the change in net deferred tax assets or liabilities resulting from events that are recorded for financial reporting purposes in a different reporting period than recorded in the tax return. Management must make significant assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset.

Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, allowable deductions, projected tax credits and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. We do not recognize a tax benefit unless we conclude that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, we recognize a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is greater than 50 percent likely to be realized. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our financial position and results of operations. Our assumptions, judgments and estimates relative to the value of our net deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus materially impacting our financial position and results of operations.

*Stock-Based Compensation*

In January 2010 our Compensation Committee approved certain changes to our historical equity incentive grant practices, with the objective to optimize the Company's performance and retention strength while managing program share usage to improve long-term equity overhang. The change eliminated stock option awards in favor of 100% restricted stock grants, which for the 2010 awards contain vesting provisions that are 50% service-based and 50% performance-based. The 2010 awards have a four year vesting period, with the performance portion tied to 2010 revenue and adjusted earnings per share targets.

For our historical stock option grants, we estimated the fair value on the date of grant using the Black-Scholes option pricing model. We based our estimate of fair value on certain assumptions, including the expected term of the option, the expected volatility of the price of the underlying share for the expected term of the option, the expected dividends on the underlying share for the expected term, and the risk-free interest rate for the expected term of the option. We based our expected volatilities on a combination of the historical volatility of our stock and the implied volatility of publicly traded options (issued by third party) for our common stock. Due to the limited trading volume of publicly traded options for our common stock, we placed a greater emphasis on historical volatility of our common stock. We also used historical data to estimate the term that options are expected to be outstanding. We based the risk-free interest rate on the rate for U.S. Treasury zero-coupon issues with a term approximating the expected term.

We recognize compensation cost for service-based awards with graded vesting on a straight-line basis over the entire vesting period, with the amount of compensation cost recognized at any date at least equal to the portion of the

grant-date value of the award that is vested at that date. For our performance-based restricted stock awards with graded vesting, we recognize compensation cost on an accelerated basis applying straight-line expensing for each separately vesting portion of each award. Compensation cost recognized in any period is impacted by the number of stock-based awards granted, the vesting period of the awards (which generally is four years), the estimated forfeiture rate, and the probable outcome of any performance conditions.

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**Accounting Charges**

*Restructuring charge.* During 2009, we committed to and initiated plans to reduce our workforce by approximately 140 positions to realign our capacity with demand forecasts. As a result of this action, we recorded employee severance expense and outplacement service fees of \$3.8 million pretax (\$2.5 million after-tax or \$0.11 per fully diluted share). We also recorded additional employee severance expense of \$63,000 in the first quarter of 2009 related to the restructuring action taken in 2008.

During 2008, we committed to and initiated plans to reduce our workforce by approximately 170 positions to realign our capacity with demand forecasts. As a result of this action, we recorded employee severance expense and outplacement service fees of approximately \$4.7 million pretax (\$3.0 million after-tax or \$0.13 per fully diluted share) in the fourth quarter of 2008.

*Asset Impairment Charges.* During 2008, we recorded an other-than-temporary impairment charge of \$1.7 million, writing down the remaining balance of a \$2.0 million investment in an RFID technology company we made in July 2003. We recorded the additional impairment due to a combination of continued negative financial results reported by this company in a very competitive sector and a down round of financing (i.e., a round of financing that was dilutive to our investment) in which our preferred share ownership was converted into common stock, eliminating our preference rights associated with liquidation, thereby substantially impairing our ability to recoup our investment. In addition, in 2008 we recorded an other-than-temporary impairment charge of \$3.5 million on an investment in an auction rate security. We reduced the carrying value to zero due to a combination of credit downgrades of the underlying issuer and the bond insurer as well as increased publicly reported exposure to bankruptcy risk by the issuer and continued significant deterioration in the credit markets limiting the issuer's ability to re-finance the underlying bond.

**Full Year 2010 Financial Summary**

Total revenue for the year ended December 31, 2010 was \$297.1 million, an increase of 20%, compared to \$246.7 million for 2009. License revenue increased 57% to \$54.5 million from \$34.7 million in 2009 and services revenue increased 13% to \$213.8 million;

Operating income was \$41.9 million for full year 2010, which includes \$1.2 million of recoveries of previously expensed sales tax associated with expiring sales tax audit statutes, compared to \$21.1 million for the twelve months ended December 31, 2009, which includes restructuring charges of \$3.9 million associated with the workforce reduction executed in the second quarter of 2009.

Operating margins for 2010 were 14.1%, up 550 basis points compared to operating margins of 8.6% in 2009;

Diluted earnings per share were \$1.25 compared to \$0.73 in 2009;

Cash flow from operations totaled \$50.0 million compared to \$58.3 million in 2009;

Cash and investments on hand at December 31, 2010 was \$126.9 million compared to \$123.0 million at December 31, 2009;

The Company repurchased approximately 2.7 million shares of common stock during the year totaling \$76.5 million at an average price of \$28.15 under its publicly-announced buy-back program; and

In January 2011, the Board of Directors approved raising the Company's remaining share repurchase authority from \$4.0 million to \$50.0 million of Manhattan Associates outstanding common stock.





**Table of Contents****Results of Operations**

The following table summarizes selected Statement of Income data for the years ended December 31, 2010, 2009 and 2008.

|   | Year Ended December 31, |                           |           | % Change vs. Prior Year |       |
|---|-------------------------|---------------------------|-----------|-------------------------|-------|
|   | 2010                    | 2009<br>(in<br>thousands) | 2008      | 2010                    | 2009  |
| <b>Revenue:</b>                         |                         |                           |           |                         |       |
| Software license                        | \$ 54,450               | \$ 34,686                 | \$ 65,313 | 57%                     | -47%  |
| Services                                | 213,750                 | 189,850                   | 235,967   | 13%                     | -20%  |
| Hardware and other                      | 28,917                  | 22,131                    | 35,921    | 31%                     | -38%  |
| Total revenue                           | 297,117                 | 246,667                   | 337,201   | 20%                     | -27%  |
| <b>Costs and expenses:</b>              |                         |                           |           |                         |       |
| Cost of license                         | 6,172                   | 4,726                     | 5,961     | 31%                     | -21%  |
| Cost of services                        | 98,776                  | 84,349                    | 116,707   | 17%                     | -28%  |
| Cost of hardware and other              | 23,844                  | 18,386                    | 29,270    | 30%                     | -37%  |
| Research and development                | 40,508                  | 36,681                    | 48,407    | 10%                     | -24%  |
| Sales and marketing                     | 42,702                  | 36,137                    | 51,177    | 18%                     | -29%  |
| General and administrative              | 34,027                  | 29,946                    | 37,145    | 14%                     | -19%  |
| Depreciation and amortization           | 9,161                   | 11,418                    | 12,699    | -20%                    | -10%  |
| Restructuring charge <sup>(1)</sup>     |                         | 3,882                     | 4,667     | -100%                   | -17%  |
| Asset impairment charges <sup>(2)</sup> |                         |                           | 5,205     |                         | -100% |
| Total costs and expenses                | 255,190                 | 225,525                   | 311,238   | 13%                     | -28%  |
| Income from operations                  | \$ 41,927               | \$ 21,142                 | \$ 25,963 | 98%                     | -19%  |
| Operating margin                        | 14.1%                   | 8.6%                      | 7.7%      |                         |       |

(1) The restructuring charge of \$3.9 million and \$4.7 million in 2009 and 2008, respectively, mainly represents employee severance and outplacement services resulting from the workforce reduction initiatives executed in the respective year.

(2) The impairment charge for 2008 includes a \$1.7 million charge for writing down the remaining balance of a \$2.0 million investment in a RFID technology company we made in July 2003. We recorded the additional impairment due to a down round of financing (i.e., a round of financing that was dilutive to our investment) in which our preferred share ownership was converted into common stock, eliminating our preference rights associated with liquidation, thereby substantially impairing our ability to recoup our investment. In addition, we recorded an impairment charge of \$3.5 million on an investment in an auction rate security. We reduced the carrying value to zero due to credit downgrades of the underlying issuer and the bond insurer as well as increasing publicly reported exposure to bankruptcy risk by the issuer.

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We manage our business based on three geographic regions: the Americas, EMEA, and APAC. Geographic revenue information is based on the location of sale. The revenues represented below are from external customers only. The geographical-based expenses include costs of personnel, direct sales and marketing expenses, and general and administrative costs to support the business. There are certain corporate expenses included in the Americas region that are not charged to the other segments including research and development, certain marketing and general and administrative costs that support the global organization and the amortization of acquired developed technology. Included in the Americas costs are all research and development costs, including the costs associated with the Company's India operations. During 2010, 2009 and 2008, we derived the majority of our revenues from sales to customers within our Americas region. The following table summarizes revenue and operating profit by region:

|                                 | <b>Year Ended December 31,</b> |             |             |                                |             |
|---------------------------------|--------------------------------|-------------|-------------|--------------------------------|-------------|
|                                 | <b>2010</b>                    | <b>2009</b> | <b>2008</b> | <b>% Change vs. Prior Year</b> |             |
|                                 | <b>(in thousands)</b>          |             |             | <b>2010</b>                    | <b>2009</b> |
| <b>Revenue:</b>                 |                                |             |             |                                |             |
| <b>Software license</b>         |                                |             |             |                                |             |
| Americas                        | \$ 44,254                      | \$ 29,629   | \$ 51,392   | 49%                            | -42%        |
| EMEA                            | 4,972                          | 2,617       | 8,885       | 90%                            | -71%        |
| APAC                            | 5,224                          | 2,440       | 5,036       | 114%                           | -52%        |
| Total license                   | \$ 54,450                      | \$ 34,686   | \$ 65,313   | 57%                            | -47%        |
| <b>Services</b>                 |                                |             |             |                                |             |
| Americas                        | \$ 176,912                     | \$ 155,768  | \$ 192,483  | 14%                            | -19%        |
| EMEA                            | 26,269                         | 24,637      | 32,163      | 7%                             | -23%        |
| APAC                            | 10,569                         | 9,445       | 11,321      | 12%                            | -17%        |
| Total services                  | \$ 213,750                     | \$ 189,850  | \$ 235,967  | 13%                            | -20%        |
| <b>Hardware and Other</b>       |                                |             |             |                                |             |
| Americas                        | \$ 27,784                      | \$ 21,161   | \$ 33,371   | 31%                            | -37%        |
| EMEA                            | 925                            | 771         | 1,750       | 20%                            | -56%        |
| APAC                            | 208                            | 199         | 800         | 5%                             | -75%        |
| Total hardware and other        | \$ 28,917                      | \$ 22,131   | \$ 35,921   | 31%                            | -38%        |
| <b>Total Revenue</b>            |                                |             |             |                                |             |
| Americas                        | \$ 248,950                     | \$ 206,558  | \$ 277,246  | 21%                            | -25%        |
| EMEA                            | 32,166                         | 28,025      | 42,798      | 15%                            | -35%        |
| APAC                            | 16,001                         | 12,084      | 17,157      | 32%                            | -30%        |
| Total revenue                   | \$ 297,117                     | \$ 246,667  | \$ 337,201  | 20%                            | -27%        |
| <b>Operating income (Loss):</b> |                                |             |             |                                |             |
| Americas                        | \$ 35,868                      | \$ 21,448   | \$ 18,849   | 67%                            | 14%         |
| EMEA                            | 3,685                          | 1,093       | 6,640       | 237%                           | -84%        |
| APAC                            | 2,374                          | (1,399)     | 474         | 270%                           | -395%       |
| Total operating income          | \$ 41,927                      | \$ 21,142   | \$ 25,963   | 98%                            | -19%        |

The results of our operations for the years ended December 31, 2010, 2009, and 2008 are discussed below.

**Revenue**

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancements; hardware sales of complementary radio frequency and computer equipment; and other revenue representing amounts associated with reimbursements from customers for out-of-pocket expenses.

|                       | Year Ended December, 31 |                   |            |                            |      |                    |      |      |  |
|-----------------------|-------------------------|-------------------|------------|----------------------------|------|--------------------|------|------|--|
|                       |                         |                   |            | % Change vs.<br>Prior Year |      | % of Total Revenue |      |      |  |
|                       | 2010                    | 2009              | 2008       | 2010                       | 2009 | 2010               | 2009 | 2008 |  |
|                       |                         | (in<br>thousands) |            |                            |      |                    |      |      |  |
| Software license      | \$ 54,450               | \$ 34,686         | \$ 65,313  | 57%                        | -47% | 18%                | 14%  | 19%  |  |
| Services              | 213,750                 | 189,850           | 235,967    | 13%                        | -20% | 72%                | 77%  | 70%  |  |
| Hardware and<br>other | 28,917                  | 22,131            | 35,921     | 31%                        | -38% | 10%                | 9%   | 11%  |  |
| Total revenue         | \$ 297,117              | \$ 246,667        | \$ 337,201 | 20%                        | -27% | 100%               | 100% | 100% |  |

**Table of Contents*****License revenue******Year 2010 compared with year 2009***

License revenue increased \$19.8 million, or 57%, to \$54.5 million in 2010 over 2009, primarily driven by the improved global macro-economic environment resulting in customers and prospects beginning to invest more capital to improve their supply chains. Our Americas, EMEA and APAC license revenue increased \$14.6 million, \$2.4 million, and \$2.8 million, respectively, compared to the same period in the prior year.

The license sales percentage mix across our product suite in 2010 was approximately 60% warehouse management solutions and 40% non-warehouse management solutions. Our warehouse management solutions increased \$10.8 million, or 54%, in 2010 compared to 2009 and non-warehouse management solutions increased \$8.9 million, or 62%, in 2010 over 2009.

***Year 2009 compared with year 2008***

License revenue decreased \$30.6 million, or 47%, to \$34.7 million in 2009 over 2008, primarily, driven by the global economic recession in first half of 2009, which decreased sales and lengthened sales cycles in the global market as customers and prospects constrained capital spending. Our Americas, EMEA and APAC license revenue decreased \$21.7 million, \$6.3 million, and \$2.6 million, respectively, compared to the same period in the prior year.

The license sales percentage mix across our product suite in 2009 was approximately 60% warehouse management solutions and 40% non-warehouse management solutions. Our warehouse management solutions decreased \$15.6 million, or 44%, in 2009 compared to 2008 and non-warehouse management solutions decreased \$15.0 million, or 51%, in 2009 over 2008.

***Services revenue******Year 2010 compared with year 2009***

Services revenue increased \$23.9 million, or 13%, in 2010 compared to 2009 principally due to a \$19.1 million, or 17%, increase in professional services revenue and a \$4.8 million, or 6%, increase in CSSE revenue. The Americas, EMEA and APAC segments increased \$21.1 million, \$1.6 million, and \$1.1 million, respectively, in 2010 compared to 2009. The increase in services revenue is primarily due to improved license sales beginning in the second half of 2009 and continuing in 2010 combined with customer upgrade activity largely driven by the improving macroeconomic conditions.

***Year 2009 compared with year 2008***

Services revenue decreased \$46.1 million, or 20%, in 2009 compared to 2008 principally due to a \$46.2 million, or 29%, decrease in professional services revenue. The Americas, EMEA and APAC segments decreased \$36.7 million, \$7.5 million, and \$1.9 million, respectively, in 2009 compared to 2008. Our services revenue decline has primarily been caused by a decline in license revenues and delayed or suspended multiple site implementations and/or upgrades. The revenue decline was principally due to the global economic recession, which in turn severely impacted our customers' capital investment levels, prioritization and timing.

Additionally, over the past several years, our services revenue growth and margins have been affected by some pricing pressures primarily attributable to deteriorating global macro-economic conditions and competition.

***Hardware and other***

Sales of hardware increased \$5.3 million, or 36%, in 2010 compared to 2009. Sales of hardware decreased \$8.6 million, or 37%, in 2009 compared to 2008. In 2010 and 2009, our Americas segment accounted for nearly 100% of hardware sales. Sales of hardware are largely dependent upon customer-specific desires, which fluctuate. Other revenue represents reimbursements for out-of-pocket expenses that are required to be classified as revenue and are included in hardware and other revenue. For 2010, 2009 and 2008, reimbursements by customers for out-of-pocket expenses were approximately \$9.0 million, \$7.5 million and \$12.7 million, respectively.

**Table of Contents****Cost of Revenue**

|                            | Year Ended December 31, |            |            | % Change vs. Prior Year |      |
|----------------------------|-------------------------|------------|------------|-------------------------|------|
|                            | 2010                    | 2009       | 2008       | 2010                    | 2009 |
|                            | (in thousands)          |            |            |                         |      |
| Cost of license            | \$ 6,172                | \$ 4,726   | \$ 5,961   | 31%                     | -21% |
| Cost of services           | 98,776                  | 84,349     | 116,707    | 17%                     | -28% |
| Cost of hardware and other | 23,844                  | 18,386     | 29,270     | 30%                     | -37% |
| Total cost of revenue      | \$ 128,792              | \$ 107,461 | \$ 151,938 | 20%                     | -29% |

**Cost of License**

Cost of license consists of the costs associated with software reproduction; hosting services; media, packaging and delivery, documentation and other related costs; and royalties on third-party software sold with or as part of our products. Cost of licenses increased \$1.4 million, or 31%, in 2010 compared to 2009, primarily due to increased sales of third party software driven by a 57% increase in software license revenues over the prior year. Cost of license decreased \$1.2 million, or 21%, to \$4.7 million in 2009 principally due to a 47% decrease in license revenue.

**Cost of Services***Year 2010 compared with year 2009*

Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. Cost of services increased \$14.4 million, or 17%, in 2010 compared to 2009 principally due to (i) a \$9.0 million increase in performance-based bonus expense due to significantly higher achievement on revenue and earnings per share, (ii) a \$4.6 million increase in employee-related costs such as salary, benefits, payroll taxes and contract labor resulting from an increase in the number of professional services personnel in 2010 to support demand, and (iii) a \$0.6 million increase in travel expenses attributable to increased services business.

Services gross margin decreased 180 basis points to 53.8% in 2010 from 55.6% in 2009. The decrease in services margin is primarily attributable to the increase in professional services costs due to the impact of 2009 short-term compensation reduction measures that were eliminated in 2010, higher 2010 performance-based compensation, and increased hiring to fulfill services demand.

*Year 2009 compared with year 2008*

Cost of services decreased \$32.4 million, or 28%, in 2009 compared to 2008 principally due to (i) a \$21.7 million decrease in employee-related costs such as salary, benefits and payroll taxes resulting from a decrease in the number of professional services personnel due to headcount reduction initiatives in the fourth quarter of 2008 and the second quarter of 2009 to align capacity with demand, (ii) a \$4.4 million decrease in performance based bonus expense caused by lower revenue performance as well as lower headcount, and (iii) a \$3.3 million decrease in travel expenses due to fewer services projects.

Services gross margin increased 5.1 percentage points to 55.6% in 2009 from 50.5% in 2008. The increase in services margin is attributable to the decrease in professional services costs driven by expense reduction actions and lower performance based compensation expense.

**Cost of Hardware and other**

Cost of hardware increased \$4.0 million to \$15.0 million in 2010 compared to 2009 as a direct result of an increase in sales of hardware. In 2009, cost of hardware decreased to \$11.0 million from \$17.0 million in 2008 as a direct result of decreased hardware sales. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately \$8.8 million, \$7.4 million and \$12.3 million for 2010, 2009 and 2008, respectively. Changes in amounts of out-of-pocket expenses correlate to changes in amounts of services revenue.



**Table of Contents****Operating Expenses**

|                               | Year Ended December 31, |            |            | % Change vs. Prior Year |       |
|-------------------------------|-------------------------|------------|------------|-------------------------|-------|
|                               | 2010                    | 2009       | 2008       | 2010                    | 2009  |
|                               | (in thousands)          |            |            |                         |       |
| Research and development      | \$ 40,508               | \$ 36,681  | \$ 48,407  | 10%                     | -24%  |
| Sales and marketing           | 42,702                  | 36,137     | 51,177     | 18%                     | -29%  |
| General and administrative    | 34,027                  | 29,946     | 37,145     | 14%                     | -19%  |
| Depreciation and amortization | 9,161                   | 11,418     | 12,699     | -20%                    | -10%  |
| Restructuring charge          |                         | 3,882      | 4,667      | -100%                   | -17%  |
| Asset impairment charges      |                         |            | 5,205      |                         | -100% |
| Operating expenses            | \$ 126,398              | \$ 118,064 | \$ 159,300 | 7%                      | -26%  |

**Research and Development**

Our principal research and development activities during 2010, 2009 and 2008 focused on the expansion and integration of new products acquired and new product releases and expanding the product footprint of our supply chain optimization solutions called Supply Chain Optimization from Planning through Execution. The Manhattan SCOPE Platform provides not only a sophisticated service oriented architecture based application framework, but a platform that facilitates the integration with Enterprise Resource Planning (ERP) and other supply chain solutions. For the years ended December 31, 2010, 2009, and 2008, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

*Year 2010 compared with year 2009*

Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Consistent with prior years, we typically invest approximately 14% to 15% of total revenue in research and development. In 2010, research and development expenses increased to \$40.5 million from \$36.7 million in 2009. This \$3.8 million increase was primarily due to the increase of \$3.7 million in performance based bonus expense resulting from higher achievement on revenue and earnings per share.

*Year 2009 compared with year 2008*

Research and development expenses decreased to \$36.7 million in 2009 compared to \$48.4 million in 2008 primarily due to: (i) a \$7.7 million decrease in salary-related costs resulting from a decrease in the number of R&D personnel; (ii) a \$1.4 million decrease in bonuses caused by headcount reductions as well as lower achievement of performance based compensation; and (iii) a \$1.0 million decrease in travel expenses.

**Sales and Marketing***Year 2010 compared with year 2009*

Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs and the costs of our marketing and alliance programs and related activities. The \$6.6 million, or 18%, increase in sales and marketing expenses in 2010 compared to 2009 was attributable to (1) the increase in performance based bonus and commission expense of \$5.3 million related to increased revenue and earnings performance, (2) a \$0.8 million increase in stock compensation expense, and (3) a \$0.6 million increase in travel expense.

**Table of Contents***Year 2009 compared with year 2008*

The \$15.0 million, or 29%, decrease in sales and marketing expenses in 2009 compared to 2008 was attributable to lower headcount and license revenue which resulted in: (i) a \$7.9 million decrease in employee-related costs such as salary, benefits, payroll taxes and stock compensation expense, (ii) a \$4.2 million decrease in bonus and commission expense, and (iii) a \$2.7 million decrease in travel expenses.

**General and Administrative***Year 2010 compared with year 2009*

General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, legal, insurance, accounting and other administrative expenses. The net increase of \$4.1 million, or 14%, in general and administrative expenses in 2010 compared to 2009 was primarily attributable to (i) an increase of \$2.9 million in performance-based bonus expense, (ii) a \$1.5 million increase in employee-related costs such as salary, benefits and payroll taxes and contract labor, and (iii) a \$0.4 million increase in stock compensation expense. This increase was partially offset by \$1.2 million in recoveries of previously recorded state sales tax resulting from sales tax audits.

*Year 2009 compared with year 2008*

The net decrease of \$7.2 million, or 19%, in general and administrative expenses in 2009 compared to 2008 was primarily attributable to (i) a \$2.9 million decrease in employee-related expense such as salary, benefits, payroll taxes related to workforce and expense reduction initiatives, (ii) a \$1.5 million decrease in expense for sales tax exposure reserves, and (iii) a \$1.1 million reduction in bonus expense due to the decline in total revenue and earnings per share performance.

**Depreciation and Amortization**

Depreciation expense amounted to \$6.9 million, \$8.4 million and \$9.4 million, during 2010, 2009, and 2008, respectively, and has decreased due to lower capital expenditures over the past several years. Amortization of intangibles amounted to \$2.3 million, \$3.0 million and \$3.3 million during 2010, 2009, and 2008, respectively. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions. The decreases in amortization expense in 2010 and 2009 of \$0.7 million and \$0.3 million, respectively, were mainly associated with certain intangible assets related to prior acquisitions, which became fully amortized.

**Restructuring charge**

During 2009, we committed to and initiated plans to reduce our workforce by approximately 140 positions to realign our capacity with demand forecasts. As a result of this action, we recorded employee severance expense and outplacement service fees of approximately \$3.8 million pretax (\$2.5 million after-tax or \$0.11 per fully diluted share). We also recorded additional employee severance expense of \$63,000 in the first quarter of 2009 related to the restructuring action taken in 2008.

During 2008, we committed to and initiated plans to reduce our workforce by approximately 170 positions to realign our capacity with demand forecasts. As a result of this action, we recorded employee severance expense and outplacement service fees of approximately \$4.7 million pretax (\$3.0 million after-tax or \$0.13 per fully diluted share) in the fourth quarter of 2008.

**Asset impairment charges**

Asset impairment charges of \$5.2 million in 2008 consist of a \$3.5 million impairment on an investment in an auction-rate security and a \$1.7 million impairment on an investment in an RFID technology company. We reduced the carrying value of the auction-rate security investment to zero due to a combination of credit downgrades of the underlying issuer and the bond insurer as well as increased publicly reported exposure to bankruptcy risk by the issuer and continued significant deterioration in the credit markets limiting the issuer's ability to re-finance the underlying bond. We also reduced the carrying value of our investment in the RFID technology company to zero due to a combination of continued negative financial results reported by this company in a very competitive sector and a down round of financing (i.e., a round of financing that was dilutive to our investment) in which our preferred share ownership was converted into common stock, eliminating our preference rights associated with liquidation, thereby substantially impairing our ability to recoup our investment.





**Table of Contents****Operating Income**

Operating income for 2010 was \$41.9 million, an increase of \$20.8 million as compared to \$21.1 million for 2009. Operating margins improved to 14.1% in 2010, up from 8.6% in 2009. The increase in operating income and margins is primarily due to a 20% increase in total revenue and lower expenses versus 2009 due to workforce reduction charges taken in 2009. Operating income in the Americas, EMEA and APAC segment increased by \$14.4 million, \$2.6 million and \$3.8 million, respectively in 2010.

Operating income in 2009 decreased by \$4.8 million on the consolidated revenue decline of 27% to \$21.1 million compared to \$26.0 million in 2008. Operating margins improved to 8.6% in 2009 from 7.7% in 2008 primarily due to the decrease in total costs in the current year driven by our actions to lower headcount to align capacity with demand combined with lower performance based compensation expense. Operating income in the Americas segment increased by \$2.6 million while the EMEA and APAC segment decreased by \$5.5 million and \$1.9 million, respectively in 2009.

**Other (Loss) Income and Income Taxes**

|                          | Year Ended December 31, |          |          |                         |       |  |
|--------------------------|-------------------------|----------|----------|-------------------------|-------|--|
|                          | 2010                    | 2009     | 2008     | % Change vs. Prior Year |       |  |
|                          | 2010                    | 2009     | 2008     | 2010                    | 2009  |  |
| Other (loss) income, net | \$ (143)                | \$ (756) | \$ 5,545 | -81%                    | -114% |  |
| Income tax provision     | 13,723                  | 3,824    | 8,710    | 259%                    | -56%  |  |

**Other (Loss) Income, net**

Other (loss) income, net primarily includes interest income, foreign currency gains and losses, and other non-operating expenses. Interest income was \$0.6 million, \$0.4 million, and \$1.8 million for the years ended December 31, 2010, 2009, and 2008, respectively. The increase of \$0.2 million in interest income in 2010 compared to 2009 was due to a higher weighted-average interest rate earned. The decrease of \$1.4 million in interest income in 2009 compared to 2008 was due to a lower weighted-average interest rate earned. The weighted-average interest rate earned on cash and investments was 0.5%, less than 0.5%, and 2.3% for the years ended December 31, 2010, 2009 and 2008, respectively. We recorded net foreign currency losses of \$0.7 million and \$1.0 million in 2010 and 2009, respectively and a net foreign currency gain of \$3.9 million in 2008. The foreign currency losses and gain mainly resulted from losses or gains on intercompany transactions denominated in foreign currencies with subsidiaries due to the fluctuation of the U.S. dollar relative to other foreign currencies, primarily the Indian Rupee, the British Pound and the Euro.

**Income Tax Provision**

Our effective income tax rates were 32.8%, 18.8%, and 27.6% in 2010, 2009 and 2008, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The effective tax rate in 2010 included a tax benefit from the disqualifying disposition of incentive stock options that were previously expensed and the reduction of U.S. federal income tax reserves that resulted from the expiration of tax audit statutes for tax returns filed for 2006 and prior, partially offset by the establishment of income tax reserves for state audits. The effective tax rate in 2009 included the reduction of income tax reserves resulting from expiration of tax audit statutes for U.S. federal income tax returns filed for 2005, partially offset by the establishment of \$0.8 million in tax reserves associated with the treatment of currency gains under our transfer pricing policy with one of our foreign subsidiaries. The effective tax rate in 2008 included the reduction of income tax reserves resulting from expiration of tax audit statutes for U.S. federal income tax returns filed for 2004, partially offset by \$0.6 million tax expense on the repatriation of cash from a foreign subsidiary associated with the settlement of several large intercompany balances in order to reduce the unrealized foreign exchange gain/loss volatility in other income.

**Table of Contents****Liquidity and Capital Resources**

During 2010, 2009, and 2008, we funded our business through cash generated from operations. As of December 31, 2010, we had \$126.9 million in cash and investments as compared to \$123.0 million at December 31, 2009.

Our operating activities provided cash of \$50.0 million, \$58.3 million and \$63.8 million in 2010, 2009, and 2008, respectively. Cash from operating activities for 2010 decreased \$8.3 million compared to 2009 principally due to increased working capital requirements associated with revenue growth. Days sales outstanding (DSO) was 61 days at December 31, 2010 as compared to 56 days at December 31, 2009. Cash from operating activities for 2009 decreased \$5.5 million compared to 2008 due to lower revenue partially offset by strong accounts receivable collections. Days sales outstanding (DSO) was 56 days at December 31, 2009 as compared to 78 days at December 31, 2008.

Our investing activities used cash of approximately \$8.9 million and \$2.3 million in 2010 and 2009, respectively. The use of cash for investing activities for the year ended December 31, 2010 was for capital expenditures of approximately \$5.9 million and the net purchase of \$3.0 million in short-term investments. The use of cash for investing activities for the year ended December 31, 2009 was for capital expenditures of approximately \$2.4 million. During 2008, our investing activities provided cash of approximately \$13.9 million from net maturities and sales of investments of \$21.6 million, partially offset by payments in connection with purchases of capital equipment of \$7.7 million.

Our financing activities used cash of approximately \$40.9 million, \$21.7 million and \$31.8 million in 2010, 2009 and 2008, respectively. The principal use of cash for financing activities was to repurchase shares of our common stock under our publicly-announced buy-back program for approximately \$76.5 million, \$22.8 million and \$35.0 million in 2010, 2009 and 2008, respectively, and shares withheld for taxes due upon restricted stock vesting for approximately \$1.2 million, \$0.6 million and \$0.1 million in 2010, 2009 and 2008, respectively. These repurchases were partially offset by the proceeds from the issuance of our common stock pursuant to the exercise of stock options of \$36.4 million, \$1.7 million, and \$3.2 million in 2010, 2009, and 2008, respectively. In January 2011, our Board of Directors increased our remaining share repurchase authority of \$4.0 million at December 31, 2010 to a total of \$50.0 million.

Periodically, opportunities may arise to grow our business through the acquisition of complementary and synergistic companies, products and technologies. Any material acquisition could result in a decrease to our working capital depending on the amount, timing and nature of the consideration to be paid. We believe that our existing cash and investments will be sufficient to meet our working capital and capital expenditure needs at least for the next twelve months, although there can be no assurance that this will be the case. In 2011, we anticipate that our priorities for use of cash will be similar to prior years, with our first priority being continued investment in product development and profitably growing our business to extend our market leadership. We will continue to evaluate acquisition opportunities that are complementary to our product footprint and technology direction. We will also continue to weigh our share repurchase options against cash for acquisitions and investing in the business. We do not anticipate any borrowing requirements in 2011 for general corporate purposes.

**New Accounting Pronouncements**

In January 2010, the FASB issued an Accounting Standard Update to improve disclosures about fair value measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for significant transfers in and out of Level 1 and 2 in the fair value hierarchy and the reasons for the transfers. This guidance also requires disclosures relating to the reconciliation of fair value measurements using significant unobservable inputs (Level 3) investments. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 except Level 3 reconciliation disclosures which are effective for the fiscal years and interim periods beginning after December 15, 2010. We adopted the enhanced disclosures for Level 1 and 2 in our first quarter of 2010 reporting, which did not have a material impact on our financial statements. We do not expect the Level 3 reconciliation disclosures to have a material impact on our financial statements when we adopt them.

In February 2010, the FASB issued an Accounting Standards Update to amend certain recognition and disclosure requirements related to subsequent events. The new guidance clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial

statements are issued. Management must perform its assessment for both interim and annual financial reporting periods. This update also exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The adoption of this amended standard did not have an impact on our consolidated financial statements.

**Table of Contents****Off-Balance Sheet Arrangements and Aggregate Contractual Obligations**

Our principal commitments as of December 31, 2010 consist of obligations under operating leases. We expect to fulfill all of the following commitments from our working capital. We have no off-balance sheet arrangements within the meaning of SEC rules.

*Lease Commitments*

We lease our facilities and some of our equipment under noncancelable operating lease arrangements that expire at various dates through 2018. Rent expense for these leases aggregated \$5.3 million, \$6.1 million and \$7.2 million during 2010, 2009, and 2008, respectively.

The following table summarizes our contractual commitments as of December 31, 2010 (in thousands):

|                                 | <b>Total</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>Thereafter</b> |
|---------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Non-cancelable operating leases | \$ 40,363    | \$ 6,333    | \$ 5,542    | \$ 5,198    | \$ 5,011    | \$ 4,799    | \$ 13,480         |

*Indemnifications*

Our sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with patent, copyright or trade secret infringement claims made by third parties with respect to the customer's authorized use of our products and services. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer, as well as our modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. Our sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by our personnel or contractors in the course of performing services to customers. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with death, personal injury and property damage claims made by third parties with respect to actions of our personnel or contractors. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer. The indemnity obligations contained in sales agreements generally have no specified expiration date and no specified monetary limitation on the amount of award covered. We have not previously incurred costs to settle claims or pay awards under these indemnification obligations. We account for these indemnity obligations in accordance with FASB guidance on accounting for contingencies, and record a liability for these obligations when a loss is probable and reasonably estimable. We have not recorded any liabilities for these agreements as of December 31, 2010.

*Warranties*

We warrant to our customers that our software products will perform in all material respects in accordance with our standard published specifications in effect at the time of delivery of the licensed products to the customer for 6 months after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, we warrant to our customers that our services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, we would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, we have not incurred significant recurring expense under our product or service warranties. As a result, we believe the estimated fair value of these agreements is nominal. Accordingly, we have no liabilities recorded for these agreements as of December 31, 2010.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk****Foreign Business**

Our international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Our international operations currently include business activity out of offices in the United Kingdom, the Netherlands, France, Australia, China, Japan, Singapore and India. When the U.S. dollar strengthens against a foreign currency, the value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases. We recognized foreign exchange losses of \$0.7 million and \$1.0 million in 2010 and 2009,

respectively and a foreign exchange gain of \$3.9 million in 2008. Foreign exchange rate transaction gains and losses are classified in Other (loss) income, net in our Consolidated Statements of Operations. A fluctuation of 10% in the period end exchange rates at December 31, 2010 and 2009 relative to the U.S. dollar would result in changes of approximately \$0.1 million and \$0.2 million in the reported foreign currency gain or loss, respectively.

**Table of Contents****Interest Rates**

We currently invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating rate obligations in money market funds and certificates of deposit. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are derived from operations. At December 31, 2010, our cash and investments balance totaled \$126.9 million, of which \$120.7 million is highly liquid. The remaining investments totaling \$6.1 million are invested in short-term certificates of deposit and auction rate securities which were purchased prior to 2008. Our cash equivalents balance at December 31, 2010 was \$31.2 million. Cash equivalents principally consist of highly liquid money market funds and certificates of deposit with maturities of less than three months when purchased.

Investments in both fixed rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if forced to sell securities that have seen a decline in market value due to changes in interest rates. The weighted-average interest rate of return on cash and investment securities was approximately 0.5% and less than 0.5% for the year ended December 31, 2010 and 2009, respectively. The fair value of cash equivalents and investments held at December 31, 2010 and 2009 was \$37.4 million and \$60.1 million, respectively. Based on the average investments outstanding during 2010 and 2009, increases or decreases in the rate of return of 25 basis points would result in increases or decreases to interest income of approximately \$0.3 million for both year 2010 and 2009, from the reported interest income.

**Item 8. *Financial Statements and Supplementary Data****Financial Statements*

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**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

As of the end of the Company's 2010 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2010 was effective.

Ernst & Young, the independent registered public accounting firm that audited the Company's financial statements for the year ended December 31, 2010, has audited the Company's internal control over financial reporting as of December 31, 2010 and has issued a report regarding the Company's internal control over financial reporting appearing on page 43, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010.

/s/ Peter F. Sinisgalli

Peter F. Sinisgalli  
President and Chief Executive Officer

February 23, 2011

/s/ Dennis B. Story

Dennis B. Story  
Executive Vice President,  
Chief Financial Officer and Treasurer

February 23, 2011



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

**The Board of Directors and Shareholders**

**Manhattan Associates, Inc. and Subsidiaries**

We have audited Manhattan Associates, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Manhattan Associates, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Manhattan Associates, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows, shareholders' equity, and comprehensive income for each of the three years in the period ended December 31, 2010 of Manhattan Associates, Inc. and subsidiaries and our report dated February 23, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia  
February 23, 2011

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

**The Board of Directors and Shareholders**

**Manhattan Associates, Inc. and Subsidiaries**

We have audited the accompanying consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows, shareholders' equity, and comprehensive income for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Manhattan Associates, Inc. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Manhattan Associates, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia  
February 23, 2011

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

|                                    | Year Ended December 31, |           |           |
|------------------------------------|-------------------------|-----------|-----------|
|                                    | 2010                    | 2009      | 2008      |
| Revenue:                           |                         |           |           |
| Software license                   | \$ 54,450               | \$ 34,686 | \$ 65,313 |
| Services                           | 213,750                 | 189,850   | 235,967   |
| Hardware and other                 | 28,917                  | 22,131    | 35,921    |
| <b>Total revenue</b>               | <b>297,117</b>          | 246,667   | 337,201   |
| Costs and expenses:                |                         |           |           |
| Cost of license                    | 6,172                   | 4,726     | 5,961     |
| Cost of services                   | 98,776                  | 84,349    | 116,707   |
| Cost of hardware and other         | 23,844                  | 18,386    | 29,270    |
| Research and development           | 40,508                  | 36,681    | 48,407    |
| Sales and marketing                | 42,702                  | 36,137    | 51,177    |
| General and administrative         | 34,027                  | 29,946    | 37,145    |
| Depreciation and amortization      | 9,161                   | 11,418    | 12,699    |
| Restructuring charge               |                         | 3,882     | 4,667     |
| Asset impairment charges           |                         |           | 5,205     |
| <b>Total costs and expenses</b>    | <b>255,190</b>          | 225,525   | 311,238   |
| Operating income                   | 41,927                  | 21,142    | 25,963    |
| Interest income, net               | 636                     | 368       | 1,823     |
| Other (loss) income, net           | (779)                   | (1,124)   | 3,722     |
| Income before income taxes         | 41,784                  | 20,386    | 31,508    |
| Income tax provision               | 13,723                  | 3,824     | 8,710     |
| Net income                         | \$ 28,061               | \$ 16,562 | \$ 22,798 |
| Basic earnings per share           | \$ 1.31                 | \$ 0.74   | \$ 0.95   |
| Diluted earnings per share         | \$ 1.25                 | \$ 0.73   | \$ 0.94   |
| Weighted average number of shares: |                         |           |           |
| Basic                              | 21,497                  | 22,385    | 24,053    |
| Diluted                            | 22,450                  | 22,558    | 24,328    |

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

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2010              | 2009              |
| <b>ASSETS</b>   |                   |                   |
| Current Assets:   |                   |                   |
| Cash and cash equivalents   | \$ 120,744        | \$ 120,217        |
| Short term investments  | 4,414             |                   |
| Accounts receivable, net of allowance of \$5,711 and \$4,943 in 2010 and 2009, respectively | 47,419            | 37,945            |
| Deferred income taxes   | 7,214             | 5,745             |
| Income taxes receivable   | 2,446             |                   |
| Prepaid expenses  | 5,520             | 4,240             |
| Other current assets  | 1,223             | 607               |
| <b>Total current assets</b>   | <b>188,980</b>    | <b>168,754</b>    |
| Property and equipment, net   | 14,833            | 15,759            |
| Long-term investments   | 1,711             | 2,797             |
| Goodwill, net   | 62,265            | 62,280            |
| Acquisition-related intangible assets, net  | 1,186             | 3,473             |
| Deferred income taxes   | 8,816             | 9,826             |
| Other assets  | 2,673             | 1,822             |
| <b>Total assets</b>   | <b>\$ 280,464</b> | <b>\$ 264,711</b> |

**LIABILITIES AND SHAREHOLDERS EQUITY**

|   |               |               |
|---|---------------|---------------|
| Current liabilities:  |               |               |
| Accounts payable  | \$ 7,745      | \$ 4,434      |
| Accrued compensation and benefits   | 19,807        | 12,855        |
| Accrued and other liabilities   | 13,856        | 15,430        |
| Deferred revenue  | 44,974        | 37,436        |
| Income taxes payable  |               | 796           |
| <b>Total current liabilities</b>  | <b>86,382</b> | <b>70,951</b> |
| Deferred rent long-term   | 7,444         | 7,830         |
| Other non-current liabilities   | 2,838         | 2,565         |
| Shareholders equity:  |               |               |
| Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2010 or 2009  |               |               |
| Common stock, \$.01 par value; 100,000,000 shares authorized; 21,729,789 and 22,467,123 shares issued and outstanding at December 31, 2010 and 2009, respectively | 217           | 225           |

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|  |                   |            |
|--|-------------------|------------|
| Additional paid-in capital                 | <b>487</b>        | 2,892      |
| Retained earnings                          | <b>184,152</b>    | 182,387    |
| Accumulated other comprehensive loss       | <b>(1,056)</b>    | (2,139)    |
| Total shareholders' equity                 | <b>183,800</b>    | 183,365    |
| Total liabilities and shareholders' equity | <b>\$ 280,464</b> | \$ 264,711 |

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

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

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2010</b>                    | <b>2009</b> | <b>2008</b> |
| <b>Operating activities:</b>  |                                |             |             |
| Net income  | \$ 28,061                      | \$ 16,562   | \$ 22,798   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |             |             |
| Depreciation and amortization   | 9,161                          | 11,418      | 12,699      |
| Asset impairment charge   |                                |             | 5,205       |
| Stock compensation  | 10,420                         | 8,622       | 8,864       |
| (Gain) loss on disposal of equipment  | (4)                            | 130         | 156         |
| Tax benefit (deficiency) of stock awards exercised/vested                         | 2,207                          | (1,023)     | 202         |
| Excess tax benefits from stock based compensation                                 | (475)                          | (64)        | (100)       |
| Deferred income taxes   | (463)                          | 2,077       | (1,389)     |
| Unrealized foreign currency loss  | 210                            | 1,022       | (694)       |
| Changes in operating assets and liabilities:                                      |                                |             |             |
| Accounts receivable, net  | (9,454)                        | 26,658      | 7,077       |
| Other assets  | (2,661)                        | 3,058       | 2,691       |
| Accounts payable, accrued and other liabilities                                   | 8,271                          | (10,453)    | 5,997       |
| Income taxes  | (2,934)                        | (3,502)     | (1,324)     |
| Deferred revenue  | 7,633                          | 3,818       | 1,659       |
| Net cash provided by operating activities   | <b>49,972</b>                  | 58,323      | 63,841      |
| <b>Investing activities:</b>  |                                |             |             |
| Purchase of property and equipment  | (5,871)                        | (2,378)     | (7,708)     |
| Purchases of available-for-sale investments                                       | (8,625)                        |             | (285,593)   |
| Sales/maturities of available-for-sale investments                                | 5,614                          | 84          | 307,216     |
| Net cash (used in) provided by investing activities                               | <b>(8,882)</b>                 | (2,294)     | 13,915      |
| <b>Financing activities:</b>  |                                |             |             |
| Purchase of common stock  | (77,704)                       | (23,435)    | (35,107)    |
| Proceeds from issuance of common stock from options exercised                     | 36,368                         | 1,662       | 3,177       |
| Excess tax benefits from stock based compensation                                 | 475                            | 64          | 100         |
| Net cash used in financing activities   | <b>(40,861)</b>                | (21,709)    | (31,830)    |
| Foreign currency impact on cash   | 298                            | 158         | (4,862)     |
| Net change in cash and cash equivalents   | <b>527</b>                     | 34,478      | 41,064      |

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|  |                   |            |           |
|--|-------------------|------------|-----------|
| Cash and cash equivalents at beginning of period   | <b>120,217</b>    | 85,739     | 44,675    |
| Cash and cash equivalents at end of period         | <b>\$ 120,744</b> | \$ 120,217 | \$ 85,739 |
| Supplemental disclosures of cash flow information: |                   |            |           |
| Cash paid for taxes                                | <b>\$ 14,340</b>  | \$ 6,218   | \$ 11,135 |

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

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**  
(In thousands, except share data)

|  | Common Stock      |               | Additional<br>Paid-In | Retained          | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Shareholders<br>Equity |
|--|-------------------|---------------|-----------------------|-------------------|---|---------------------------------|
|  | Shares            | Amount        | Capital               | Earnings          | (Loss)  | Equity                          |
| Balance, December 31, 2007                 | 24,899,919        | \$ 249        | \$ 17,744             | \$ 165,189        | \$ 2,523  | \$ 185,705                      |
| Repurchase of common stock                 | (1,710,441)       | (17)          | (29,985)              | (5,105)           |   | (35,107)                        |
| Stock option exercises                     | 203,275           | 2             | 3,175                 |                   |   | 3,177                           |
| Stock option expense                       |                   |               | 5,458                 |                   |   | 5,458                           |
| Restricted stock issuance/expense          | 188,356           |               | 3,406                 |                   |   | 3,406                           |
| Tax effects of stock based<br>compensation |                   |               | 202                   |                   |   | 202                             |
| Foreign currency translation<br>adjustment |                   |               |                       |                   | (5,768)   | (5,768)                         |
| Unrealized loss on investments             |                   |               |                       |                   | (32)  | (32)                            |
| Net income                                 |                   |               |                       | 22,798            |   | 22,798                          |
| Balance, December 31, 2008                 | 23,581,109        | 234           |                       | 182,882           | (3,277)   | 179,839                         |
| Repurchase of common stock                 | (1,409,922)       | (14)          | (6,364)               | (17,057)          |   | (23,435)                        |
| Stock option exercises                     | 130,650           | 1             | 1,661                 |                   |   | 1,662                           |
| Stock option expense                       |                   |               | 5,153                 |                   |   | 5,153                           |
| Restricted stock issuance/expense          | 165,286           | 4             | 3,465                 |                   |   | 3,469                           |
| Tax effects of stock based<br>compensation |                   |               | (1,023)               |                   |   | (1,023)                         |
| Foreign currency translation<br>adjustment |                   |               |                       |                   | 1,225   | 1,225                           |
| Unrealized loss on investments             |                   |               |                       |                   | (87)  | (87)                            |
| Net income                                 |                   |               |                       | 16,562            |   | 16,562                          |
| Balance, December 31, 2009                 | 22,467,123        | 225           | 2,892                 | 182,387           | (2,139)   | 183,365                         |
| Repurchase of common stock                 | (2,766,173)       | (28)          | (51,380)              | (26,296)          |   | (77,704)                        |
| Stock option exercises                     | 1,613,735         | 16            | 36,352                |                   |   | 36,368                          |
| Stock option expense                       |                   |               | 3,792                 |                   |   | 3,792                           |
| Restricted stock issuance/expense          | 415,104           | 4             | 6,624                 |                   |   | 6,628                           |
| Tax effects of stock based<br>compensation |                   |               | 2,207                 |                   |   | 2,207                           |
| Foreign currency translation<br>adjustment |                   |               |                       |                   | 1,012   | 1,012                           |
| Unrealized gain on investments             |                   |               |                       |                   | 71  | 71                              |
| Net income                                 |                   |               |                       | 28,061            |   | 28,061                          |
| <b>Balance, December 31, 2010</b>          | <b>21,729,789</b> | <b>\$ 217</b> | <b>\$ 487</b>         | <b>\$ 184,152</b> | <b>\$ (1,056)</b>                               | <b>\$ 183,800</b>               |

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





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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands)

|  | <b>Year Ended December 31,</b> |           |           |
|--|--------------------------------|-----------|-----------|
|  | <b>2010</b>                    | 2009      | 2008      |
| Net income   | \$ <b>28,061</b>               | \$ 16,562 | \$ 22,798 |
| Other comprehensive income (loss), net of tax:   |                                |           |           |
| Foreign currency translation adjustment  | <b>1,012</b>                   | 1,225     | (5,768)   |
| Unrealized gain (loss) on investments, net of taxes of \$43, (\$51)<br>and (\$18) in 2010, 2009 and 2008, respectively | <b>71</b>                      | (87)      | (32)      |
| Other comprehensive income (loss)  | <b>1,083</b>                   | 1,138     | (5,800)   |
| Comprehensive income   | \$ <b>29,144</b>               | \$ 17,700 | \$ 16,998 |

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

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010, 2009 and 2008**

**1. Organization and Summary of Significant Accounting Policies**

**Organization and Business**

Manhattan Associates, Inc. (Manhattan or the Company) is a developer and provider of supply chain solutions that help organizations optimize the effectiveness, efficiency, and strategic advantages of their supply chains. The Company's solutions consist of software, services and hardware, which coordinate people, workflows, assets, events and tasks holistically across the functions linked in a supply chain from planning through execution. These solutions also help coordinate the actions, data exchange and communication of participants in supply chain ecosystems, such as manufacturers, suppliers, distributors, trading partners, transportation providers, channels (such as catalogers, store retailers and Web outlets) and consumers.

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

**Principles of Consolidation and Foreign Currency Translation**

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

The financial statements of foreign subsidiaries have been translated into United States dollars in accordance with the foreign currency matters topic in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (the Codification). Revenues and expenses from international operations were denominated in the respective local currencies and translated using the average monthly exchange rates for the year. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date and the effect of changes in exchange rates from year to year are disclosed as a separate component of shareholders' equity and comprehensive income.

**Summary of Significant Accounting Policies**

*Cash and Cash Equivalents*

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

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short- and long-term investments and accounts receivable. The Company maintains cash and cash equivalents and short- and long-term investments with various financial institutions. Amounts held at certain financial institutions are above the federally insured limit. The Company's sales are primarily to companies located in the United States, Europe and Asia. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral. Accounts receivable are due principally from large U.S., European and Asia Pacific companies under stated contract terms. Accounts receivable, net as of December 31, 2010 for the Americas, EMEA and APAC companies were \$40.1 million, \$3.7 million and \$3.6 million, respectively. Accounts receivable, net as of December 31, 2009 for the Americas, EMEA and APAC companies were \$30.7 million, \$4.9 million and \$2.3 million, respectively. The Company's top five customers in aggregate accounted for 10%, 11% and 11% of total revenue in the period the related sales were recorded for each of the years ended December 31, 2010, 2009 and 2008, respectively. No single customer accounted for more than 10% of revenue in the years ended December 31, 2010, 2009 and 2008 or for more than 10% of accounts receivable as of December 31,

2010 and 2009.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

*Fair Value Measurement*

The Company measures its investments based on a fair value hierarchy disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of asset or liability and their characteristics. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 Quoted prices in active markets for identical instruments.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's investments are categorized as available-for-sale securities and recorded at fair market value. Investments with maturities of 90 days or less from the date of purchase are classified as cash equivalents; investments with maturities of greater than 90 days from the date of purchase but less than one year are generally classified as short-term investments; and investments with maturities of greater than one year from the date of purchase are generally classified as long-term investments. 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 determined on a specific identification basis.

At December 31, 2010, the Company's cash, cash equivalent and short-term investments balance was \$89.5 million, \$31.2 million and \$4.4 million, respectively. Cash equivalents and short-term investments primarily consist of highly liquid money market funds and certificates of deposit.

Prior to 2008, the Company invested \$6.5 million in auction rate securities with original maturities ranging from 2025 to 2040, but which had auctions to reset the yield every 7 to 35 days. Certain auctions failed during 2008 and the underlying securities were not redeemed by the issuer. During 2008, the Company recorded an other-than-temporary impairment charge of \$3.5 million on one of these investments. The Company reduced the carrying value to zero due to credit downgrades of the underlying issuer and the bond insurer as well as increasing publicly reported exposure to bankruptcy risk by the issuer. During 2010, two of the issuers of the Company's other auction rate securities redeemed a total of \$1.2 million of the auction rate securities at par value. In January 2011, one of the issuers redeemed the remaining \$0.8 million of one of the auction rate securities at par value. From 2008 to 2010, the Company has recorded net temporary impairment charges of \$0.1 million on these investments, inclusive of a \$0.1 million unrealized gain recorded during 2010, resulting in \$1.7 million in total auction rate securities investments on the balance sheet at December 31, 2010. The net unrealized loss is included as a separate component of shareholders' equity and annual unrealized gains and losses are included in total comprehensive income. The \$1.7 million of auction rate securities held by the Company at December 31, 2010 were issued by state or regional educational loan authorities and are collateralized by federally insured student loans. These investments consequently have high credit ratings, and the Company intends and has the ability to hold these securities until maturity or until redeemed. In determining the fair values of these auction rate securities, the Company considered the credit worthiness of the counterparty, estimates of interest rates, expected holding periods, and the timing and value of expected future cash flows. Changes in the assumptions underlying the Company's valuation could have a significant impact on the value of these securities, which may cause losses and potentially require the Company to record other-than-temporary impairment charges on these investments in the future. The Company will continue to evaluate the fair value of its investments in auction rate securities each reporting period for a potential other-than-temporary impairment.

The Company's auction rate securities are classified in the fair value hierarchy as Level 3 as their valuation technique includes significant unobservable inputs except for the \$0.8 million of auction rate securities redeemed in January 2011 which are classified as Level 1. The Company uses quoted prices from active markets which are classified at Level 1 as a highest level observable input in the disclosure hierarchy framework for all other

available-for-sale securities. The Company has no investments classified at Level 2.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

The following table set forth the assets carried at fair value measured on a recurring basis at December 31, 2010 (in thousands):

|  | <b>Fair Value Measurements at December 31, 2010</b> |  |  |                  |
|--|---|--|--|------------------|
|  | <b>Quoted<br/>Prices<br/>(Level 1)</b>              | <b>Using<br/>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>     |
| Money market funds                         | \$ 28,788   | \$   | \$   | \$ 28,788        |
| Auction rate securities                    | 800   |  | 911  | 1,711            |
| <b>Total available-for-sale securities</b> | <b>\$ 29,588</b>                                    | <b>\$</b>  | <b>\$ 911</b>  | <b>\$ 30,499</b> |

In July 2003, the Company invested \$2.0 million in an RFID technology company. The investment has been accounted for under the cost method and is included in Other Assets on the consolidated balance sheets. In the third quarter of 2006, the Company wrote down its investment by \$0.3 million due to uncertainties associated with the fair value of the investment following an unsuccessful public offering. During the third quarter of 2008, the Company wrote down the remaining balance of this investment recording an other-than-temporary impairment charge of \$1.7 million. The Company recorded the additional impairment due to a combination of continued negative financial results reported by this company in a very competitive sector and a down round of financing (i.e., a round of financing that was dilutive to the Company's investment) in which the Company's preferred share ownership was converted into common stock, eliminating the Company's preference rights associated with liquidation, thereby substantially impairing its ability to recoup its investment. The \$1.7 million charge is included in Asset impairment charges in the 2008 Consolidated Statements of Operations.

Following is a summary of the Company's future available-for-sale investment maturities as of December 31, 2010 (in thousands):

|                  |                 |
|------------------|-----------------|
| Less than 1 year | \$ 800          |
| Over 10 years    | 911             |
| <b>Total</b>     | <b>\$ 1,711</b> |

*Use of Estimates*

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

*Fair Value of Financial Instruments*

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



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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

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

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

The Company's international business is subject to risks typical of an international business, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, the future results could be materially adversely impacted by changes in these or other factors. The Company recognized a foreign exchange rate loss of \$0.7 million and \$1.0 million in 2010 and 2009, respectively, and foreign exchange rate gains of \$3.9 million in 2008. Foreign exchange rate transaction gains and losses are classified in Other (loss) income, net on the Consolidated Statements of Operations.

*Revenue Recognition*

The Company's revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, professional services), plus customer support and software enhancements, and sales of hardware and other revenues (other revenues consists of reimbursements of out of pocket expenses incurred in connection with the Company's professional services). All revenue is recognized net of any related sales taxes. The Company recognizes license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collection is probable. Revenue recognition for software with multiple-element arrangements requires recognition of revenue using the residual method when (a) 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; (b) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (c) all other applicable revenue-recognition criteria for software revenue recognition, other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement, are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

The Company allocates revenue to customer support and software enhancements and any other undelivered elements of the arrangement based on vendor specific objective evidence, or VSOE, of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria have been met. The balance of the revenue, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If the Company cannot objectively determine the fair value of each undelivered element based on the VSOE of fair value, the Company defers revenue recognition until all elements are delivered, all services have been performed, or until fair value can be objectively determined. The Company must apply judgment in determining all elements of the arrangement and in determining the VSOE of fair value for each element, considering the price charged for each product on a stand-alone basis or applicable renewal rates.

The accounting related to license revenue recognition in the software industry is complex and affected by interpretations of the rules which are subject to change. Judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience and

economic market conditions. If market conditions decline, or if the financial conditions of customers deteriorate, the Company may be unable to determine that collectibility is probable, and the Company could be required to defer the recognition of revenue until the Company receives customer payments.

The Company's services revenue consists of fees generated from professional services, customer support services and software enhancements related to the Company's software products. Fees from professional services performed by the Company are generally billed on an hourly basis, and revenue is recognized as the services are performed.

Professional services are sometimes rendered under agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement. Revenue related to fixed-fee based contracts is recognized on a proportional performance basis based on the hours incurred on discrete projects within an overall services arrangement. Project losses are provided for in their entirety in the period in which they become known. Revenue related to customer support services and software enhancements are generally paid in advance and recognized ratably over the term of the agreement, typically 12 months.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

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

In accordance with the other presentation matters within the Revenue Recognition Topic of the FASB Accounting Standards Codification, the Company recognizes amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been classified in Hardware and other revenue in the accompanying Consolidated Statement of Operations. The total amount of expense reimbursement recorded to revenue was \$9.0 million, \$7.5 million and \$12.7 million for 2010, 2009 and 2008, respectively.

*Deferred Revenue*

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

*Returns and Allowances*

The Company has not experienced significant returns or warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 2010 or 2009.

The Company records an allowance for doubtful accounts based on the historical experience of write-offs and a detailed assessment of accounts receivable. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. The total amounts charged to operations were \$3.5 million, \$3.6 million and \$4.9 million for 2010, 2009 and 2008, respectively. In estimating the allowance for doubtful accounts, management considers the age of the accounts receivable, the Company's historical write-offs, and the credit worthiness of the customer, among other factors. Should any of these factors change, the estimates made by management will also change accordingly, which could affect the level of the Company's future allowances. Uncollectible accounts are written off when it is determined that the specific balance is not collectible.

*Property and Equipment*

Property and equipment is recorded at cost and consists of furniture, computers, other office equipment, internal use software, and leasehold improvements. The Company depreciates the cost of furniture, computers, other office equipment and internal use software on a straight-line basis over their estimated useful lives (three to five years for computer equipment and software, five years for office equipment, seven years for furniture). Leasehold improvements are depreciated over the lesser of their useful lives or the term of the lease. Depreciation and amortization expense for property and equipment for the years ended December 31, 2010, 2009 and 2008 was approximately \$6.9 million, \$8.4 million and \$9.4 million, respectively, and was included in Depreciation and amortization in the Consolidated Statements of Operations.

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

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2010</b>         | <b>2009</b> |
| Computer equipment and software                | \$ 50,574           | \$ 47,151   |
| Furniture and office equipment                 | 7,165               | 7,539       |
| Leasehold improvement                          | 14,961              | 14,827      |
|  | <b>72,700</b>       | 69,517      |
| Less accumulated depreciation and amortization | <b>(57,867)</b>     | (53,758)    |
|  | <b>\$ 14,833</b>    | \$ 15,759   |

*Acquisition-Related Intangible Assets*

Acquisition-related intangible assets are stated at historical cost and include acquired software and certain other intangible assets with definite lives. The acquired software is being amortized over the greater of the amount computed using (a) the ratio that current gross revenues bear to the total of current and anticipated future gross revenues for each product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. The weighted average amortization period for acquired software is 4.9 years. The other intangible assets are being amortized on a straight-line basis over a period of two to ten years with a weighted average amortization period of 6.2 years. The weighted average amortization period for all intangible assets is 5.6 years. Total amortization expense related to acquisition-related intangible assets was approximately \$2.3 million, \$3.0 million and \$3.3 million for the years ended December 31, 2010, 2009 and 2008, respectively, and are included in Depreciation and amortization in the accompanying Consolidated Statements of Operations. Acquisition-Related Intangible Assets consist of the following (in thousands):

|   | <b>December 31,</b> |             |
|---|---------------------|-------------|
|   | <b>2010</b>         | <b>2009</b> |
| Cost:                                       |                     |             |
| Acquired software                           | \$ 15,791           | \$ 15,791   |
| Other intangible assets with definite lives | 19,087              | 19,087      |
|   | <b>34,878</b>       | 34,878      |
| Accumulated amortization:                   |                     |             |
| Acquired software                           | <b>(15,791)</b>     | (15,259)    |
| Other intangible assets with definite lives | <b>(17,901)</b>     | (16,146)    |
|   | <b>(33,692)</b>     | (31,405)    |
| Net book value:                             |                     |             |
| Acquired software                           | \$                  | \$ 532      |
| Other intangible assets with definite lives | <b>1,186</b>        | 2,941       |
|   | <b>\$ 1,186</b>     | \$ 3,473    |



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The Company expects amortization expense for the next five years to be as follows based on intangible assets as of December 31, 2010 (in thousands):

| <b>Year ending December 31,</b>     |    |       |
|-------------------------------------|----|-------|
| 2011                                | \$ | 1,172 |
| 2012                                |    | 7     |
| 2013                                |    | 6     |
| 2014                                |    | 1     |
| Total amortization expense expected | \$ | 1,186 |

*Goodwill*

Goodwill represents the excess of purchase price over fair value of net identified tangible and intangible assets and liabilities acquired. The Company does not amortize goodwill, but instead tests goodwill for impairment on at least an annual basis. Goodwill was \$62.3 million at the end of each year ended December 31, 2010 and 2009. Approximately \$36.0 million of the gross Goodwill balance is deductible for income tax purposes. To date, there have been no goodwill impairments. The change in the balance from December 31, 2009 to 2010 is due to foreign exchange fluctuations in EMEA.

*Software Development Costs*

Research and development expenses are charged to expense as incurred. The Company determines the amount of development costs capitalizable under the provisions of FASB Codification accounting for costs of computer software to be sold, leased, or marketed. Under this guidance, computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized. The Company has defined technological feasibility as the point in time at which the Company has a detailed program design or a working model of the related product, depending on the type of development efforts. For the years ended December 31, 2010, 2009 and 2008, the Company capitalized no internal research and development costs because the costs incurred between the attainment of technological feasibility for the related software product through the date when the product was available for general release to customers has been insignificant.

*Impairment of Long-Lived and Intangible Assets*

The Company reviews the values assigned to long-lived assets, including property and certain intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. In such reviews, undiscounted cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required. During 2010, 2009 and 2008, the Company did not recognize any impairment charges associated with its long-lived or intangible assets.

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

*Impairment of Goodwill*

The Company evaluates the carrying value of goodwill annually as of December 31 and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether the goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to its carrying amount, including goodwill. If the carrying amount of a reporting unit

exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. The Company performed its periodic review of its goodwill for impairment as of December 31, 2010, 2009 and 2008 and did not identify any impairment as a result of the review.

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*Guarantees and Indemnifications*

The Company accounts for guarantees in accordance with the guarantee accounting topic in the FASB Codification. The Company's sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, the Company agrees to indemnify, defend and hold harmless the customer in connection with patent, copyright or trade secret infringement claims made by third parties with respect to the customer's authorized use of the Company's products and services. The indemnity provisions generally provide for the Company's control of defense and settlement and cover costs and damages finally awarded against the customer, as well as the Company's modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. The sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by the Company's personnel or contractors in the course of performing services to customers. Under these agreements, the Company agrees to indemnify, defend and hold harmless the customer in connection with death, personal injury and property damage claims made by third parties with respect to actions of the Company's personnel or contractors. The indemnity provisions generally provide for the Company's control of defense and settlement and cover costs and damages finally awarded against the customer. The indemnity obligations contained in sales agreements generally have no specified expiration date and no specified monetary limitation on the amount of award covered. The Company has not previously incurred costs to settle claims or pay awards under these indemnification obligations. The Company accounts for these indemnity obligations in accordance with the guarantee accounting topic in the Codification, and records a liability for these obligations when a loss is probable and reasonably estimable. The Company has not recorded any liabilities for these agreements as of December 31, 2010 and 2009.

The Company warrants to its customers that its software products will perform in all material respects in accordance with the standard published specifications in effect at the time of delivery of the licensed products to the customer for 6 months after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, the Company warrants to its customers that services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, the Company will provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, the Company has not incurred significant recurring expense under product or service warranties. As a result, the Company believes the estimated fair value of these agreements is nominal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2010 and 2009.

*Segment Information*

The Company has three reporting segments: Americas, EMEA, and APAC as defined by FASB Codification topic for segment reporting. See Note 8 for discussion of the Company's reporting segments.

*Advertising Costs*

Advertising costs are expensed as incurred and totaled approximately \$10,000 for each year in 2010 and 2009 and \$100,000 in 2008. Advertising costs are included in Sales and marketing in the Consolidated Statements of Operations.

*Basic and Diluted Net Income Per Share*

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



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Diluted net income per share is computed using net income divided by Weighted Shares, and the treasury stock method effect of common equivalent shares ( CESs ) outstanding for each period presented. The following is a reconciliation of the shares used in the computation of net income per share for the years ended December 31, 2010, 2009 and 2008 (in thousands, except per share data):

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2010</b>                    | <b>2009</b> | <b>2008</b> |
| Net income                                | \$ <b>28,061</b>               | \$ 16,562   | \$ 22,798   |
| <b>Earnings per share:</b>                |                                |             |             |
| Basic                                     | \$ <b>1.31</b>                 | \$ 0.74     | \$ 0.95     |
| Effect of CESs                            | <b>(0.06)</b>                  | (0.01)      | (0.01)      |
| Diluted                                   | \$ <b>1.25</b>                 | \$ 0.73     | \$ 0.94     |
| <b>Weighted average number of shares:</b> |                                |             |             |
| Basic                                     | <b>21,497</b>                  | 22,385      | 24,053      |
| Effect of CESs                            | <b>953</b>                     | 173         | 275         |
| Diluted                                   | <b>22,450</b>                  | 22,558      | 24,328      |

Options to purchase 1,312,639 shares, 5,199,401 shares and 4,177,687 shares of common stock were outstanding at December 31, 2010, 2009 and 2008, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares during the respective years. See Note 2 for further information on those securities.

*Accumulated Other Comprehensive Income*

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

The following table sets forth the components of accumulated other comprehensive income (in thousands):

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2010</b>         | <b>2009</b> |
| Unrealized loss on investments, net of taxes | \$ <b>(61)</b>      | \$ (132)    |
| Foreign currency translation adjustment      | <b>(995)</b>        | (2,007)     |
| Total  | \$ <b>(1,056)</b>   | \$ (2,139)  |

*New Accounting Pronouncements*

In January 2010, the FASB issued an Accounting Standard Update to improve disclosures about fair value measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for significant transfers in and out of Level 1 and 2 in the fair value hierarchy and the reasons for the transfers. This guidance also requires disclosures relating to the reconciliation of fair value measurements using significant unobservable inputs (Level 3) investments. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 except Level 3 reconciliation disclosures which are effective for the fiscal years and interim periods beginning after December 15, 2010. The Company adopted the enhanced disclosures for Level 1 and 2 in its first quarter of 2010 reporting, which did not have a material impact on its financial statements. The Company does

not expect the Level 3 reconciliation disclosures to have a material impact on its financial statements when the Company adopts them.

In February 2010, the FASB issued an Accounting Standards Update to amend certain recognition and disclosure requirements related to subsequent events. The new guidance clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued. Management must perform its assessment for both interim and annual financial reporting periods. This update also exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The adoption of this amended standard did not have an impact on the Company's consolidated financial statements.

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**2. Stock-Based Compensation****Stock Based Compensation Plans**

The Manhattan Associates, Inc. 1998 Stock Incentive Plan (the "1998 Plan") was adopted by the Board of Directors and approved by the shareholders in February 1998. Options granted under the 1998 Plan cannot have a term exceeding ten years. Options typically have an annual graded vesting schedule over four years and vest based on service conditions. Following approval of the Manhattan Associates, Inc. 2007 Stock Incentive Plan (the "2007 Plan") discussed below, the Company may not make any additional awards under the 1998 Plan.

The 2007 Plan was initially approved by the shareholders of the Company in May 2007, and an amendment was approved in May 2009. The 2007 Plan provides for the grant of stock options, restricted stock, restricted stock units and stock appreciation rights. Vesting conditions can be service-based or performance-based, or a combination of both.

As amended, a maximum of 4,700,000 shares are available for grant under the 2007 Plan. Each grant of a stock option or stock appreciation right is counted against the maximum share limitation as one share; and each grant of a restricted stock award or restricted stock unit award (including performance-based shares) count against the maximum share limitation as two shares. Options and stock appreciation rights cannot have a term exceeding seven years. As of December 31, 2010, there were 1,594,226 shares available for issuance under the amended 2007 Plan. As of February 16, 2011, after the Company's annual award to its employees, there were 995,311 shares available for grant under the amended 2007 Plan.

The 1998 and 2007 Plans are administered by the Compensation Committee of the Board of Directors. The committee has the authority to interpret the provisions thereof.

**Stock Option Awards**

The Company recorded stock option expense of \$3.8 million, \$5.2 million and \$5.5 million during the year ended December 31, 2010, 2009 and 2008, respectively. A summary of changes in outstanding options for the year ended December 31, 2010 is as follows:

|   | <b>Number of<br/>Shares</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> | <b>Average<br/>Intrinsic<br/>Value (in<br/>thousands)</b> |
|---|-----------------------------|--|--|---|
| Outstanding at January 1, 2010                  | 5,768,961                   | \$ 25.29   |  |   |
| Granted   | 17,500                      | 24.81  |  |   |
| Exercised                                       | (1,613,735)                 | 22.54  |  |   |
| Forfeited and expired                           | (326,464)                   | 41.66  |  |   |
| Outstanding at December 31, 2010                | 3,846,262                   | \$ 25.06   | 3.2  | \$ 21,759   |
| Vested or expected to vest at December 31, 2010 | 3,497,840                   | \$ 25.26   | 3.2  | \$ 19,149   |
| Exercisable at December 31, 2010                | 3,106,607                   | \$ 25.86   | 3.0  | \$ 15,219   |

As of February 16, 2011, there were 3,610,413 options outstanding with a weighted average exercise price of \$24.99 per share and a weighted average remaining contractual life of 3.1 years.



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The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the years ended December 31, 2010, 2009, and 2008:

|  | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|-------------|
| Dividend yield                               | <b>0%</b>   | 0%          | 0%          |
| Expected volatility                          | <b>36%</b>  | 38%         | 35%         |
| Risk-free interest rate at the date of grant | <b>2.4%</b> | 1.9%        | 2.8%        |
| Expected life (in years)                     | <b>4.0</b>  | 4.0         | 4.0         |

Expected volatilities are based on a combination of historical volatility of the Company's stock and implied volatility of the Company's publicly traded stock options. Due to the limited trading volume of the Company's publicly traded options, the Company places a greater emphasis on historical volatility. The Company also uses historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. The risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a term approximating the expected term. Using these assumptions, the weighted average grant-date fair values of the stock options granted during the years ended December 31, 2010, 2009 and 2008 were \$7.82, \$5.26 and \$7.96, respectively.

Options with graded vesting are valued as a single award. The total value of the award is expensed on a straight line basis over the vesting period with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date fair value of the award that is vested at that date. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009, and 2008 based on market value at the exercise dates was \$11.9 million, \$0.9 million, and \$1.6 million, respectively. As of December 31, 2010, unrecognized compensation cost related to unvested stock option awards totaled \$2.6 million and is expected to be recognized over a weighted average period of approximately one year.

**Restricted Stock Awards**

A summary of changes in unvested shares of restricted stock for the year ended December 31, 2010 are as follows:

|                                  | <b>Number of<br/>Shares</b> | <b>Grant Date<br/>Fair<br/>Value</b> |
|----------------------------------|-----------------------------|--------------------------------------|
| Outstanding at January 1, 2010   | 388,560                     | \$ 22.48                             |
| Granted                          | 437,360                     | 22.23                                |
| Vested                           | (145,518)                   | 24.03                                |
| Forfeited                        | (22,256)                    | 20.87                                |
| Outstanding at December 31, 2010 | 658,146                     | \$ 22.02                             |

As of February 16, 2011, after the Company's annual award to its employees, there were 771,909 shares of restricted stock outstanding.

The Company recorded restricted stock expense of \$6.6 million, \$3.5 million and \$3.4 million during the year ended December 31, 2010, 2009 and 2008, respectively. The total fair value of restricted stock awards vested during the years ended December 31, 2010, 2009, and 2008 based on market value at the vesting dates was \$3.6 million, \$2.2 million and \$2.1 million, respectively. As of December 31, 2010, unrecognized compensation cost related to unvested restricted stock awards totaled \$7.7 million and is expected to be recognized over a weighted average period of approximately 1.25 years.

In January 2010 the Compensation Committee approved certain changes to the Company's historical equity incentive grant practices, with the objective to optimize the Company's performance and retention strength while managing program share usage to improve long-term equity overhang. The changes eliminate stock option awards in favor of

100% restricted stock grants, which for the 2010 awards contain vesting provisions that are 50% service-based and 50% performance-based. The 2010 awards have a four year graded vesting period, with the performance portion tied to 2010 revenue and earnings per share targets. The Company recognizes compensation cost for service-based restricted awards with graded vesting on a straight-line basis over the entire vesting period, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. For its performance-based restricted stock awards with graded vesting, the Company recognizes compensation cost on an accelerated basis applying straight-line expensing for each separately vesting portion of each award.

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Included in the restricted stock grants for the year ended December 31, 2010 are 187,095 shares that have performance-based vesting criteria. As noted above, the performance criteria are tied to the Company's 2010 financial performance. As of December 31, 2010, the performance criteria for the fiscal year were met and the associated stock-based compensation has been recognized.

**3. Income Taxes**

The Company is subject to future federal and state income taxes and has recorded net deferred tax assets on the Consolidated Balance Sheets at December 31, 2010 and 2009. 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, 2010 and 2009 are as follows (in thousands):

|                                  | <b>December 31,</b> |                  |
|----------------------------------|---------------------|------------------|
|                                  | <b>2010</b>         | <b>2009</b>      |
| <b>Deferred tax assets:</b>      |                     |                  |
| Accounts receivable              | \$ 1,967            | \$ 1,726         |
| Accrued liabilities              | 5,372               | 2,998            |
| Stock compensation expense       | 6,617               | 6,022            |
| Capitalized costs                | 5,721               | 7,219            |
| Accrued sales taxes              | 810                 | 1,073            |
| Deferred rent                    | 2,921               | 3,036            |
| State tax credits                | 2,383               | 2,144            |
| Net operating losses             | 3,147               | 3,338            |
| Valuation allowance              | (7,689)             | (7,887)          |
| Other                            | 221                 | 386              |
|                                  | <b>\$ 21,470</b>    | <b>\$ 20,055</b> |
| <b>Deferred tax liabilities:</b> |                     |                  |
| Intangible assets                | 3,518               | 2,866            |
| Depreciation                     | 1,725               | 1,512            |
| Other                            | 197                 | 106              |
|                                  | <b>5,440</b>        | <b>4,484</b>     |
| Net deferred tax assets          | <b>\$ 16,030</b>    | <b>\$ 15,571</b> |

The components of income from domestic and foreign operations before income tax expense for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

|          | <b>Year Ended December 31,</b> |                  |                  |
|----------|--------------------------------|------------------|------------------|
|          | <b>2010</b>                    | <b>2009</b>      | <b>2008</b>      |
| Domestic | \$ 36,881                      | \$ 19,709        | \$ 23,942        |
| Foreign  | 4,903                          | 677              | 7,566            |
| Total    | <b>\$ 41,784</b>               | <b>\$ 20,386</b> | <b>\$ 31,508</b> |





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The components of the income tax provision for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

|                  | <b>Year Ended December 31,</b> |                 |                 |
|------------------|--------------------------------|-----------------|-----------------|
|                  | <b>2010</b>                    | <b>2009</b>     | <b>2008</b>     |
| <b>Current:</b>  |                                |                 |                 |
| Federal          | \$ 11,271                      | \$ 1,079        | \$ 7,240        |
| State            | 1,296                          | (277)           | 520             |
| Foreign          | 1,817                          | 1,132           | 2,565           |
|                  | <b>14,384</b>                  | 1,934           | 10,325          |
| <b>Deferred:</b> |                                |                 |                 |
| Federal          | (694)                          | 1,713           | (2,059)         |
| State            | (29)                           | 274             | 113             |
| Foreign          | 62                             | (97)            | 331             |
|                  | <b>(661)</b>                   | 1,890           | (1,615)         |
| <b>Total</b>     | <b>\$ 13,723</b>               | <b>\$ 3,824</b> | <b>\$ 8,710</b> |

The income tax benefits related to the exercise of stock options were approximately \$2.2 million, \$1.0 million, and \$0.2 million, for the years ended December 31, 2010, 2009 and 2008, respectively.

As a result of losses in foreign locations, the Company has net operating loss carry-forwards ( NOLs ) of approximately \$10.6 million available to offset future income. Approximately \$8.4 million of the NOLs expire in 2011 to 2016, and the remainder do not expire. The Company has established a valuation allowance for substantially all of these NOLs because the ability to utilize them is uncertain.

The Company has tax credit carry-forwards of approximately \$3.8 million available to offset future state tax. These tax credit carry-forwards expire in 2017 to 2020. A valuation allowance of \$3.6 million has been established for these credits because the ability to use them is uncertain.

The Company currently has a tax holiday in India under the Software Technology Park of India Plan through March 2011. As a result of this holiday, the Company had pre-tax income of approximately \$3.7 million, \$2.4 million, and \$3.8 million, for the years ended December 31, 2010, 2009 and 2008, respectively, that was not subject to corporate income tax. Separately, the Company is subject to India's Minimum Alternative Tax ( MAT ) and accordingly, incurred income tax expense of approximately \$0.7 million, \$0.4 million and \$0.7 million in 2010, 2009 and 2008, respectively. The Company's income tax savings as a result of the tax holiday was approximately \$0.5 million, \$0.4 million and \$0.7 million in 2010, 2009 and 2008, respectively or \$0.02, \$0.02, and \$0.03 per diluted share in 2010, 2009, and 2008, respectively.

Deferred taxes are not provided for temporary differences of approximately \$22.2 million, \$17.5 million, and \$17.7 million as of December 31, 2010, 2009, and 2008, respectively, representing earnings of non-U.S. subsidiaries that are intended to be permanently reinvested. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for U.S. Federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. It is impractical to calculate the tax impact until that occurs.



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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

The following is a summary of the items that cause recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 2010, 2009 and 2008:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2010</b>                    | <b>2009</b> | <b>2008</b> |
| Statutory federal income tax rate        | <b>35.0%</b>                   | 35.0%       | 35.0%       |
| Effect of:                               |                                |             |             |
| State income tax, net of federal benefit | <b>1.2</b>                     | 1.1         | 1.4         |
| State credit carryforwards               | <b>(0.6)</b>                   | (3.3)       | (4.7)       |
| Incentive stock options                  | <b>(0.7)</b>                   | 1.0         | 0.1         |
| Foreign operations                       | <b>(0.8)</b>                   | 2.4         | (0.9)       |
| Tax exempt income                        | <b>(0.1)</b>                   | (0.2)       | (1.2)       |
| Tax contingencies                        | <b>0.7</b>                     | (10.8)      | (11.9)      |
| Other permanent differences              | <b>(3.0)</b>                   | (5.1)       | (3.2)       |
| Foreign distributions                    |                                | (1.6)       | 2.0         |
| Change in valuation allowance            | <b>1.1</b>                     | 0.3         | 11.0        |
| <br>Income taxes                         | <br><b>32.8%</b>               | <br>18.8%   | <br>27.6%   |

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the years ended December 31, 2010, 2009 and 2008 (in thousands):

|   | <b>December 31,</b>   |                |                |
|---|-----------------------|----------------|----------------|
|   | <b>2010</b>           | <b>2009</b>    | <b>2008</b>    |
| Unrecognized tax benefits at January 1,   | <b>\$ (2,331)</b>     | \$ (3,250)     | \$ (5,195)     |
| Gross amount of increases in unrecognized tax benefits as a result of tax positions taken during a prior period     | <b>(527)</b>          | (294)          |                |
| Gross amount of decreases in unrecognized tax benefits as a result of tax positions taken during a prior period     | <b>360</b>            |                |                |
| Gross amount of increases in unrecognized tax benefits as a result of tax positions taken during the current period | <b>(227)</b>          | (939)          | (327)          |
| Amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities               | <b>159</b>            |                | 55             |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations             | <b>131</b>            | 2,152          | 2,217          |
| <br>Unrecognized tax benefits at December 31,   | <br><b>\$ (2,435)</b> | <br>\$ (2,331) | <br>\$ (3,250) |

The Company's unrecognized tax benefits totaled \$2.4 million, \$2.3 million and \$3.3 million for the year ended December 31, 2010, 2009 and 2008, respectively, of which substantially all, if recognized, would affect the effective tax rate.

The Company recognizes potential accrued interest and penalties to unrecognized tax benefits within its global operations in income tax expense. For the years ended December 31, 2010, 2009 and 2008, the Company recognized \$0.2 million, \$0.1 million, and (\$0.2) million, respectively, of expense (benefits) for the potential payment of interest

and penalties. Accrued interest and penalties were \$0.4 million and \$0.2 million as of December 31, 2010 and 2009 respectively. The Company conducts business globally and, as a result, files income tax returns in the United State Federal jurisdiction and in many state and foreign jurisdictions. The Company is generally no longer subject to U.S. Federal, state and local, or non-US income tax examinations for the years before 2007. Due to the expiration of statutes of limitations in multiple jurisdictions globally during 2011, the Company anticipates it is reasonably possible that unrecognized tax benefits may decrease by \$0.4 million related primarily to subsidiary operations and jurisdictional taxable income amounts.

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The Internal Revenue Service will commence an examination of the Company's U.S. Federal income tax return for 2008 in the first quarter of 2011. It is anticipated that the examination will not be completed within the next twelve months.

**4. Shareholders' Equity**

During 2010, 2009, and 2008, the Company purchased 2,716,621 shares, 1,371,038 shares and 1,705,614 shares of the Company's common stock for approximately \$76.5 million, \$22.8 million and \$35.0 million, respectively, through open market transactions as part of a publicly-announced buy-back program. In January 2011, the Board of Directors increased the remaining share repurchase authority to \$50.0 million.

**5. Commitments and Contingencies***Leases*

Rents charged to expense were approximately \$5.3 million, \$6.1 million, and \$7.2 million for the years ended December 31, 2010, 2009 and 2008, respectively. During the first quarter of 2007, the Company extended its Atlanta Headquarters lease, which was set to expire in March 2008, to September 30, 2018. The landlord funded leasehold improvements of \$7.9 million in conjunction with the new lease which was recorded as an increase in leasehold improvements and deferred rent. Additionally, the Company had a rent holiday from April to September 2008. The entire cash rent obligation is being amortized to expense on a straight line basis over the lease term.

Aggregate future minimum lease payments under the noncancellable operating leases as of December 31, 2010 are as follows (in thousands):

**Year Ending December 31,**

|                                 |           |
|---------------------------------|-----------|
| 2011                            | \$ 6,333  |
| 2012                            | 5,542     |
| 2013                            | 5,198     |
| 2014                            | 5,011     |
| 2015                            | 4,799     |
| Thereafter                      | 13,480    |
| Total minimum payments required | \$ 40,363 |

There are no future minimum lease payments under capital leases as of December 31, 2010.

*Employment Agreements*

The Company has entered into employment agreements with certain executives and other key employees. The agreements provide for total severance payments of up to approximately \$2.8 million for termination of employment for any reason other than cause. Pursuant to these agreements, payments would be made in equal monthly installments over a period of not more than 18 months. No amounts have been accrued because the payments are not probable and cannot be reasonably estimated.

*Legal and Other Matters*

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

condition, results of operations, or cash flows. The Company expenses legal costs associated with loss contingencies as such legal costs are incurred.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
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**December 31, 2010, 2009 and 2008**

**6. Employee Benefit Plan**

The Company sponsors the Manhattan Associates 401(k) Plan and Trust (the 401(k) Plan ), a qualified profit sharing plan with a 401(k) feature covering substantially all employees of the Company. Under the 401(k) Plan s deferred compensation arrangement, eligible employees who elect to participate in the 401(k) Plan may contribute up to 60% of eligible compensation up to \$16,500, as defined, to the 401(k) Plan. On January 1, 2008, the Internal Revenue Service raised the eligible compensation limit to \$245,000. During the second quarter of 2009, the Company suspended its 401(k) matching contribution for the remainder of 2009 and full year 2010. During the years ended December 31, 2009 and 2008 the Company made matching contributions to the 401(k) Plan of \$0.8 million and \$2.3 million, respectively. In 2011, the Company reinstated its matching contribution program, which provides for a 25% matching contribution up to 6% of eligible compensation being contributed after the participant s first year of employment.

**7. Restructuring charge**

In the second quarter of 2009, the Company committed to and initiated plans to reduce its workforce by approximately 140 positions along with other expense reduction initiatives to realign its capacity. This action was based on continued deterioration of the global macro-economic environment in the first quarter as reflected by downward revisions by most economists of global GDP growth rates, which resulted in lower than planned first quarter 2009 license revenue results and a revised revenue outlook for the remainder of 2009. As a result of this initiative, the Company recorded a pre-tax restructuring charge of \$3.8 million (\$2.5 million after-tax or \$0.11 per fully diluted share) in 2009. In addition, in the first quarter of 2009, the Company recorded additional employee severance expense of \$63,000 pre-tax, or \$42,000 after-tax, related to the restructuring action taken in the fourth quarter of 2008, as discussed below. During the quarter ended December 31, 2008, the Company committed to and initiated plans to reduce our workforce by approximately 170 positions to realign our capacity with demand forecasts. As a result of this action, we recorded employee severance expense and outplacement service fees of approximately \$4.7 million pretax (\$3.0 million after-tax or \$0.13 per fully diluted share) in the fourth quarter of 2008.

The restructuring charges related to both of these matters are classified in Restructuring charge in the Company s Consolidated Statements of Operations.

The following table summarizes the segment activity in the restructuring accrual for the year ended December 31, 2010 (in thousands):

|  | <b>Americas</b> | <b>EMEA</b> | <b>APAC</b> | <b>Consolidated</b> |
|--|-----------------|-------------|-------------|---------------------|
| Restructuring accrual balance at December 31, 2009 | \$ 255          | \$          | \$          | \$ 255              |
| Cash payments                                      | (192)           |             |             | (192)               |
| Restructuring accrual balance at December 31, 2010 | \$ 63           | \$          | \$          | \$ 63               |

The balance at December 31, 2010 is included in Accrued compensation and benefits in the Company s Consolidated Balance Sheets. The majority of the remaining balance is expected to be paid during 2011.

**8. Reporting Segments**

The Company manages the business by geographic segment. The Company has identified three geographic reportable segments: the Americas, EMEA and APAC. All segments derive revenue from the sale and implementation of the Company s supply chain execution and planning solutions, of which the individual products are similar in nature and help companies manage the effectiveness and efficiency of their supply chain. The Company uses the same accounting policies for each reporting segment. The chief executive officer and chief financial officer evaluate performance based on revenue and operating results for each region.





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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
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The Americas segment charges royalty fees to the other segments based on software licenses sold by those reporting segments. The royalties, which totaled \$2.5 million, \$1.3 million and \$3.5 million in 2010, 2009 and 2008, respectively, are included in cost of revenue for each segment with a corresponding reduction in America's cost of revenue. The revenues represented below are from external customers only. The geographical-based costs consist of costs of professional services personnel, direct sales and marketing expenses, cost of infrastructure to support the employees and customer base, billing and financial systems and management and support team. There are certain corporate expenses included in the Americas region that are not charged to the other segments including research and development, certain marketing and general and administrative costs that support the global organization and the amortization of acquired developed technology. Included in the America's costs are all research and development costs including the costs associated with the Company's India operations.

The operating expenses for the Americas segment include \$2.3 million, \$3.0 million, and \$3.3 million of amortization expense on intangible assets in 2010, 2009 and 2008, respectively.

In accordance with the segment reporting topic of the FASB Codification, the Company has included a summary of financial information by reportable segment. The following table presents the revenues, expenses and operating income (loss) by reportable segment for the years ended December 31, 2010, 2009 and 2008 (in thousands):

|                               | Year Ended December 31, |          |          |              |           |          |            |              |
|-------------------------------|-------------------------|----------|----------|--------------|-----------|----------|------------|--------------|
|                               | 2010                    |          |          | 2009         |           |          |            |              |
|                               | Americas                | EMEA     | APAC     | Consolidated | Americas  | EMEA     | APAC       | Consolidated |
| <b>Revenue:</b>               |                         |          |          |              |           |          |            |              |
| Software license              | \$ 44,254               | \$ 4,972 | \$ 5,224 | \$ 54,450    | \$ 29,629 | \$ 2,617 | \$ 2,440   | \$ 34,686    |
| Services                      | 176,912                 | 26,269   | 10,569   | 213,750      | 155,768   | 24,637   | 9,445      | 189,850      |
| Hardware and other            | 27,784                  | 925      | 208      | 28,917       | 21,161    | 771      | 199        | 22,131       |
| Total revenue                 | 248,950                 | 32,166   | 16,001   | 297,117      | 206,558   | 28,025   | 12,084     | 246,667      |
| <b>Costs and Expenses:</b>    |                         |          |          |              |           |          |            |              |
| Cost of revenue               | 102,682                 | 17,634   | 8,476    | 128,792      | 82,849    | 16,641   | 7,971      | 107,461      |
| Operating expenses            | 101,742                 | 10,523   | 4,972    | 117,237      | 88,844    | 9,511    | 4,409      | 102,764      |
| Depreciation and amortization | 8,658                   | 324      | 179      | 9,161        | 10,398    | 760      | 260        | 11,418       |
| Restructuring charge          |                         |          |          |              | 3,019     | 20       | 843        | 3,882        |
| Total costs and expenses      | 213,082                 | 28,481   | 13,627   | 255,190      | 185,110   | 26,932   | 13,483     | 225,525      |
| Operating income (loss)       | \$ 35,868               | \$ 3,685 | \$ 2,374 | \$ 41,927    | \$ 21,448 | \$ 1,093 | \$ (1,399) | \$ 21,142    |



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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

|                                 | <b>Year Ended December 31, 2008</b> |                 |               |                  |
|---------------------------------|-------------------------------------|-----------------|---------------|------------------|
|                                 | <b>Americas</b>                     | <b>EMEA</b>     | <b>APAC</b>   | <b>Total</b>     |
| <b>Revenue:</b>                 |                                     |                 |               |                  |
| Software license                | \$ 51,392                           | \$ 8,885        | \$ 5,036      | \$ 65,313        |
| Services                        | 192,483                             | 32,163          | 11,321        | 235,967          |
| Hardware and other              | 33,371                              | 1,750           | 800           | 35,921           |
| <b>Total revenue</b>            | <b>277,246</b>                      | <b>42,798</b>   | <b>17,157</b> | <b>337,201</b>   |
| <b>Costs and Expenses:</b>      |                                     |                 |               |                  |
| Cost of revenue                 | 118,003                             | 23,163          | 10,772        | 151,938          |
| Operating expenses              | 118,908                             | 12,200          | 5,621         | 136,729          |
| Depreciation and amortization   | 11,912                              | 591             | 196           | 12,699           |
| Restructuring charge            | 4,369                               | 204             | 94            | 4,667            |
| Asset impairment charges        | 5,205                               |                 |               | 5,205            |
| <b>Total costs and expenses</b> | <b>258,397</b>                      | <b>36,158</b>   | <b>16,683</b> | <b>311,238</b>   |
| <b>Operating income</b>         | <b>\$ 18,849</b>                    | <b>\$ 6,640</b> | <b>\$ 474</b> | <b>\$ 25,963</b> |

The following table presents the goodwill, long-lived assets and total assets by reporting segment for the years ended December 31, 2010 and 2009 (in thousands):

|                     | <b>As of December 31, 2010</b> |               |              |                | <b>As of December 31, 2009</b> |               |              |                |
|---------------------|--------------------------------|---------------|--------------|----------------|--------------------------------|---------------|--------------|----------------|
|                     | <b>Americas</b>                | <b>EMEA</b>   | <b>APAC</b>  | <b>Total</b>   | <b>Americas</b>                | <b>EMEA</b>   | <b>APAC</b>  | <b>Total</b>   |
| Goodwill, net       | \$ 54,766                      | \$ 5,536      | \$ 1,963     | \$ 62,265      | \$ 54,766                      | \$ 5,551      | \$ 1,963     | \$ 62,280      |
| Long lived assets   | 16,265                         | 589           | 652          | 17,506         | 16,236                         | 746           | 599          | 17,581         |
| <b>Total assets</b> | <b>254,788</b>                 | <b>17,541</b> | <b>8,135</b> | <b>280,464</b> | <b>249,049</b>                 | <b>10,746</b> | <b>4,916</b> | <b>264,711</b> |

For the years ended December 31, 2010, 2009, and 2008, we derived revenue from sales to customers outside the United State of approximately \$80.7 million, \$58.0 million, and \$81.5 million, respectively. Our remaining revenue was derived from domestic sales.

Our services revenue consists of fees generated from professional services and customer support and software enhancements related to our software products as follows (in thousands):

|  | <b>Year ended December 31,</b> |                   |                   |
|--|--------------------------------|-------------------|-------------------|
|  | <b>2010</b>                    | <b>2009</b>       | <b>2008</b>       |
| Professional services                      | \$ 131,871                     | \$ 112,770        | \$ 159,005        |
| Customer support and software enhancements | 81,879                         | 77,080            | 76,962            |
| <b>Total services revenue</b>              | <b>\$ 213,750</b>              | <b>\$ 189,850</b> | <b>\$ 235,967</b> |

License revenues related to our warehouse and non-warehouse product groups are as follows (in thousands):

| <b>Year ended December 31,</b> |             |             |
|--------------------------------|-------------|-------------|
| <b>2010</b>                    | <b>2009</b> | <b>2008</b> |

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|                       |    |               |    |        |    |        |
|-----------------------|----|---------------|----|--------|----|--------|
| Warehouse             | \$ | <b>30,966</b> | \$ | 20,145 | \$ | 35,709 |
| Non-Warehouse         |    | <b>23,484</b> |    | 14,541 |    | 29,604 |
| Total license revenue | \$ | <b>54,450</b> | \$ | 34,686 | \$ | 65,313 |

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010, 2009 and 2008**

**9. Related Party Transactions**

During the year ended December 31, 2009, the Company purchased software and services for approximately \$50,000 from a company whose former President and Chief Executive Officer is a member of Manhattan's Board of Directors. There were no purchases from this vendor during 2010 and 2008. As of December 31, 2010, there were no amounts outstanding to this vendor.

**10. Subsequent Events**

The Company evaluated all subsequent events that occurred after the date of the accompanying financial statements and determined that there were no events or transactions during this subsequent event reporting period which require recognition or disclosure in the Company's financial statements.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
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**11. Quarterly Results of Operations (Unaudited)**

Following is the quarterly results of operations of the Company for the year ended December 31, 2010 and 2009. The unaudited quarterly results have been prepared on substantially the same basis as the audited Consolidated Financial Statements.

|                                   | Quarter Ended                         |                 |                  |                 |                 |                 |                 |                 |
|-----------------------------------|---------------------------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                   | March                                 |                 |                  |                 | March           |                 |                 |                 |
|                                   | 31,                                   | June 30,        | Sept 30,         | Dec 31,         | 31,             | June 30,        | Sept 30,        | Dec 31,         |
|                                   | 2009                                  | 2009            | 2009             | 2009            | 2010            | 2010            | 2010            | 2010            |
|                                   | (In thousands, except per share data) |                 |                  |                 |                 |                 |                 |                 |
| <b>Statement of Operations</b>    |                                       |                 |                  |                 |                 |                 |                 |                 |
| <b>Data:</b>                      |                                       |                 |                  |                 |                 |                 |                 |                 |
| Revenue:                          |                                       |                 |                  |                 |                 |                 |                 |                 |
| Software license                  | \$ 4,922                              | \$ 4,126        | \$ 11,360        | \$ 14,278       | \$ 14,207       | \$ 15,485       | \$ 12,092       | \$ 12,666       |
| Services                          | 50,843                                | 49,422          | 46,917           | 42,668          | 53,461          | 54,780          | 53,486          | 52,023          |
| Hardware and other                | 5,060                                 | 4,861           | 7,017            | 5,193           | 6,281           | 7,376           | 8,436           | 6,824           |
| <b>Total revenue</b>              | <b>60,825</b>                         | <b>58,409</b>   | <b>65,294</b>    | <b>62,139</b>   | <b>73,949</b>   | <b>77,641</b>   | <b>74,014</b>   | <b>71,513</b>   |
| Costs and expenses:               |                                       |                 |                  |                 |                 |                 |                 |                 |
| Cost of license                   | 1,424                                 | 1,035           | 1,162            | 1,105           | 1,549           | 1,611           | 1,471           | 1,541           |
| Cost of services                  | 23,157                                | 21,319          | 19,697           | 20,176          | 24,064          | 24,906          | 24,661          | 25,145          |
| Cost of hardware and other        | 4,121                                 | 4,177           | 5,846            | 4,242           | 5,069           | 6,205           | 7,092           | 5,478           |
| Research and development          | 10,227                                | 9,188           | 8,781            | 8,485           | 10,440          | 10,334          | 9,866           | 9,868           |
| Sales and marketing               | 10,079                                | 9,026           | 8,626            | 8,406           | 10,468          | 12,073          | 10,329          | 9,832           |
| General and administrative        | 7,962                                 | 7,251           | 7,462            | 7,271           | 8,461           | 8,177           | 8,721           | 8,668           |
| Depreciation and amortization     | 3,165                                 | 3,010           | 2,665            | 2,578           | 2,415           | 2,318           | 2,262           | 2,166           |
| Restructuring charge              | 63                                    | 3,829           |                  | (10)            |                 |                 |                 |                 |
| <b>Total costs and expenses</b>   | <b>60,198</b>                         | <b>58,835</b>   | <b>54,239</b>    | <b>52,253</b>   | <b>62,466</b>   | <b>65,624</b>   | <b>64,402</b>   | <b>62,698</b>   |
| Operating income (loss)           | 627                                   | (426)           | 11,055           | 9,886           | 11,483          | 12,017          | 9,612           | 8,815           |
| Other (loss) income, net          | (233)                                 | (404)           | 255              | (374)           | (498)           | 304             | (188)           | 239             |
| Income (loss) before income taxes | 394                                   | (830)           | 11,310           | 9,512           | 10,985          | 12,321          | 9,424           | 9,054           |
| Income tax provision (benefit)    | 132                                   | (274)           | 327              | 3,639           | 3,790           | 4,132           | 3,192           | 2,609           |
| <b>Net income (loss)</b>          | <b>\$ 262</b>                         | <b>\$ (556)</b> | <b>\$ 10,983</b> | <b>\$ 5,873</b> | <b>\$ 7,195</b> | <b>\$ 8,189</b> | <b>\$ 6,232</b> | <b>\$ 6,445</b> |
| Basic earnings (loss) per share   | \$ 0.01                               | \$ (0.02)       | \$ 0.50          | \$ 0.27         | \$ 0.33         | \$ 0.38         | \$ 0.29         | \$ 0.31         |
| Diluted earnings (loss) per share | \$ 0.01                               | \$ (0.02)       | \$ 0.50          | \$ 0.26         | \$ 0.32         | \$ 0.36         | \$ 0.28         | \$ 0.29         |
|                                   | 23,017                                | 22,391          | 22,116           | 22,128          | 21,958          | 21,718          | 21,248          | 21,078          |

Shares used in computing  
basic earnings per share

Shares used in computing  
diluted earnings per share

|        |        |        |        |               |               |               |               |
|--------|--------|--------|--------|---------------|---------------|---------------|---------------|
| 23,058 | 22,391 | 22,175 | 22,667 | <b>22,535</b> | <b>22,776</b> | <b>22,051</b> | <b>22,350</b> |
|--------|--------|--------|--------|---------------|---------------|---------------|---------------|

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

None.

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

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. Our disclosure controls and procedures however are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

As of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of management, the effectiveness of our disclosure controls and procedures. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

**Management's Report on Internal Control over Financial Reporting**

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 and the report of Ernst & Young LLP on the effectiveness of the Company's internal control over financial reporting are contained on pages 43 and 44 of this report.

**Change in Internal Control over Financial Reporting**

During the fourth quarter of 2010, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions with regard to material weaknesses.

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

None.

**PART III**

**Item 10. *Directors, Executive Officers and Corporate Governance***

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 15, 2011 under the captions Election of Directors, Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance, Code of Ethics and Board Committees.

**Item 11. *Executive Compensation***

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 15, 2011 under the captions Director Compensation, Executive Compensation, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report.



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

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 15, 2011 under the caption Security Ownership of Certain Beneficial Owners and Management. The information required by this item with respect to the Company's securities authorized for issuance under equity compensation plans is included in Part II, Item 5 of this Annual Report on Form 10-K and is incorporated by reference herein.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 15, 2011 under the captions Related Party Transactions and Election of Directors.

**Item 14. Principal Accountant Fees and Services**

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 15, 2011 under the caption Ratification of Appointment of Independent Registered Public Accounting Firm.

**PART IV****Item 15. Exhibits and Financial Statement Schedules**(a) 1. *Financial Statements.*

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

2. *Financial Statement Schedule.*

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

**SCHEDULE II**  
**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**VALUATION AND QUALIFYING ACCOUNTS**

| <b>Classification:</b>                        | <b>Balance at<br/>Beginning of<br/>Period</b> | <b>Additions<br/>Charged to<br/>Operations</b> | <b>Net<br/>Deductions</b> | <b>Balance at<br/>End of Period</b> |
|---|---|--|---------------------------|-------------------------------------|
| <b>Allowance for Doubtful Accounts</b>        |   |  |                           |                                     |
| For the year ended:                           |   |  |                           |                                     |
| December 31, 2008                             | \$ 6,618,000                                  | \$ 4,907,000                                   | \$ 5,959,000              | \$ 5,566,000                        |
| December 31, 2009                             | \$ 5,566,000                                  | \$ 3,593,000                                   | \$ 4,216,000              | \$ 4,943,000                        |
| December 31, 2010                             | \$ 4,943,000                                  | \$ 3,467,000                                   | \$ 2,699,000              | \$ 5,711,000                        |
| <b>Deferred Tax Asset Valuation Allowance</b> |   |  |                           |                                     |
| For the year ended:                           |   |  |                           |                                     |
| December 31, 2008                             | \$ 4,331,000                                  | \$ 3,326,000                                   | \$                        | \$ 7,657,000                        |
| December 31, 2009                             | \$ 7,657,000                                  | \$ 230,000                                     | \$                        | \$ 7,887,000                        |
| December 31, 2010                             | \$ 7,887,000                                  | \$   | \$ 198,000                | \$ 7,689,000                        |
| <b>Restructuring Charge Accrual</b>           |   |  |                           |                                     |
| For the year ended:                           |   |  |                           |                                     |
| December 31, 2008                             | \$  | \$ 4,667,000                                   | \$ 2,880,000              | \$ 1,787,000                        |
| December 31, 2009                             | \$ 1,787,000                                  | \$ 3,882,000                                   | \$ 5,414,000              | \$ 255,000                          |
| December 31, 2010                             | \$ 255,000                                    | \$   | \$ 192,000                | \$ 63,000                           |



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

3. *Exhibits.*

See (b) below.

(b) The exhibits listed below under Exhibit Index are filed with or incorporated by reference in this Report. Where such filing is made by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses.

(c) See Item 15(a)(2).

**Table of Contents****SIGNATURES**

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

**MANHATTAN ASSOCIATES, INC.**

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

Date: February 23, 2010

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.

| <b>Signature</b>                               | <b>Title</b>  | <b>Date</b>       |
|--|---|-------------------|
| /s/ John J. Huntz, Jr.<br>John J. Huntz, Jr.   | Chairman of the Board   | February 23, 2011 |
| /s/ Peter F. Sinisgalli<br>Peter F. Sinisgalli | Chief Executive Officer, President and Director<br>(Principal Executive Officer)                                | February 23, 2011 |
| /s/ Dennis B. Story<br>Dennis B. Story         | Executive Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial and Accounting Officer) | February 23, 2011 |
| /s/ Brian J. Cassidy<br>Brian J. Cassidy       | Director  | February 23, 2011 |
| /s/ Paul R. Goodwin<br>Paul R. Goodwin         | Director  | February 23, 2011 |
| /s/ Thomas E. Noonan<br>Thomas E. Noonan       | Director  | February 23, 2011 |
| /s/ Deepak Raghavan<br>Deepak Raghavan         | Director  | February 23, 2011 |
| /s/ Pete Kight<br>Pete Kight                   | Director  | February 23, 2011 |
| /s/ Dan J. Lautenbach<br>Dan J. Lautenbach     | Director  | February 23, 2011 |

Dan J. Lautenbach

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**EXHIBIT INDEX**

The following exhibits are filed with this Report.

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 2.1                   | Agreement and Plan of Merger, by and among the Registrant, Madison Acquisition Corp., Evant, Inc. and Ted Schlein, as Shareholder Representative, dated August 10, 2005 (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).                                   |
| 2.2                   | Voting Agreement, by and between the Registrant and the shareholders of Evant, Inc., dated August 10, 2005 (Incorporated by reference to Exhibit 2.2 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).  |
| 2.3                   | Amendment Number 1 to Agreement and Plan of Merger, by and among Evant, Inc., the Registrant, Madison Acquisition Corp. and Ted Schlein, as Shareholder Representative, dated as of August 15, 2005 (Incorporated by reference to Exhibit 2.3 to the Company's Form 8-K (File No. 000-23999), filed on August 16, 2005).       |
| 3.1                   | Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| 3.2                   | Amended Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Form 8-K (File No. 000-23999), filed on October 23, 2007).   |
| 4.1                   | Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).                                     |
| 4.2                   | Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).   |
| 10.1                  | Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| 10.2                  | First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| 10.3                  | Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998). |
| 10.4                  | Third Amendment to Lease Agreement between Wildwood Associates and the Registrant, dated October 24, 2000 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for  |

the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).

- 10.5 Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant, dated June 25, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2001 (File No. 000-23999), filed August 14, 2001).

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| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 10.6                      | First Amendment to Lease Agreement between Wildwood Associates, and the Registrant, dated June 10, 2002 (Incorporated by reference to Exhibit 10.6 to the Company's Annual Report for the period ended December 31, 2006 (File No. 000-23999), filed on March 14, 2007).   |
| 10.7                      | Second Amendment to Lease Agreement between 2300 Windy Ridge Parkway Investors LLC, and the Registrant, dated February 27, 2007 (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report for the period ended December 31, 2006 (File No. 000-23999), filed on March 14, 2007).   |
| 10.8                      | Lease Agreement by and between Tektronix UK Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated October 21, 1999 (Incorporated by reference to Exhibit 10.27 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).                               |
| 10.9                      | Lease (Burlington Business Center) by and between Gateway Rosewood, Inc. and Manhattan Associates, Inc., dated August 23, 2004 (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).  |
| 10.10                     | Agreement to Build and Lease between Orchid Apartments Private Limited and Manhattan Associates India Development Centre Private Limited, executed on November 19, 2004 (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005). |
| 10.11                     | Lease Agreement between IGE Energy Services (UK) Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated February 1, 2005 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).                           |
| 10.12                     | Sub-Sublease Agreement between Scientific Research Corporation, a Georgia corporation, and the Registrant, dated July 2, 1998 (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).  |
| 10.13                     | Sub-Sublease Agreement between The Profit Recovery Group International 1, Inc., a Georgia corporation, and the Registrant, dated August 19, 1998 (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).                       |
| 10.14                     | Standard Sublease Agreement between Life Office Management Association, Inc. and the Registrant, dated October 20, 2000 (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).   |
| 10.15                     |  |



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Standard Sublease Agreement between Chevron USA Inc. and the Registrant, dated November 20, 2000 (Incorporated by reference to Exhibit 10.18 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).

- 10.16 Form of Indemnification Agreement with certain directors and officers of the Registrant (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report for the period ended June 30, 2004 (File No. 000-23999), filed on August 9, 2004).
- 10.17 Form of Tax Indemnification Agreement for direct and indirect shareholders of Manhattan Associates Software, LLC (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).
- 10.18 Summary Plan Description of the Registrant's Money Purchase Plan & Trust, effective January 1, 1997 (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).

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| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 10.19                     | Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| 10.20*                    | Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| 10.21*                    | First Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).   |
| 10.22*                    | Second Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).  |
| 10.23*                    | Third Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).   |
| 10.24*                    | Fourth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).  |
| 10.25*                    | Fifth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.8 to the Company's Form S-8 (File No. 333-68968), filed on September 5, 2001).  |
| 10.26*                    | Sixth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Annex A to the Company's Proxy Statement for its Annual Meeting held May 17, 2002 (File No. 000-23999), filed on April 24, 2002).   |
| 10.27*                    | Amendment No. 7 to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.10 to the Company's Form S-8 (File No. 333-105913), filed on June 6, 2003).   |
| 10.28*                    | Form of Composite Stock Option Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2006 (File No. 000-23999), filed on May 4, 2006).  |
| 10.30(a)*                 | Executive Employment Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004). |

- (b)\* Modification dated July 19, 2007 by and between the Company and Peter F. Sinisgalli to the Executive Employment Agreement dated February 25, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on July 24, 2007).
- 10.31\* Separation and Non-Competition Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.29 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).
- 10.32\* Executive Employment Agreement by and between the Registrant and Jeffrey Mitchell, effective as of September 3, 1999 (Incorporated by reference to Exhibit 10.32 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).

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| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 10.33*                    | Executive Non-Competition and Severance Agreement by and between the Registrant and Jeffrey S. Mitchell, dated June 22, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2004 (File No. 000-23999), filed on August 9, 2004). |
| 10.34*                    | Executive Employment Agreement by and between the Registrant and Jeffrey Baum, effective as of October 30, 2000 (Incorporated by reference to Exhibit 10.36 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).            |
| 10.35*                    | Executive Employment Agreement by and between the Registrant and Dennis B. Story, effective as of February 18, 2006 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on February 22, 2006).  |
| 10.36*                    | Severance and Non-Competition Agreement by and between the Registrant and Dennis B. Story, effective as of February 18, 2006 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-23999), filed on February 22, 2006).   |
| 10.37*                    | Executive Employment Agreement by and between the Registrant and Pervinder Johar, effective as of March 30, 2006. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on January 2, 2009).  |
| 10.38*                    | Severance and Non-Competition Agreement by and between the Registrant and Pervinder Johar, effective as March 30, 2006. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-23999), filed on January 2, 2009).  |
| 10.39*                    | Separation Agreement and Release by and between the Registrant and Pervinder Johar, dated December 31, 2008. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on January 7, 2009).   |
| 10.40*                    | Form of Modification Agreement for Terms and Conditions for Stock Options. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K (File No. 000-23999), filed on January 2, 2009).   |
| 10.41*                    | Severance and Non-Competition Agreement by and between the Registrant and David Dabbieri, effective as of September 29, 2008. (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K (File No. 000-23999), filed on January 2, 2009).  |
| 10.42                     | 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).                       |
| 10.43                     | Form of Software License, Services and Maintenance Agreement (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).   |

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- 10.44\* 2007 Stock Incentive Plan, as amended by the First Amendment thereto (Incorporated by reference to Annex A to the Company's Definitive Proxy Statement related to its 2009 Annual Meeting of Shareholders (File No. 000-23999) filed on April 20, 2009).
- 10.45\* Written Summary of Manhattan Associates, Inc. 2009 Annual Cash Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on June 19, 2009).

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| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 10.46*                    | Written Summary of Manhattan Associates, Inc. 2009 Supplemental Cash Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-23999), filed on June 19, 2009).   |
| 10.47*                    | Written Summary of Manhattan Associates, Inc. Annual Cash Incentive Plan (Incorporated by reference to Exhibit 10.47 to the Company's Annual Report for the period ended December 31, 2009 (File No. 000-23999), filed on February 19, 2010).                       |
| 10.48*                    | Form of Manhattan Associates, Inc. Restricted Stock Award Agreement for Employees (Incorporated by reference to Exhibit 10.48 to the Company's Annual Report for the period ended December 31, 2009 (File No. 000-23999), filed on February 19, 2010).              |
| 10.49*                    | Form of Manhattan Associates, Inc. Restricted Stock Award Agreement for Non-Employee Directors (Incorporated by reference to Exhibit 10.49 to the Company's Annual Report for the period ended December 31, 2009 (File No. 000-23999), filed on February 19, 2010). |
| 21.1                      | List of Subsidiaries.   |
| 23.1                      | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.  |
| 31.1                      | Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| 31.2                      | Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| 32.1                      | Certificate of Chief Executive Officer and Chief Financial Officer.   |

\* Management contract or compensatory plan or agreement.