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MANUGISTICS GROUP INC  
Form S-3  
December 21, 2001

As filed with The Securities and Exchange Commission on December 21, 2001

Registration No. 333-

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
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MANUGISTICS GROUP, INC.  
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE  
(State or Other Jurisdiction of  
Incorporation or Organization)

52-1469385  
(I.R.S. Employer  
Identification Number)

2115 East Jefferson Street  
Rockville, Maryland 20852  
(301) 984-5000  
(Address, Including Zip Code, and Telephone Number, Including Area Code, of  
Registrant's Principal Executive Offices)  
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Gregory J. Owens  
Chief Executive Officer  
Manugistics Group, Inc.  
2115 East Jefferson Street  
Rockville, Maryland 20852  
(301) 984-5000  
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code,  
of Agent For Service)  
-----

Copy to:  
Merritt A. Cole, Esquire  
Dilworth Paxson LLP  
3200 Mellon Bank Center  
1735 Market Street  
Philadelphia, Pennsylvania 19103-7595  
(215) 575-7000

Approximate date of commencement of proposed sale to the public:  
As soon as practicable after the Registration Statement becomes effective.

If the only securities being registered on this form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box. [ ]

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

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TITLE OF SHARES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT
Common Stock, par value \$0.002 per share.....	(1) 597,000	\$(1) 17.125

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, by taking the average of the high and low prices of the registrant's common stock reported on The Nasdaq National Market on December 18, 2001.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES NOR A SOLICITATION OF AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER AND SALE IS NOT PERMITTED.

Subject to Completion, dated December 21, 2001

[MANUGISTICS LOGO]

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597,000 SHARES

COMMON STOCK

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We are going to issue up to a maximum of 597,000 shares of our common stock, \$.002 par value per share, to Information Resources, Inc. a Delaware corporation, ("IRI") in connection with the recent settlement of legal proceedings brought against us by IRI.

Because we will issue the shares to IRI pursuant to a settlement of legal proceedings, there will be no proceeds from the issuance of the shares (sometimes referred to in this Prospectus as the "Shares") to IRI.

Our common stock is listed on The Nasdaq National Market under the symbol "MANU." On December 20, 2001, the closing sale price of our common stock, as reported on The Nasdaq National Market, was \$15.84.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE .

The securities offered or sold under this Prospectus have not been approved by the SEC or any state securities commission, nor have these organizations determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2002

In connection with this offering, no person is authorized to give any information or to make any representations not contained in this Prospectus. If information is given or representations are made, you may not rely on that information or those representations as having been authorized by us. This Prospectus is neither an offer to sell nor a solicitation of an offer to buy any securities other than those registered by this Prospectus, nor is it an offer to sell or a solicitation of an offer to buy securities where an offer or solicitation would be unlawful. You may not imply from the delivery of this Prospectus, nor from any sale made under this Prospectus, that our affairs are unchanged since the date of this Prospectus or that the information contained in this Prospectus is correct as of any time after the date of this Prospectus.

Manugistics is a registered trademark, and the Manugistics logo and the phrase "Leveraged Intelligence" are trademarks of Manugistics, Inc. All other product or company names mentioned are used for identification purposes only, and may be trademarks of their respective owners.

Unless the context otherwise requires, the terms "we," "our," "us", "Manugistics" "the Company" or "Registrant" refers to Manugistics Group, Inc., a Delaware corporation.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

In addition to the historical information contained in this prospectus, this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed forward-looking statements. For example, words such as "may", "will", "should", "estimates", "predicts",

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"potential", "continue", "strategy", "believes", "anticipates", "plans", "expects", "intends", and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statement. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed under the heading "Risk Factors" and the risks discussed in our future filings under the Exchange Act of 1934, as amended.

You should read this prospectus completely and with the understanding that actual future results may be materially different from what we expect. We will not update these forward-looking statements, even though our situation may change in the future, except to the extent required by law.

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### PROSPECTUS SUMMARY

The following is a summary of our business. You should carefully read the section entitled "Risk Factors" in this prospectus and our Annual Report on Form 10-K for the year ended February 28, 2001, and our Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001, for more information on our business and the risks involved in investing in our stock.

#### OUR BUSINESS

We are a leading global provider of Enterprise Profit Optimization(TM) (EPO) solutions. We provide solutions for supplier relationship management (SRM), supply chain management (SCM), and pricing and revenue optimization (PRO). Our solutions help companies lower operating costs, improve customer service, increase revenues, enhance profitability and accelerate revenue and earnings growth. They do this by creating efficiencies in both how goods and services are brought to market (supplier relationship management, supply chain management) and how they are sold (pricing and revenue optimization). EPO solutions provide additional benefits by combining the proven cost-reducing power of SRM and SCM solutions and the revenue-enhancing capacity of PRO solutions. These solutions integrate pricing, forecasting, and operational planning and execution to help enhance margins across the enterprise and the extended trading network.

Our SRM solutions help improve the activities required to design, source, and procure goods and to collaborate more effectively with key suppliers of direct materials. Our SCM solutions enable a company to plan and execute its supply chain processes. These processes include manufacturing, distribution and service operations, and collaboration with a company's extended trading network of suppliers and customers. Our PRO solutions help optimize a company's demand chain, including pricing and promotions to all customers through all channels, with the aim of balancing the trade-offs between profits and other strategic objectives such as market share. We also provide strategic consulting and implementation services to our clients as part of our solutions.

Increasing global competition, shortening product life cycles and more demanding customers are forcing businesses to provide improved levels of customer service while shortening the time it takes to bring their products and services to market. We were an early innovator in solutions that allow collaboration among our clients and their customers and suppliers. Our first Internet-ready products were commercially available in late 1997. We focus the development of our technology on meeting the changing needs of companies in the markets we serve, including the need to do business in new electronic marketplaces. We offer solutions to companies in many industries including apparel, footwear & textiles; automotive, chemical & energy; communications &

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high technology; consumer packaged goods, food & agriculture; forest products; financial services; government & public sector; life sciences; retail; third party logistics; and travel, transport & hospitality. Our customer base of approximately 1,100 clients includes large, multinational enterprises such as 3Com; Amazon.com; Boeing Co.; BP Amoco Corp.; Brown & Williamson Tobacco Corp.; Caterpillar; Cisco Systems Inc.; Coca-Cola Bottling Co. Consolidated; ComPaq; DuPont; eConnections; Ford Motor Company; General Electric; Harley-Davidson, Inc.; Hormel Foods Corp.; Levi Strauss & Co.; Marriott; Nestle; Texas Instruments; Timberland; Unilever Home & Personal Care, USA; and United Airlines as well as mid-sized enterprises.

Our principal executive offices are located at 2115 East Jefferson Street, Rockville, Maryland 20852, and our main telephone number is (301) 984-5000. We have offices in Atlanta, Chicago, Denver, Irving, Mountain View, Philadelphia and San Mateo in the United States, and internationally in Australia, Belgium, Brazil, Canada, France, Germany, Hong Kong, Italy, Japan, Mexico, Taiwan, The Netherlands, Singapore and the United Kingdom.

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### THE OFFERING

Common Stock to be issued.....	up to a maximum of 597,000 shares (1)
Common Stock Outstanding.....	68,194,060 (2)
Use of Proceeds.....	There will be no proceeds from the issuance of the shares to IRI under this Prospectus. The Company will not receive any proceeds from any resale by IRI of common stock issued hereunder.
Nasdaq Symbol.....	MANU

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- (1) The number of shares to be issued shall be determined by dividing \$3,875,000 by the closing price of our common stock reported by the Nasdaq National Market System on the day the registration statement of which this Prospectus is a part becomes effective.
- (2) As of the close of business on December 19, 2001.

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### RISK FACTORS

An investment in the shares of our common stock involves a high degree of risk. Before you decide to purchase shares of our common stock, you should carefully consider these risk factors together with all of the other information included in this prospectus. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we do not presently know or that we currently deem immaterial, may also impair our business, results of operations and financial condition.

#### RISKS RELATED TO OUR BUSINESS

THE TERRORIST ATTACKS THAT TOOK PLACE IN THE UNITED STATES ON SEPTEMBER 11, 2001 WERE UNPRECEDENTED EVENTS THAT HAVE CREATED MANY ECONOMIC AND POLITICAL UNCERTAINTIES, SOME OF WHICH MAY HARM OUR BUSINESS AND PROSPECTS AND OUR ABILITY IN GENERAL TO CONDUCT BUSINESS IN THE ORDINARY COURSE.

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The terrorist attacks that took place in the United States on September 11, 2001, and thereafter in the United States and elsewhere in the world have adversely impacted many businesses, including the Company, in multiple ways. The national and global responses to these terrorist attacks, some of which are still being formulated, may materially adversely affect us in ways we cannot predict at present. Some of the possible material adverse impacts to our business include, but are not limited to:

- the reduced ability to do business in the ordinary course as it is customarily conducted, resulting from a variety of factors, including changes or disruptions in movement and sourcing of materials, goods and components or the possible interruption in the flow of information or monies;
- a lengthening of our sales cycles and implementations, which might result from a number of factors, including among others changes in security measures for passenger air travel and reductions in available commercial flights which may make it more difficult for our sales force to schedule face-to-face meetings with prospects and to negotiate and consummate transactions;
- increased credit and business risk for customers in industries that were severely impacted by the attacks, including passenger airlines and other travel and hospitality industries; and
- possible reductions, delays or postponements, if any, in capital expenditures as a result of changes in priorities and approval processes.

AS A RESULT OF SIGNIFICANT CHANGES IN OUR MANAGEMENT, PERSONNEL AND PRODUCTS, YOU MAY HAVE DIFFICULTY EVALUATING OUR PROSPECTS BASED ON OUR SIGNIFICANT LOSSES IN RECENT FISCAL YEARS.

We experienced operational difficulties in fiscal 1999 and the first half of fiscal 2000. Problems with our direct sales operation and intense competition, among other factors, contributed to net losses in fiscal 1999 and fiscal 2000 and a decline in revenue in fiscal 2000. Since late in our second quarter of fiscal 2002, we have again experienced a decline in revenue, due to weakening economic conditions and the affects resulting from the terrorist attacks of September 11, 2001. Since April 1999, we hired a new executive management team, enhanced our supply chain optimization products and services, expanded the scope of our product and service offerings to include supplier relationship management, pricing and revenue optimization and improved our direct sales organization. Our ability to continue to achieve operational improvements and improve our financial performance will be subject to a number of risks and uncertainties, including the following:

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- weakening economic conditions which adversely impacted our operating performance during the quarters ended August 31, and November 30, 2001;
- slower growth in the markets for SRM, SCM, and PRO solutions;
- our ability to introduce new software products and services to respond to technological and client needs;
- our ability to manage through difficult economic and political environments;
- our ability to hire, integrate and deploy our direct sales force effectively;

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- our ability to expand our distribution capability through indirect sales channels;
- our ability to respond to competitive developments and pricing; and
- our dependence on our current executive officers and key employees.

If we fail to successfully address these risks and uncertainties, our business could be harmed and we could continue to incur significant losses.

WE HAVE RECENTLY EXPERIENCED SIGNIFICANT LOSSES. OUR FUTURE RESULTS WILL BE ADVERSELY AFFECTED BY SEVERAL TYPES OF NON-CASH CHARGES. IF WE DO NOT ACHIEVE OR MAINTAIN PROFITABILITY IN THE FUTURE, OUR STOCK PRICE MAY DECLINE.

We have recently incurred significant losses, including net losses of \$45.1 million for the six months ended August 31, 2001, \$28.1 million in fiscal 2001, \$8.9 million in fiscal 2000 and \$96.1 million in fiscal 1999. We will incur non-cash charges in the future related to the amortization of intangible assets, including acquired technology and non-cash stock compensation expenses associated with our acquisition of Talus Solutions, Inc. (Talus). We will also incur non-cash charges related to the amortization of intangible assets, including acquired technology, relating to the acquisition of STG Holdings, Inc., and certain assets of One Release LLC, PartMiner Inc.'s CSD business and SpaceWorks Inc. In addition, we have incurred and may in the future incur non-cash stock compensation charges related to our stock option repricing. During the quarter ended November 30, 2001, we announced that we were required to write off our investment in Converge, Inc., which resulted in a pre-tax charge of \$10.2 million. We may also incur non-cash charges in future periods related to impairments of long-lived assets. We cannot assure you that our revenue will grow or that we will achieve profitability in the future. Our ability to increase revenue and achieve profitability will be affected by the other risks and uncertainties described in this section. Our failure to achieve profitability could cause our stock price to decline, and our ability to finance our operations could be impaired.

OUR OPERATING RESULTS FLUCTUATE, AND IF WE FAIL TO MEET THE EXPECTATIONS OF THE INVESTMENT COMMUNITY IN ANY PERIOD, OUR STOCK PRICE COULD SUFFER FURTHER SIGNIFICANT DECLINES.

Our revenue and operating results are difficult to predict, and we believe that period-to-period comparisons of our operating results will not necessarily be indicative of future performance. The factors that may cause fluctuations of our quarterly operating results include the following:

- the size, timing and contractual terms of licenses and sales of our products and services;
- customer financial constraints and credit-worthiness;
- the potentially long and unpredictable sales cycle for our products;
- technical difficulties in our software that could delay the introduction of new products or increase their costs;
- introductions of new products or new versions of existing products by us or our competitors;

- delay or deferral of customer purchases and implementations of our

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solutions due to weakening economic conditions which adversely impacted our operating performance during the quarters ended August 31, and November 30, 2001;

- increased economic uncertainty and political instability following the terrorist attacks which began in the United States on September 11, 2001;
- changes in prices or the pricing models for our products and services or those of our competitors;
- changes in the mix of our software services and support revenue;
- changes in the mix of software products we sell and related impact on third-party royalty payments;
- changes in the mix of sales channels through which our products and services are sold; and
- changes in rules relating to revenue recognition or in interpretations of those rules.

Due to fluctuations from quarter to quarter, our operating results may not meet the expectations of securities analysts or investors, as was the case for the quarter ended August 31, 2001. If this occurs, the price of our common stock could suffer further significant declines.

### VARIATIONS IN THE TIME IT TAKES US TO LICENSE OUR SOFTWARE MAY CAUSE FLUCTUATIONS IN OUR OPERATING RESULTS.

The time it takes to license our software to prospective clients varies substantially, but typically has ranged historically between four and twelve months. Variations in the length of our sales cycles could cause our revenue to fluctuate widely from period to period. Because we typically recognize a substantial portion of our software revenue in the last month of a quarter, any delay in the license of our products could cause significant variations in our revenue from quarter to quarter. These delays have occurred on a number of occasions in the past, including, most recently, in our quarters ended August 31, and November 30, 2001. Furthermore, these fluctuations could cause our operating results to suffer in some future periods because our operating expenses are relatively fixed over the short term and we devote significant time and resources to prospective clients. The length of our sales cycle depends on a number of factors, including the following:

- the complexities of the SRM, SCM and PRO problems our solutions address;
- the breadth of the solution required by the client, including the technical, organizational and geographic scope of the license; the evaluation and approval process employed by the client;
- the sales channel through which the solution is sold;
- the economic conditions in the United States and abroad;
- increased economic uncertainty and political instability following the terrorist attacks which began in the United States on September 11, 2001; and
- any other delays arising from factors beyond our control.

### THE SIZE AND SCOPE OF OUR CONTRACTS WITH CLIENTS ARE INCREASING, WHICH MAY CAUSE FLUCTUATIONS IN OUR OPERATING RESULTS.



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Our clients and prospective clients are seeking to solve increasingly complex SRM, SCM and PRO problems. Further, we are focused on providing more comprehensive solutions for our clients, as opposed to only licensing software. As the complexity of the problems our clients seek to solve

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increases, the size and scope of our contracts with clients increase. As a result, our operating results could fluctuate due to the following factors:

- the complexities of the contracting process of our clients;
- contractual terms may vary widely, which may result in differing methods of accounting for revenue from each contract;
- losses of, or delays in concluding larger contracts could have a proportionately greater effect on our revenue for a particular period; and
- the sales cycles related to larger contracts may be longer and subject to greater delays.

Any of these factors could cause our revenue to decline or fluctuate significantly in any quarter and could cause a decline in our stock price.

WE HAVE EXPERIENCED DIFFICULTIES INTEGRATING ACQUISITIONS IN THE PAST AND MAY EXPERIENCE PROBLEMS WITH FUTURE ACQUISITIONS THAT COULD MATERIALLY HARM OUR BUSINESS.

Acquisitions involve the integration of companies that have previously operated independently. In connection with any acquisition, there can be no assurance that we will:

- effectively integrate employees, operations, products and systems;
- realize the expected benefits of the transaction;
- retain key employees;
- effectively develop and protect key technologies and proprietary know-how;
- avoid conflicts with our clients and business partners that have commercial relationships or compete with the acquired company;
- avoid unanticipated operational difficulties or expenditures or both; and
- effectively operate our existing business lines, given the significant diversion of resources and management attention required to successfully integrate acquisitions, including the acquisition of Talus in December 2000.

We experienced significant difficulties with the integration of the products and operations of ProMIRA Software, Inc. (ProMIRA) and TYECIN Systems, Inc. (TYECIN), which we acquired in fiscal 1998 and 1999, respectively. These difficulties included problems integrating the prior ProMIRA sales forces and the delayed releases of the in-process technology acquired as part of the transaction. In addition, as a result of the poor financial performance we experienced in fiscal 1999, the technology acquired in conjunction with the TYECIN acquisition was not integrated into our solutions and, therefore, revenue generated from this technology has been nominal. Similar difficulties with

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future acquisitions could materially and adversely affect our business, results of operations and financial condition.

WE MAY ENCOUNTER PROBLEMS EFFECTIVELY INTEGRATING TALUS.

On December 21, 2000, we completed the acquisition of Talus, a privately-held company that provided PRO products and services. This acquisition was substantially larger than all of our prior acquisitions, not all of which have been successful. In addition to the risks described above in connection with acquisitions generally, the ultimate success of our acquisition of Talus is dependent on factors which include the following:

- our ability to complete future releases of our PRO solutions;
- our ability to protect and maintain Talus' intellectual property rights;
- our ability to successfully integrate Talus' technologies;
- our ability to retain and motivate Talus' employees;
- market acceptance of the products Talus has commercially developed to date;
- our ability to fulfill our strategic plan for the acquisition of Talus by integrating our SRM and SCM capabilities and products with Talus' PRO products;
- market acceptance of EPO solutions;
- our ability, together with Talus, to cross-sell products and services into our respective markets; and
- the outcome of disputes and litigation which have arisen in the ordinary course of business.

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OUR ACQUISITION OF TALUS WILL ADVERSELY AFFECT OUR COMBINED FINANCIAL RESULTS.

We have incurred and will continue to incur substantial dilution to our earnings per share in accordance with generally accepted accounting principles for the foreseeable future as a result of the Talus Acquisition. In connection with the acquisition, we will amortize approximately \$22.8 million of deferred compensation related to unvested stock options over four years. Further, we expect to incur an amortization charge of approximately \$82 million related to goodwill and other intangible assets during our fiscal year ending February 28, 2002.

WE DEPEND ON SALES OF OUR SRM, SCM AND PRO SOLUTIONS, AND OUR BUSINESS WILL BE MATERIALLY AND ADVERSELY AFFECTED IF THE MARKET FOR OUR PRODUCTS DOES NOT CONTINUE TO GROW.

Substantially all of our software revenue, service revenue and support revenue have arisen from, or are related directly to, our SRM, SCM and PRO solutions. We expect to continue to be dependent upon these solutions in the future, and any factor adversely affecting the solutions or the markets for SRM, SCM and PRO solutions, in general, would materially and adversely affect our ability to generate revenue. While we believe the markets for SRM, SCM and PRO solutions will continue to expand, they may grow more slowly than in the past. If the markets for our solutions do not grow as rapidly as we expect, revenue growth, operating margins, or both, could be adversely affected.

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COMPANIES ARE RE-EVALUATING THEIR SUPPLIER AND CLIENT RELATIONSHIPS AND SOME ARE ADJUSTING THEIR SERVICE LEVELS AND OTHER SUPPLY CHAIN MANAGEMENT SETTINGS AND LEVELS IN A MANNER THAT MAY HAVE AN ADVERSE AFFECT ON OUR ABILITY TO SELL OUR SRM AND SCM SOLUTIONS.

Since September 11, 2001, companies are re-evaluating the nature of their relationships with suppliers and clients and some are adjusting their service levels and other supply chain management settings and levels to address risks arising out of the terrorists attacks and the resulting increased economic and political uncertainties, in ways that may adversely affect the benefits historically achieved through use of our solutions, which could have a material adverse affect on our ability to market and sell our SRM and SCM solutions.

OUR MARKETS ARE VERY COMPETITIVE, AND WE MAY NOT BE ABLE TO EFFECTIVELY COMPETE.

The markets for our solutions are very competitive. The intensity of competition in our markets has significantly increased, and we expect it to increase in the future. Our current and potential competitors may make acquisitions of other competitors and may establish cooperative relationships among themselves or with third parties. Further, our current or prospective clients and partners may become competitors in the future. Increased competition could result in price reductions, lower gross margins, longer sales cycles and the loss of market share. Each of these developments could materially and adversely affect our growth and operating performance.

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MANY OF OUR CURRENT AND POTENTIAL COMPETITORS HAVE SIGNIFICANTLY GREATER RESOURCES THAN WE DO AND, THEREFORE, WE MAY BE AT A DISADVANTAGE IN COMPETING WITH THEM.

We directly compete with other application software vendors including: Adexa, Inc., Aspen Technology, Inc., The Descartes Systems Group Inc., i2 Technologies, Inc., Logility, Inc., PROS Revenue Management, Retek, Inc., Sabre, Inc., SAP AG, SynQuest and YieldStar Technology. Some eMarketplace software companies that do not currently offer directly competitive products or solutions, such as Ariba, Inc. and Commerce One, may begin to compete directly with us. In addition, some ERP companies such as Invensys plc (which acquired Baan Company N.V.), J.D. Edwards & Company, Oracle Corporation and PeopleSoft, Inc. have acquired or developed and are developing supply chain planning, pricing/revenue optimization or SCM, SRM and PRO solutions. Some of our current and potential competitors, particularly the ERP vendors, have significantly greater financial, marketing, technical and other competitive resources than us, as well as greater name recognition and a larger installed base of clients. In addition, many of our competitors have well-established relationships with our current and potential clients and have extensive knowledge of our industry. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in client requirements or to devote greater resources to the development, promotion and sale of their products than we can. Any of these factors could materially impair our ability to compete and adversely affect our revenue growth and operating performance.

IF THE DEVELOPMENT OF OUR PRODUCTS AND SERVICES FAILS TO KEEP PACE WITH OUR INDUSTRY'S RAPIDLY EVOLVING TECHNOLOGY, OUR FUTURE RESULTS MAY BE MATERIALLY AND ADVERSELY AFFECTED.

The markets for SRM, SCM and PRO solutions are subject to rapid technological change, changing client needs, frequent new product introductions and evolving industry standards that may render existing products and services obsolete. Our growth and future operating results will depend, in part, upon our ability to enhance existing applications and develop and introduce new

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applications or capabilities that:

- meet or exceed technological advances in the marketplace;
- meet changing client requirements;
- comply with changing industry standards;
- achieve market acceptance;
- integrate third-party software effectively; and
- respond to competitive offerings.

Our product development and testing efforts have required, and are expected to continue to require, substantial investments. We may not possess sufficient resources to continue to make the necessary investments in technology. In addition, we may not successfully identify new software opportunities or develop and bring new software to market in a timely and efficient manner. If we are unable, for technological or other reasons, to develop and introduce new and enhanced software in a timely manner, we may lose existing clients and fail to attract new clients, which may adversely affect our performance.

DEFECTS IN OUR SOFTWARE OR PROBLEMS IN THE IMPLEMENTATION OF OUR SOFTWARE COULD LEAD TO CLAIMS FOR DAMAGES BY OUR CLIENTS, LOSS OF REVENUE OR DELAYS IN THE MARKET ACCEPTANCE OF OUR SOLUTIONS.

Our software is complex and is frequently integrated with a wide variety of third-party software. We may license software that contains undetected errors or failures when new software is first introduced or as new versions are released. We may not be able to discover errors in our software until our customers install and use a given product or until the volume of services that a product provides increases. These problems may result in claims for damages suffered by our

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clients, a loss of, or delays in, the market acceptance of our solutions, client dissatisfaction and potentially lost revenue during the period required to correct these errors.

WE ARE DEPENDENT ON THIRD-PARTY SOFTWARE THAT WE INCORPORATE INTO AND INCLUDE WITH OUR PRODUCTS AND SOLUTIONS, AND IMPAIRED RELATIONS WITH THESE THIRD PARTIES, DEFECTS IN THIRD-PARTY SOFTWARE OR THE INABILITY TO ENHANCE THEIR SOFTWARE OVER TIME COULD HARM OUR BUSINESS.

We incorporate and include third-party software into and with our products and solutions. We are likely to incorporate and include additional third-party software into and with our products and solutions as we expand our product offerings. The operation of our products would be impaired if errors occur in the third-party software that we utilize. It may be more difficult for us to correct any defects in third-party software because the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that these third parties will continue to invest the appropriate levels of resources in their products and services to maintain and enhance the software capabilities.

Furthermore, it may be difficult for us to replace any third-party software if a vendor seeks to terminate our license to the software or ability to license the software to others. Any impairment in our relationship with these third parties could adversely impact our business, results of operations and financial condition.

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WE ARE SUBSTANTIALLY DEPENDENT ON THIRD PARTIES TO INTEGRATE OUR SOFTWARE WITH OTHER SOFTWARE PRODUCTS AND PLATFORMS.

We depend on companies such as Peregrine Systems, Inc., Vignette Corporation, and webMethods, Inc. to integrate our software with software and platforms developed by third parties. If these companies are unable to develop or maintain software that effectively integrates our software and is free from errors, our ability to license our products and provide solutions could be impaired. Further, we rely on these companies to maintain relationships with the companies that provide the external software that is vital to the functioning of our products and solutions. The loss of any company that we use to integrate our software products could adversely affect our business, results of operations and financial condition.

OUR EFFORTS TO DEVELOP RELATIONSHIPS WITH VENDORS SUCH AS SOFTWARE COMPANIES, CONSULTING FIRMS, RESELLERS AND OTHERS TO IMPLEMENT AND PROMOTE OUR SOFTWARE PRODUCTS MAY FAIL.

We are developing, maintaining and enhancing significant working relationships with complementary vendors, such as software companies, consulting firms, resellers and others, that we believe can play important roles in marketing our products and solutions. We are currently investing, and intend to continue to invest, significant resources to develop and enhance these relationships, which could adversely affect our operating margins. We may be unable to develop relationships with organizations that will be able to market our products effectively. Our arrangements with these organizations are not exclusive and, in many cases, may be terminated by either party without cause. Many of the organizations with which we are developing or maintaining marketing relationships have commercial relationships with our competitors. Therefore, there can be no assurance that any organization will continue its involvement with us and our products. The loss of relationships with important organizations could materially and adversely affect our business, results of operations and financial condition.

WE HAVE ONLY RECENTLY ENTERED INTO CONTRACTS WITH GOVERNMENTAL AGENCIES. THESE CONTRACTS OFTEN INVOLVE LONG PURCHASE CYCLES AND COMPETITIVE PROCUREMENT PROCESSES.

We have recently begun providing our solutions to government agencies and expect that a significant portion of our future revenue may be derived from government agency clients. Obtaining government contracts may involve long purchase cycles, competitive bidding, qualification require-

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ments, congressional appropriations, delays in funding, budgetary constraints and extensive specification development and price negotiations. In order to facilitate the sales of our commercial software and services to the federal government we hold a Government Services Administration Federal Supply Services Schedule for Information Technology (IT) and Management Organizational and Business Improvement Services (MOBIS). Each government agency maintains its own rules and regulations with which we must comply and which can vary significantly among agencies. Government agencies also often retain a significant portion of fees payable upon completion of a project and collection of such fees may be delayed for several months. Accordingly, our revenue could decline as a result of these government procurement processes. In addition, it is possible that, in the future, some of our government contracts may be fixed price contracts which may prevent us from recovering costs incurred in excess of our budgeted costs. Fixed price contracts may require us to estimate the total project cost based on preliminary projections of the project's requirements. The financial viability

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of any given project depends in large part on our ability to estimate such costs accurately and to complete the project on a timely basis. In the event our actual costs exceed the fixed contract cost, we will not be able to recover the excess costs. If we fail to properly anticipate costs on fixed price contracts, our profit margins will decrease. Some government contracts are also subject to termination or re-negotiation at the convenience of the government, which could result in a large decline in revenue in any given quarter. Multi-year contracts are contingent on overall budget approval by Congress and may be terminated due to lack of funds.

INCREASED SALES THROUGH INDIRECT CHANNELS MAY ADVERSELY AFFECT OUR OPERATING PERFORMANCE.

Even if our marketing efforts through indirect channels are successful and result in increased sales, our average selling prices and operating margins could be adversely affected because of the lower unit prices that we receive when selling through indirect channels.

IF WE FAIL TO FIELD AN EFFECTIVE SALES ORGANIZATION, OUR ABILITY TO GROW WILL BE LIMITED.

We have recently reduced our sales force as a result of weakening economic conditions. In order to grow our revenue, our existing sales force will have to be more productive and we will have to expand our sales force in future periods. Our past efforts to expand our sales organization have required significant resources. New sales personnel require training and may take a long time to achieve full productivity. There is no assurance that we can attract and retain qualified sales people at levels sufficient to support our growth. Any failure to adequately sell our products could limit our growth and adversely affect our financial performance.

THE LIMITED ABILITY OF LEGAL PROTECTIONS TO SAFEGUARD OUR INTELLECTUAL PROPERTY RIGHTS COULD IMPAIR OUR ABILITY TO COMPETE EFFECTIVELY.

Our success and ability to compete are substantially dependent on our internally developed technologies and trademarks, which we protect through a combination of confidentiality procedures, contractual provisions, patent, copyright, trademark and trade secret laws. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products or obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult and, although we are unable to determine the extent to which piracy of our software products exists, we expect software piracy to be a problem. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States. Furthermore, our competitors may independently develop technology similar to ours.

OUR PRODUCTS MAY INFRINGE UPON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS, WHICH MAY CAUSE US TO INCUR UNEXPECTED COSTS OR PREVENT US FROM SELLING OUR PRODUCTS.

The number of intellectual property claims in our industry may increase as the number of competing products grows and the functionality of products in different industry segments

overlaps. In recent years, there has been a tendency by software companies to file substantially increasing numbers of patent applications, including those for business methods and processes. We have no way of knowing what patent applications third parties have filed until the application is filed or until a patent is issued. Patent applications are often published within 18 months of filing but it can take as long as three years or more for a patent to be granted

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after an application has been filed. Although we are not aware that any of our products infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not claim infringement by us with respect to current or future products. Any of these claims, with or without merit, could be time-consuming to address, result in costly litigation, cause product shipment delays or require us to enter into royalty or license agreements. These royalty or license agreements might not be available on terms acceptable to us or at all, which could materially and adversely affect our business.

### OUR INTERNATIONAL OPERATIONS POSE RISKS FOR OUR BUSINESS AND FINANCIAL CONDITION.

We currently conduct operations in a number of countries around the world. These operations require significant management attention and financial resources and subject us to risks inherent in doing business internationally, such as:

- regulatory requirements;
- difficulties in staffing and managing foreign operations;
- longer collection cycles;
- foreign currency risk;
- legal uncertainties regarding liability, ownership and protection of intellectual property;
- tariffs and other trade barriers;
- seasonal reductions in business activities;
- potentially adverse tax consequences; and
- increased economic and political instability following the terrorist attacks in the United States on September 11, 2001.

Any of the above factors could adversely affect the success of our international operations. One or more of these factors could have a material adverse effect on our business and operating results.

### IF WE LOSE OUR KEY PERSONNEL, THE SUCCESS AND GROWTH OF OUR BUSINESS MAY SUFFER.

Our success depends significantly on the continued service of our executive officers. We do not have fixed-term employment agreements with any of our executive officers, and we do not maintain key person life insurance on our executive officers. The loss of services of any of our officers for any reason could have a material adverse effect on our business, operating results, financial condition and cash flows.

### THE FAILURE TO HIRE AND RETAIN QUALIFIED PERSONNEL WOULD HARM OUR BUSINESS.

We believe that our success also will depend significantly on our ability to attract, integrate, motivate and retain additional highly skilled technical, managerial, sales, marketing and services personnel. Competition for skilled personnel is intense, and there can be no assurance that we will be successful in attracting, motivating and retaining the personnel required to grow and operate profitably. In addition, the cost of hiring and retaining skilled employees is high, and this reduces our profitability. Failure to attract and retain highly skilled personnel could materially and adversely affect our business. An important component of our employee compensation is stock options.

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decline in our stock price could adversely affect our ability to attract and retain employees, as it has in the past.

WE HAVE RECENTLY EXPERIENCED SIGNIFICANT CHANGES IN OUR SENIOR MANAGEMENT TEAM AND THERE IS NO ASSURANCE THE TEAM WILL WORK TOGETHER EFFECTIVELY.

Commencing in the first quarter of fiscal 2000, we have completely changed our senior management team. Gregory J. Owens, our Chief Executive Officer, joined us in April 1999. With one exception, all of our other present executive officers joined us after Mr. Owens. Our success depends on the ability of our management team to work together effectively. Our business, revenue and financial condition will be materially and adversely affected if our senior management team does not manage our company effectively or if we are unable to retain our senior management.

EXPENSES ARISING FROM OUR STOCK OPTION REPRICING MAY HAVE A MATERIAL ADVERSE IMPACT ON FUTURE PERFORMANCE.

In response to the poor performance of our stock price between May 1998 and January 1999, we offered to reprice employee stock options, other than those held by our executive officers or directors, effective January 29, 1999, to bolster employee retention. As a result of our offer, options to acquire approximately 3.0 million shares were repriced, of which options to purchase a total of approximately 1,045,350 shares are currently outstanding as of November 30, 2001. In addition, the four-year vesting period of the repriced options started over. The recently adopted FASB Interpretation No. 44 of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," requires us to record compensation expense or benefit associated with the change in the market price of these options. The changes in our common stock market price since the FASB-mandated measurement date of July 1, 2000 resulted in a non-cash stock benefit of \$12.6 million and \$8.0 million during the three and six-month periods ended August 31, 2001, respectively, and an expense of \$11.1 million being recorded for the year ended February 28, 2001. In each future quarter, we will record the additional expense or benefit related to the repriced stock options still outstanding, to the extent that our stock price is greater than \$22.19, based on the change in our common stock price as compared to the measurement date. As a result, the repricing may continue to have a material adverse impact on reported financial results and could therefore negatively affect our stock price.

WE MAY BE SUBJECT TO FUTURE LIABILITY CLAIMS, AND OUR COMPANY'S AND PRODUCTS' REPUTATION MAY SUFFER.

Many of our implementations involve projects that are critical to the operations of our clients' businesses and provide benefits that may be difficult to quantify. Any failure in a client's system could result in a claim for substantial damages against us, regardless of our responsibility for the failure. We have entered into and plan to continue to enter into agreements with software vendors, consulting firms, resellers and others whereby they market our solutions. If these vendors fail to meet their clients' expectations or cause failures in their clients' systems, the reputation of our company and products could be materially and adversely affected even if our software products perform in accordance with their functional specifications.

#### RISKS RELATED TO OUR INDUSTRY

LACK OF GROWTH OR DECLINE IN INTERNET USAGE COULD BE DETRIMENTAL TO OUR FUTURE OPERATING RESULTS.



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The growth of the Internet has increased demand for SRM, SCM and PRO solutions, as well as created markets for new and enhanced product offerings. Therefore, our future sales and profits

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are substantially dependent upon the Internet as a viable commercial medium. The continued success of the Internet as a viable commercial medium may be adversely affected for a number of reasons, including:

- potentially inadequate development of network infrastructure or delayed development of enabling technologies and performance improvements;
- delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity;
- concerns that may develop among businesses and consumers about accessibility, security, reliability, cost, ease of use and quality of service;
- increased taxation and governmental regulation; or
- changes in, or insufficient availability of, communications services to support the Internet, resulting in slower Internet user response times.

The occurrence of any of these factors could require us to modify our technology and our business strategy. Any such modifications could require us to expend significant amounts of resources. In the event that the Internet does not remain a viable commercial medium, our business, financial condition and results of operations could be materially and adversely affected.

NEW LAWS OR REGULATIONS AFFECTING THE INTERNET OR COMMERCE IN GENERAL COULD REDUCE OUR REVENUE AND ADVERSELY AFFECT OUR GROWTH.

Congress and other domestic and foreign governmental authorities have adopted and are considering legislation affecting the use of the Internet, including laws relating to the use of the Internet for commerce and distribution. The adoption or interpretation of laws regulating the Internet, or of existing laws governing such things as consumer protection, libel, property rights and personal privacy, could hamper the growth of the Internet and its use as a communications and commercial medium. If this occurs, companies may decide not to use our products or services, and our business, operating results and financial condition could suffer.

### RISKS RELATED TO THE NOTES

OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

In November 2000, we completed a convertible debt offering of \$250.0 million in 5% subordinated convertible notes that are due November 2007. Our indebtedness could have important consequences for investors. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing;
- require the dedication of a substantial portion of our cash flows from operations to the payment of principal of, and interest on, our

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indebtedness, thereby reducing the availability of capital to fund our growth strategy, working capital, capital expenditures, acquisitions and other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry; and
- place us at a competitive disadvantage relative to our competitors with less debt.

Although we have no present plans to do so, we may incur substantial additional debt in the future. Neither the terms of our credit facility nor the terms of these Notes fully prohibit us from

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doing so. If a significant amount of new debt is added to our current levels, the related risks described above could intensify.

WE MAY HAVE INSUFFICIENT CASH FLOW TO MEET OUR DEBT SERVICE OBLIGATIONS.

We will be required to generate cash sufficient to pay all amounts due on the Notes and to conduct our business operations. We have net losses, and we may not be able to cover our anticipated debt service obligations. This may materially hinder our ability to make principal and interest payments on the Notes. Our ability to meet our future debt service obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

### RISKS RELATED TO THE SALE OF OUR COMMON STOCK

SCHEDULED SALES OF SIGNIFICANT AMOUNTS OF OUR COMMON STOCK BY OUR EXECUTIVE OFFICERS MAY CAUSE OUR STOCK PRICE TO DECLINE.

Certain of our executive officers have entered into pre-established trading plans pursuant to which they sold a total of approximately 515,000 shares of our common stock in January 2001, approximately 253,000 shares in April 2001, and approximately 318,000 shares in the three months ended August 31, 2001. (Several of these executive officers have terminated their plans.) Our other executive officers who have established trading plans are scheduled to sell up to approximately 70,000 shares per quarter, subject to the terms of their trading plans, which terms include price floors below which no shares or a reduced amount of shares will be sold. The quarterly sales will continue until the trading plans are modified or terminated. Certain of our other executive officers and directors may establish similar plans to sell shares on a quarterly basis. The sale of these shares may cause the market price of our stock to decline.

OUR CHARTER AND BYLAWS AND DELAWARE LAW CONTAIN PROVISIONS THAT COULD DISCOURAGE A TAKEOVER EVEN IF BENEFICIAL TO STOCKHOLDERS.

Our charter and our bylaws, in conjunction with Delaware law, contain provisions that could make it more difficult for a third party to obtain control of us even if doing so would be beneficial to stockholders. For example, our bylaws provide for a classified board of directors and allow our board of directors to expand its size and fill any vacancies without stockholder approval. Furthermore, our board has the authority to issue preferred stock and to designate the voting rights, dividend rate and privileges of the preferred stock all of which may be greater than the rights of common stockholders.

OUR STOCK PRICE HAS BEEN AND IS LIKELY TO CONTINUE TO BE VOLATILE.

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The trading price of our common stock has been and is likely to be highly volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- actual or anticipated variations in quarterly operating results;
- weakening economic conditions;
- increased economic and political uncertainty following the terrorist attacks in the United States on September 11, 2001;
- announcements of technological innovations;
- new products or services offered by us or our competitors;
- changes in financial estimates by securities analysts;

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- conditions or trends in the market for EPO, SRM, SCM and PRO solutions;
- changes in the performance and/or market valuations of our current and potential competitors and the software industry in general;
- our announcement of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- adoption of industry standards and the inclusion of our technology in, or compatibility of our technology with, such standards;
- adverse or unfavorable publicity regarding us or our products;
- adverse or unfavorable publicity regarding our competitors, including their products and implementation efforts;
- additions or departures of key personnel;
- our sales of additional equity securities; and
- other events or factors that may be beyond our control.

In addition, the stock markets in general, The Nasdaq National Market and the equity markets for software companies in particular, have recently experienced extraordinary price and volume volatility and a significant cumulative decline in recent months. Such volatility and decline have adversely affected the stock prices for many companies irrespective of or disproportionately to the operating performance of these companies. These broad market and industry factors may materially and adversely further affect the market price of our common stock, regardless of our actual operating performance.

### RECENT DEVELOPMENTS

#### SETTLEMENT OF LITIGATION WITH IRI

By a series of agreements dated as of March 7, 1997, Manugistics, Inc., our principal subsidiary, acquired various assets and reseller rights from IRI and/or a related subsidiary. By Complaint dated January 15, 1999, IRI sued Manugistics, Inc. in the Circuit Court for Cook County, Illinois for alleged breach of two of the March 7th agreements. Manugistics moved to compel

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arbitration on IRI's claims, which motion was granted as to one of IRI's two claims. Arbitration proceedings were commenced under the auspices of the American Arbitration Association. In the arbitration, IRI sought approximately \$15.9 million in damages while in the Circuit Court for Cook County, IRI sought damages for an amount in excess of \$100,000.

In December 2001, Manugistics, Inc. and IRI reached a settlement of their disputes. Manugistics, Inc. has agreed to pay to IRI an aggregate of \$8,625,000 in various installments in or before September 2002. The payment obligation has two components. Manugistics, Inc. has agreed to make cash payments in the total amount of \$4.75 million in installments to IRI, the last of which shall be made on or before April 2002. In addition, the Company has agreed to issue shares of its common stock to IRI in payment of the remaining \$3,875,000 to be paid to IRI. The number of shares to be issued shall be determined by dividing \$3,875,000 by the closing price of our common stock reported by the Nasdaq National Market System on the day the registration statement of which this Prospectus is a part becomes effective. (Manugistics, Inc. has the right to pay all or a part of such remaining amount in cash in lieu of shares. In addition, IRI has the right, under certain circumstances in the future, to require Manugistics, Inc. to pay cash in lieu of all or a portion of the shares.)

As part of the settlement, we also agreed to prepare and file with the United States Securities and Exchange Commission (the "SEC"), a registration statement on Form S-3 under the Securities Act relating to the issuance of our shares to IRI. We further agreed to deliver the shares to IRI promptly after the SEC had declared the registration statement effective.

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### USE OF PROCEEDS

Because we are issuing the Shares to IRI pursuant to a settlement of legal proceedings, there will be no proceeds from the issuance of the Shares to IRI. We will not receive any proceeds from any resale of the Shares by IRI. IRI will receive all of the net proceeds from any resale of the Shares.

### PRICE RANGE OF COMMON STOCK

Our common stock trades on The Nasdaq National Market under the symbol "MANU." The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock, as reported on The Nasdaq National Market for the periods indicated.

	HIGH -----	LOW -----
FISCAL YEAR 2000		
First Quarter.....	\$ 5.63	\$ 2.63
Second Quarter.....	8.00	4.34
Third Quarter.....	8.94	4.53
Fourth Quarter.....	29.06	8.50
FISCAL YEAR 2001		
First Quarter.....	\$ 35.13	\$ 12.53
Second Quarter.....	46.66	11.25
Third Quarter.....	66.06	30.88
Fourth Quarter.....	64.38	26.94
FISCAL YEAR 2002		
First Quarter.....	\$ 41.90	\$ 15.38
Second Quarter.....	42.38	11.65
Third Quarter.....	13.70	4.94

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Fourth Quarter (December 1, 2001 through December 20,  
2001)..... 19.05 11.07

On December 20, 2001, the last reported sale price of our common stock as reported on The Nasdaq National Market was \$15.84 per share. On December 20, 2001, there were approximately 335 holders of record of our common stock.

### DIVIDEND POLICY

We have never paid any cash dividends on our capital stock. We currently anticipate that we will retain earnings to support our operations and to finance the growth and development of our business, and we do not anticipate paying any cash dividends for the foreseeable future. We have an unsecured committed revolving credit facility with a commercial bank that will expire on December 31, 2001, unless it is renewed. Under the terms of the credit facility, we are prohibited from declaring or paying cash dividends on our common stock.

### PLAN OF DISTRIBUTION

We will issue the Shares to IRI pursuant to the Settlement Agreement which resulted from private arms-length negotiations between IRI and us. Under the terms of the Settlement Agreement, the Company agreed to prepare and file with the SEC a registration statement on Form S-3 under the Securities Act relating to the issuance of the Shares to IRI. (The Company filed the registration statement of which this Prospectus is a part in satisfaction of that requirement of the settlement.) The Company further agreed to deliver the Shares to IRI promptly after the SEC had declared the registration statement effective.

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All of the Shares to be issued pursuant to the Settlement Agreement are covered by this Prospectus. IRI may resell the Shares immediately upon our delivery of the Shares to IRI. IRI has informed the Company that, subject to market conditions and other factors, it presently intends to sell the Shares to be issued to it under this Prospectus. However, IRI may determine not to resell all or any portion of the Shares.

The common stock is presently listed for trading on The Nasdaq National Market. Any resale of the Shares covered by this Prospectus will not be underwritten. IRI may resell the Shares covered by this Prospectus from time to time in ordinary brokers' transactions through the facilities of Nasdaq, in block transactions, in privately negotiated transactions, or otherwise. Sales of Shares may be effected at market prices prevailing at the time of sale, at negotiated prices, or otherwise. There will be no charges or commissions paid to us by IRI in connection with the issuance of the Shares. It is anticipated that usual and customary brokerage fees will be paid by IRI upon any resale of the Shares.

IRI has agreed that it will not take, directly or indirectly, any action designed to cause or result in, or which has constituted or might reasonably be expected to constitute, the manipulation or stabilization of the price of our common stock or of any of our other securities. In particular, Regulation M under the Securities Act imposes certain restrictions on issuers, selling stockholders and other participants in a distribution of securities that are intended to prohibit such persons from facilitating the distribution by "conditioning" the market for such securities.

### DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 300,000,000 shares of common

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stock, par value \$0.002 per share, and 4,620,253 shares of preferred stock, par value \$0.01 per share.

### COMMON STOCK

As of December 19, 2001, there were 68,194,060 shares of our common stock which were held of record by approximately 335 holders.

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of our stockholders. Holders of our common stock do not have the right to cumulate their votes. Directors are elected by a plurality of votes cast; except as otherwise provided under the Delaware General Corporation Law, all other matters are approved by a majority of the votes cast.

Subject to preferences that may be applicable to any outstanding shares of our preferred stock, the holders of our common stock are entitled to receive ratably such dividends as may be declared by our board of directors out of funds legally available therefor. See "Dividend Policy." In the event of a liquidation, dissolution or winding up of our company, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of our preferred stock. Holders of our common stock have no preemptive rights and no right to convert our common stock into any other securities. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our common stock are fully paid and non-assessable.

### PREFERRED STOCK

We may, by resolution of our board of directors, and without any further vote or action by our stockholders, authorize and issue, subject to certain limitations prescribed by law, up to an aggregate of 4,620,253 shares of preferred stock. The preferred stock may be issued in one or more classes or series of shares of any class or series. With respect to any classes or series, our board of directors may determine the designation and the number of shares, preferences, limitations and special rights, including dividend rights, conversion rights, voting rights, redemption

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rights and liquidation preferences. Because of the rights that may be granted, the issuance of preferred stock may delay, defer or prevent a change of control. No shares of preferred stock are outstanding and we presently have no plans to issue shares of preferred stock.

### LIMITATION ON LIABILITY

Our certificate of incorporation limits or eliminates the liability of our directors to us or our stockholders for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. As permitted by the Delaware General Corporation Law, our certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for a breach of fiduciary duty as a director, except for liability:

- for any breach of such person's duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;
- for the payment of unlawful dividends and certain other actions prohibited by Delaware corporate law; and

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- for any transaction resulting in receipt by such person of an improper personal benefit.

Our certificate of incorporation also contains provisions indemnifying our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. We also have directors' and officers' liability insurance to provide our directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, errors and other wrongful acts.

### CERTAIN ANTI-TAKEOVER PROVISIONS

Our by-laws provide for the division of our board of directors into three classes. Each class must be as nearly equal in number as possible. Additionally, each class must serve a three-year term. The terms of each class are staggered so that each term ends in a different year over a three-year period. Any director not elected by holders of preferred stock may be removed only for cause and only by the vote of more than 67% of the shares entitled to vote for the election of directors.

Our certificate of incorporation provides that our board of directors may establish the rights of, and cause us to issue, substantial amounts of preferred stock without the need for stockholder approval. Further, our board of directors may determine the terms, conditions, rights, privileges and preferences of the preferred stock. Our board is required to exercise its business judgment when making such determinations. Our board of directors' use of the preferred stock may inhibit the ability of third parties to acquire Manugistics. Additionally, our board may use the preferred stock to dilute the common stock of entities seeking to obtain control of Manugistics. The rights of the holders of common stock will be subject to, and may be adversely affected by, any preferred stock that may be issued in the future. Our preferred stock provides desirable flexibility in connection with possible acquisitions, financings and other corporate transactions. However, it may have the effect of discouraging, delaying or preventing a change in control of Manugistics. We have no present plans to issue any shares of preferred stock. The existence of the foregoing provisions in our certificate of incorporation and by-laws could make it more difficult for third parties to acquire or attempt to acquire control of us or substantial amounts of our common stock.

Section 203 of the Delaware General Corporation Law applies to Manugistics. Section 203 of the Delaware General Corporation Law generally prohibits certain "business combinations" between a Delaware corporation and an "interested stockholder." An "interested stockholder" is generally defined as a person who, together with any affiliates or associates of such person, beneficially owns, or within three years did own, directly or indirectly, 15% or more of the

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outstanding voting shares of a Delaware corporation. The statute broadly defines business combinations to include:

- mergers;
- consolidations;
- sales or other dispositions of assets having an aggregate value in excess of 10% of the consolidated assets of the corporation or aggregate market value of all outstanding stock of the corporation; and
- certain transactions that would increase the "interested stockholder's" proportionate share ownership in the corporation.

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The statute prohibits any such business combination for a period of three years commencing on the date the "interested stockholder" becomes an "interested stockholder," unless:

- the business combination is approved by the corporation's board of directors prior to the date the "interested stockholder" becomes an "interested stockholder"; or
- the "interested stockholder" acquired at least 85% of the voting stock of the corporation (other than stock held by directors who are also officers or by certain employee stock plans) in the transaction in which it becomes an "interested stockholder" if the business combination is approved by a majority of the board of directors and by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the "interested stockholder."

The Delaware General Corporation Law contains provisions enabling a corporation to avoid Section 203's restrictions if stockholders holding a majority of the corporation's voting stock approve an amendment to the corporation's certificate of incorporation or by-laws to avoid the restrictions. We have not and do not currently intend to "elect out" of the application of Section 203 of the Delaware General Corporation Law.

### LEGAL MATTERS

Certain legal matters with respect to the validity of the common stock to be issued under this Prospectus are being passed upon for us by Dilworth Paxson LLP, Philadelphia, Pennsylvania. Joseph H. Jacovini, Chairman and a member of Dilworth Paxson LLP, is a member of the board of directors of Manugistics. On November 30, 2001, Mr. Jacovini was the beneficial owner of 158,000 shares of common stock (including 2,672 shares of common stock held by his spouse and a total of 79,328 shares of common stock issuable upon exercise of certain options).

### EXPERTS

The consolidated financial statements of Manugistics as of February 28, 2001 and February 29, 2000 and for each of the three years in the period ended February 28, 2001, incorporated in this prospectus by reference from the Manugistics Annual Report on Form 10-K for the period ended February 28, 2001, have been audited by Deloitte and Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated balance sheets of Talus Solutions, Inc. and its subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999, have been incorporated by reference herein and in the Registration Statement in reliance upon the report of

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KPMG LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other



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information with the SEC. You may read and copy any materials we file with the SEC at the SEC's public reference room at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 233 Broadway, New York, NY 10279. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference rooms. Our SEC filings are also available at the SEC's Internet website at "http://www.sec.gov." In addition, you can read and copy our SEC filings at the office of the National Association of Securities Dealers, Inc. at 1735 K Street, Washington, D.C. 20006.

The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act:

- Current Report on Form 8-K, filed January 4, 2001;
- Current Report on Form 8-K, filed March 7, 2001;
- Current Report on Form 8-K, filed March 8, 2001;
- Annual Report on Form 10-K for the year ended February 28, 2001;
- Quarterly Report on Form 10-Q for the quarter ended May 31, 2001;
- Current Report on Form 8-K, filed September 6, 2001;
- Quarterly Report on Form 10-Q for the quarter ended August 31, 2001;
- Current Report on Form 8-K, filed December 21, 2001; and
- The description of our common stock contained in our Registration Statement on Form 8-A, as amended, including any amendment or report filed to update the description.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

INVESTOR RELATIONS  
MANUGISTICS GROUP, INC.  
2115 EAST JEFFERSON STREET  
ROCKVILLE, MD 20852  
(301) 984-5000

This Prospectus is part of a Registration Statement we filed with the SEC. You should rely only on the information incorporated by reference or provided in this Prospectus and the Registration Statement. We have authorized no one to provide you with different information. You should not assume that the information in this Prospectus is accurate as of any date other than the date on the front of the document.

We have not authorized any dealer, sales person or other person to give any information or to make any representations other than those contained in this Prospectus or any Prospectus Supplement. You must not rely on any unauthorized information. This Prospectus is not an offer of these securities in any state where an offer is not permitted. The information in this Prospectus is current as of \_\_\_\_\_, 2002. You should not assume that this Prospectus is accurate

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as of any other date.

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### PART II

#### INFORMATION NOT REQUIRED IN PROSPECTUS

##### ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is a list of the estimated expenses to be incurred by the Registrant in connection with the registration of the common stock. All amounts are estimated, except the SEC registration fee.

SEC Registration.....	\$ 2,444
Printing Expenses.....	10,000
Legal Fees and Expenses.....	12,000
Accountants' Fees and Expenses.....	20,000
Transfer Agent.....	1,000
Miscellaneous.....	1,556
	-----
Total.....	\$47,000
	=====

##### ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

We have adopted the provisions of Section 102(b)(7) of the Delaware GCL, which eliminate or limit the personal liability of a director to us or our stockholders for monetary damages for breach of fiduciary duty under certain circumstances. Furthermore, under Section 145 of the Delaware GCL, we shall indemnify each of our directors and officers against expenses (including reasonable costs, disbursements and counsel fees) in connection with any proceeding involving such person by reason of having been an officer or director, to the extent such person acted in good faith and in a manner reasonably believed to be in, or not opposed to, our best interest, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The determination of whether indemnification is proper under the circumstances, unless made by a court, shall be made by a majority of a quorum of disinterested members of our Board of Directors, our independent legal counsel or our stockholders.

Our Certificate of Incorporation states that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except that this provision shall not eliminate or limit a director's liability for any breach of the director's duty of loyalty to us or our stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, under Section 174 of the Delaware GCL, or for any transaction from which the director derived an improper personal benefit.

Our bylaws further provide that we shall indemnify our officers, directors and employees to the fullest extent permitted by law. The bylaws also permit us to purchase insurance on behalf of any such person against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not we would have the power to indemnify such person against such liability under the foregoing provision of the bylaws. We maintain such insurance.

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## ITEM 16. EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
4	Form of executed Registration Rights Agreement between Manugistics Group, Inc. and Information Resources, Inc., dated as of December 14, 2001.
5*	Opinion of Dilworth Paxson LLP.
23.1	Consent of Deloitte & Touche LLP regarding the Consolidated Financial Statements of Manugistics Group, Inc. and subsidiaries.
23.2	Consent of KPMG LLP regarding the Consolidated Financial Statements of Talus Solutions, Inc. and subsidiary.
23.3*	Consent of Dilworth Paxson LLP (included in Exhibit 5).
24	Power of Attorney (reference is made to the signature page of this Registration Statement).

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\* To be filed by amendment.

## ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby further undertakes that:

- (i) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (ii) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby further undertakes:

- (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material

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change to such information in the Registration Statement;

- (2) that, for the purpose of determining liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and
- (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction, the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rockville, State of Maryland, on the 21st day of December, 2001.

MANUGISTICS GROUP, INC.

By: /s/ GREGORY J. OWENS

-----  
Gregory J. Owens Chief Executive  
Officer

### POWER OF ATTORNEY

Each of the undersigned officers and directors of Manugistics Group, Inc. whose signature appears below hereby appoints Gregory J. Owens and Raghavan Rajaji, jointly and individually, as attorneys-in-fact for the undersigned with full power of substitution, to execute in his or her name and on behalf of such person, individually, and in each capacity stated below, this Registration Statement on Form S-3 and one or more amendments (including post-effective amendments) to this Registration Statement and any related registration statement under Rule 462(b) as the attorney-in-fact shall deem appropriate, and to file any such amendment (including exhibits thereto and other documents in connection herewith) to this Registration Statement on Form S-3 or Rule 462(b)

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registration statement with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or either of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ GREGORY J. OWENS ----- Gregory J. Owens	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	December 21, 2001
/s/ RAGHAVAN RAJAJI ----- Raghavan Rajaji	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	December 21, 2001
/s/ JEFFREY T. HUDKINS ----- Jeffrey T. Hudkins	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	December 21, 2001
/s/ J. MICHAEL CLINE ----- J. Michael Cline	Director	December 21, 2001

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SIGNATURE -----	TITLE -----	DATE -----
/s/ STEVEN A. DENNING ----- Steven A. Denning	Director	December 21, 2001
/s/ ESTHER DYSON ----- Esther Dyson	Director	December 21, 2001
/s/ LYNN C. FRITZ ----- Lynn C. Fritz	Director	December 21, 2001
/s/ JOSEPH H. JACOVINI ----- Joseph H. Jacovini	Director	December 21, 2001
/s/ HAU L. LEE ----- HAU L. LEE	Director	December 21, 2001

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-----  
Hau L. Lee

/s/ WILLIAM G. NELSON

Director

December 21, 2001

-----  
William G. Nelson

/s/ THOMAS A. SKELTON

Director

December 21, 2001

-----  
Thomas A. Skelton

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EXHIBIT INDEX

EXHIBIT  
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DESCRIPTION

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