V F CORP
Form DEF 14A
March 24, 2004

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

VF CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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o Fee paid previously by written preliminary materials.

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(1) Amount Previously Paid:

(2) Form Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

VF CORPORATION

March 25, 2004

Dear Shareholder:

The Annual Meeting of Shareholders of VF Corporation will be held on Tuesday, April 27, 2004, at the O.Henry Hotel, Caldwell Room, 624 Green Valley Road, Greensboro, North Carolina, commencing at 10:30 a.m. Your Board of Directors and management look forward to greeting personally those shareholders able to attend.

At the meeting, shareholders will be asked to (i) elect four directors; (ii) approve an amendment and restatement of VF s 1996 Stock Compensation Plan which, among other things, will increase the number of shares of Common Stock available for future grants by 8.0 million shares and increase the annual per-person limitation on grants of restricted stock and restricted stock units (the Stock Compensation Plan Proposal); (iii) ratify the selection of PricewaterhouseCoopers LLP as VF s independent auditors for fiscal 2004; (iv) consider two shareholder proposals if properly presented to the meeting; and (v) consider such other matters as may properly come before the meeting.

Your Board of Directors recommends a vote FOR the election of the persons nominated to serve as directors, FOR the Stock Compensation Plan Proposal, FOR the ratification of the selection of PricewaterhouseCoopers LLP as VF s independent auditors, and AGAINST the shareholder proposals. Regardless of the number of shares you own or whether you plan to attend, it is important that your shares be represented and voted at the meeting.

You may vote in person at the Annual Meeting or you may vote your shares via the Internet, via a toll-free telephone number, or by signing, dating and mailing the enclosed proxy card in the postage-paid envelope provided, as explained on page 1 of the attached proxy statement.

Your interest and participation in the affairs of VF are most appreciated.

Sincerely,

Mackey J. McDonald
Chairman, President and
Chief Executive Officer

VF CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 27, 2004

March 25, 2004

To the Shareholders of VF CORPORATION:

The Annual Meeting of Shareholders of VF Corporation will be held at the O.Henry Hotel, Caldwell Room, 624 Green Valley Road, Greensboro, North Carolina, on Tuesday, April 27, 2004, at 10:30 a.m., for the following purposes:

(1) to elect four directors to hold office until the 2007 Annual Meeting of Shareholders;

(2) to approve an amendment and restatement of VF s 1996 Stock Compensation Plan which, among other things, will increase the number of shares of Common Stock available for future grants by 8.0 million shares and increase the annual per-person limitation on grants of restricted stock and restricted stock units;

(3) to ratify the selection of PricewaterhouseCoopers LLP as VF s independent auditors for fiscal 2004;

(4) to consider two shareholder proposals if properly presented by the proponents; and

(5) to transact such other business as may properly come before the meeting and any adjournments thereof.

A copy of VF s Annual Report for 2003 is enclosed for your information.

Only shareholders of record as of the close of business on March 9, 2004 are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Candace S. Cummings
Vice President Administration,
General Counsel and Secretary

YOUR VOTE IS IMPORTANT

You are urged to vote your shares via the Internet, through

our toll-free telephone number or by signing, dating and promptly returning your proxy in the enclosed envelope.

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VF CORPORATION

PROXY STATEMENT

For the 2004 Annual Meeting of Shareholders

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of VF Corporation to be voted at VF s Annual Meeting of Shareholders on April 27, 2004 and any adjournments of the meeting (the Meeting).

ABOUT THE MEETING

What is the purpose of the Meeting?

At the Meeting, holders of VF Common Stock and Series B ESOP Convertible Preferred Stock (Series B ESOP Stock) will act upon the matters described in the notice of the Meeting on the front page of this proxy statement, including the election of four directors, approval of an amendment and restatement of VF s 1996 Stock Compensation Plan which, among other things, will increase the number of shares of Common Stock available for future grants by 8.0 million shares and increase the annual per-person limitation on grants of restricted stock and restricted stock units (the Stock Compensation Plan Proposal), ratification of the selection of PricewaterhouseCoopers LLP as VF s independent auditors for fiscal 2004, consideration of two shareholder proposals if properly presented by the proponents, and transaction of other business as may properly come before the Meeting.

Who is entitled to vote at the Meeting?

Only shareholders of record on March 9, 2004, the record date for the Meeting, are entitled to receive notice of and vote at the Meeting.

What are the voting rights of shareholders?

Each share of Common Stock is entitled to one vote and each share of Series B ESOP Stock is entitled to two votes on each matter considered at the Meeting.

How do shareholders vote?

Shareholders may vote at the Meeting in person or by proxy. Proxies validly delivered by shareholders (by Internet, telephone or mail as described below) and received by VF prior to the Meeting will be voted in accordance with the instructions contained therein. If a shareholder s proxy card gives no instructions, it will be voted in accordance with the recommendation of the Board of Directors. A shareholder may change any vote by proxy before the proxy is exercised by filing with the Secretary of VF either a notice of revocation or a duly executed proxy bearing a later date or by attending the Meeting and voting in person. Shareholders who vote by telephone or the Internet may also change their votes by re-voting by telephone or the Internet within the time periods listed below. A shareholder s latest vote, including via the Internet or telephone, is the one that is counted.

There are three ways to vote by proxy:

1) *BY INTERNET:* Visit the web site http://www.eproxyvote.com/vfc. To vote your shares, you must have your proxy/voting instruction card in hand. The web site is available 24 hours a day, seven days a week, and will be accessible UNTIL 11:59 p.m., Eastern Daylight Time, on April 26, 2004;

2) *BY TELEPHONE:* Call toll-free 1-877-PRXVOTE (1-877-779-8683). Shareholders outside of the U.S. and Canada should call 1-201-536-8073. To vote your shares, you must have your proxy/voting instruction card in hand. Telephone voting is accessible 24 hours a day, seven days a week, UNTIL 11:59 p.m., Eastern Daylight Time, on April 26, 2004; or

3) *BY MAIL:* Mark your proxy/voting instruction card, date and sign it, and return it in the postage-paid (US only) envelope provided. If the envelope is missing, please address your completed proxy/voting instruction card to VF Corporation, c/o EquiServe Trust Company, N.A., P.O. Box 8923, Edison, New Jersey 08818-8923.

IF YOU VOTE BY INTERNET OR TELEPHONE, YOU NEED NOT RETURN YOUR PROXY/ VOTING INSTRUCTION CARD.

If you are a beneficial owner, please refer to your proxy card or other information forwarded by your bank, broker or other holder of record to see which of the above choices are available to you.

What constitutes a quorum?

Shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast must be present at the Meeting in person or by proxy to constitute a quorum for the transaction of business. At the close of business on March 9, 2004, there were 110,415,498 outstanding shares consisting of 109,486,200 shares of Common Stock and 929,298 shares of Series B ESOP Stock. Holders of these outstanding shares are entitled to cast 111,344,796 votes at the Meeting.

What are the Board s recommendations?

The Board recommends a vote FOR the election of the four nominees proposed for election as directors, FOR the Stock Compensation Plan Proposal, FOR ratification of the selection of PricewaterhouseCoopers LLP as VF s independent auditors for fiscal 2004, and AGAINST approval of each of the shareholder proposals. If any other matters are brought before the Meeting, the proxy holders will vote as recommended by the Board of Directors. If no recommendation is given, the proxy holders will vote in their discretion. At the date of this proxy statement, we do not know of any other matter to come before the Meeting. Persons named as proxy holders on the accompanying form of proxy/voting instruction card are Mackey J. McDonald, Chairman, President and Chief Executive Officer of VF, and Candace S. Cummings, Vice President-Administration, General Counsel and Secretary of VF.

What vote is required to approve each item?

The four nominees for election as directors who receive the greatest number of votes will be elected directors. Approval of the Stock Compensation Plan Proposal, approval of the ratification of the selection of PricewaterhouseCoopers LLP as VF s independent auditors for fiscal 2004, and approval of the shareholder proposals each requires the affirmative vote of a majority of the votes cast on such matter at the Meeting, provided that, in the case of the Stock Compensation Plan Proposal, the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. Shares of Common Stock and shares of Series B ESOP Stock will vote together as a single class. Withheld votes, abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors, approval of the Stock Compensation Plan Proposal, ratification of the selection of PricewaterhouseCoopers LLP as VF s independent auditors for fiscal 2004, or approval of the shareholder proposals.

Other Information

A copy of VF s Annual Report for the fiscal year ended January 3, 2004 accompanies this proxy statement. No material contained in the Annual Report is to be considered a part of the proxy solicitation material.

VF s mailing address is P.O. Box 21488, Greensboro, North Carolina 27420. This proxy statement and the form of proxy/voting instruction card were first mailed or given to security holders on approximately March 25, 2004.

ITEM NO. 1

ELECTION OF DIRECTORS

VF s Board of Directors has nominated the four persons named below to serve as directors until the 2007 Annual Meeting. The persons named in the accompanying form of proxy/voting instruction card intend to vote such proxy for the election as directors of the following nominees. If any nominee becomes unable or unwilling to serve as a director, the proxy holders will vote for such other person or persons as may be nominated by the Board of Directors. The nominees named below have indicated that they are willing to serve if reelected to the VF Board. The Board of Directors may fill vacancies in the Board, and any director chosen to fill a vacancy would hold office until the next election of the class for which such director had been chosen. It is the policy of VF that a substantial majority of the members of its Board of Directors should be independent. Currently, 11 of VF s 12 directors have been determined by the Board to be independent in accordance with standards adopted by the Board, as set forth in the Board s Corporate Governance Principles, and the Listing Standards of the New York Stock Exchange, the principal securities exchange on which VF s Common Stock is traded.

Name	Principal Occupation	Year in Which Service as a Director Began
To Serve Until the 2007 Annual Meeting		
Edward E. Crutchfield, 62	Retired; Former Chairman and Chief Executive Officer, First Union Corporation	1992
George Fellows, 61	Consultant to Investcorp International, Inc.	1997
Daniel R. Hesse, 50	Chairman, President and Chief Executive Officer, Terabeam Corporation	1999
Clarence Otis, Jr., 47	Executive Vice President of Darden Restaurants, Inc. and President of its Smokey Bones Restaurant division	2004

Mr. Crutchfield served as the Chairman and Chief Executive Officer of First Union Corporation (now known as Wachovia Corporation), a banking and financial services company, from 1985 until his retirement in 2000. Mr. Crutchfield serves as a director of The Liberty Corp., a television broadcasting company. He is a member of the Executive, Compensation and Finance Committees of the Board of Directors.

Mr. Fellows has served as a Consultant to Investcorp International, Inc. and other private equity firms since 2000. Previously, Mr. Fellows served as President and Chief Executive Officer of Revlon, Inc. and of Revlon Consumer Products Corporation from 1997 through 1999. He is a member of the Audit and Nominating and Governance Committees of the Board of Directors.

Mr. Hesse has served as the Chairman, President and Chief Executive Officer of Terabeam Corporation, a telecommunications company, since 2000. Previously, Mr. Hesse was President and Chief Executive Officer of AT&T Wireless Services. He also served as an Executive Vice President of AT&T. He is a member of the Finance and Compensation Committees of the Board of Directors.

Mr. Otis has been the Executive Vice President of Darden Restaurants, Inc., and President of its Smokey Bones Restaurants division, since December 2002. He served as Executive Vice President and Chief Financial Officer of Darden Restaurants from April 2002 to December 2002, Senior Vice President and Chief Financial Officer from 1999 to 2002, Senior Vice President, Finance and Treasurer from 1997 to 1999, and Vice President and Treasurer from 1995 to 1997. Mr. Otis is a director of Travelers Property Casualty Corp., a property casualty insurance company.

Name	Principal Occupation	Year in Which Service as a Director Began
Directors Whose Terms Expire at the 2006 Annual Meeting		
Robert J. Hurst, 58	Vice Chairman, The Goldman Sachs Group, Inc	1994
W. Alan McCollough, 54	Chairman, President and Chief Executive Officer, Circuit City Stores, Inc	2000
M. Rust Sharp, 63	Of Counsel to Heckscher, Teillon, Terrill & Sager (Attorneys)	1984
Raymond G. Viault, 59	Vice Chairman, General Mills, Inc	2002

Mr. Hurst is Vice Chairman of The Goldman Sachs Group, Inc., an international investment banking and securities firm. Mr. Hurst was Vice Chairman of The Goldman Sachs Group, L.P., the predecessor of The Goldman Sachs Group, Inc., and served as its Head or Co-Head of Investment Banking from 1990 to 1999. VF maintains investment banking relations with Goldman Sachs. Mr. Hurst is a member of the Executive and Finance Committees of the Board of Directors.

Mr. McCollough has served as Chairman, President and Chief Executive Officer of Circuit City Stores, Inc. since 2002. In 2000, he was elected to the company s board of directors and added the title of Chief Executive Officer. From 1997 to June 2000, he was President and Chief Operating Officer of Circuit City. Mr. McCollough is a member of the Audit and Nominating and Governance Committees of the Board of Directors.

Mr. Sharp has been Of Counsel to Heckscher, Teillon, Terrill & Sager, a law firm located in West Conshohocken, Pennsylvania, since 1999. He was Of Counsel to Pepper Hamilton LLP, a national law firm headquartered in Philadelphia, Pennsylvania, from 1996 to 1999. Mr. Sharp is a member of the Executive and Compensation Committees of the Board of Directors. (Also see Security Ownership of Certain Beneficial Owners and Management.)

Mr. Viault is Vice Chairman of General Mills, Inc. with responsibility for General Mills Meals, Baking Products, Pillsbury USA and Bakeries and Foodservice businesses. Mr. Viault joined General Mills as Vice Chairman in 1996. Mr. Viault also serves as a director of General Mills and of Newell Rubbermaid Inc., a consumer products company. He is a member of the Audit and Nominating and Governance Committees of the Board of Directors.

Name	Principal Occupation	Year in Which Service as a Director Began
Directors Whose Terms Expire at the 2005 Annual Meeting		
Juan Ernesto de Bedout, 59	President Latin American Operations, Kimberly-Clark Corporation	2000
Ursula F. Fairbairn, 61	Executive Vice President Human Resources & Quality, American Express Company	1994
Barbara S. Feigin, 66	Consultant	1987
Mackey J. McDonald, 57	Chairman of the Board, President, and Chief Executive Officer of VF	1993

Mr. de Bedout has served as President of Latin American Operations for Kimberly-Clark Corporation, responsible for business units in Central and South America as well as the Caribbean, since 1998. He is a member of the Audit and Finance Committees of the Board of Directors.

Mrs. Fairbairn has served as Executive Vice President Human Resources & Quality of American Express Company, a financial services company, since 1996. Mrs. Fairbairn also serves as a director of Air Products and Chemicals, Inc. and Sunoco, Inc. She is a member of the Executive and Compensation Committees of the Board of Directors. (Also see Security Ownership of Certain Beneficial Owners and Management.)

Mrs. Feigin has been a Consultant specializing in strategic marketing and branding since 1999. She served as Executive Vice President and Worldwide Director of Strategic Services of Grey Advertising Inc. from 1983 until her retirement from that position in 1999. Mrs. Feigin also serves as a director of Circuit City Stores, Inc. She is a member of the Nominating and Governance Committee of the Board of Directors.

Mr. McDonald joined VF s Lee division in 1983. He served in various managerial positions with VF s subsidiaries until 1991 when he was named a VF Group Vice President. Mr. McDonald was elected President and a director of VF in 1993 and Chief Executive Officer in 1996. He has served as Chairman, President, and Chief Executive Officer of VF since 1998. He is a director of Wachovia Corporation, Hershey Foods Corporation, and, since November 2002, Tyco International Ltd. Mr. McDonald is Chairman of the Executive Committee and serves as an *ex officio* member of all other committees of the Board, except the Audit, Nominating and Governance and Compensation Committees of the Board of Directors.

CORPORATE GOVERNANCE AT VF

As provided by the Pennsylvania Business Corporation Law and VF s By-Laws, VF s business is managed under the direction of its Board of Directors. Members of the Board are kept informed of VF s business through discussions with the Chairman, President and CEO and other officers, by reviewing VF s annual business plan and other materials provided to them and by participating in meetings of the Board and its committees. In addition, to promote open discussion among the independent directors, those directors meet in regularly scheduled executive sessions without management present. The chairs of the Nominating and Governance, Audit and Compensation Committees of the Board preside at meetings or executive sessions of non-management directors on a rotating basis.

Corporate Governance

VF s Board of Directors has a long-standing commitment to sound and effective corporate governance practices. A foundation of VF s corporate governance is the Board s policy that a substantial majority of the members of the Board should be independent. This policy is included in the Board s written Corporate Governance Principles, which, in addition to director independence, address a number of other important governance issues such as qualifications for Board membership; mandatory retirement for Board members at age 70; a requirement that directors submit their resignation for consideration upon a substantial change in principal occupation or business affiliation; Board leadership; committee responsibilities; authority of the Board to engage outside independent advisors as they deem appropriate; succession planning for the chief executive officer; and annual Board self-evaluation. In addition, the Board of Directors has for many years had in place formal charters setting forth the powers and responsibilities of each of its committees. The Board s Corporate Governance Principles, the Audit, Nominating and Governance, Compensation and Finance Committee charters, code of business conduct and ethics applicable to the principal executive officer, the principal financial officer, and the principal accounting officer as well as other employees and all directors of VF, and other corporate governance information, including the method for interested parties to communicate directly with the non-management members of the Board of Directors, are available on VF s website (www.vfc.com) and will be provided to any shareholder upon request directed to the Secretary of VF at P.O. Box 21488, Greensboro, North Carolina 27420.

Management has reviewed internally and with the Board of Directors the provisions of the Sarbanes-Oxley Act of 2002, the related rules of the Securities and Exchange Commission and the New York Stock Exchange Listing Standards regarding corporate governance policies and procedures. We believe that the Board s Corporate Governance Principles and committee charters meet these requirements.

Board of Directors

In accordance with VF s By-Laws, the Board of Directors has set the number of directors at 12. Eleven of VF s directors are non-employee directors. The Board considered transactions and relationships between each director and members of his or her immediate family and VF and determined that 11 of VF s 12 directors are free of any material relationship with VF, other than their service as directors, and are independent directors

under the New York Stock Exchange Listing Standards and the categorical standards adopted by the Board which are part of the Corporate Governance Principles.

During 2003, VF s Board of Directors held ten meetings. Under VF s Corporate Governance Principles, directors are expected to attend all meetings of the Board, committees of which they are members and the annual meetings of shareholders. Each member of the Board attended at least 75% of the total number of meetings of the Board and all committees on which he or she served, and each member of the Board attended the annual meeting of shareholders in 2003.

Board Committees and Their Responsibilities

The Board has Executive, Audit, Finance, Nominating and Governance, and Compensation Committees. The Board has determined that each of the members of the Audit, Nominating and Governance and Compensation Committees is independent. Each of these committees is governed by a written charter approved by the Board of Directors. Each is required to perform an annual self-evaluation and each committee may engage outside independent advisors as the committee deems appropriate. Following is a brief description of the responsibilities of the Audit, Finance, Nominating and Governance and Compensation Committees.

Audit Committee: The Audit Committee monitors and makes recommendations to the Board concerning the financial policies and procedures to be observed in the conduct of VF s affairs. Its duties include (1) selecting the independent auditors for VF, (2) reviewing the scope of the audit to be conducted by the independent auditors, (3) meeting with the independent auditors concerning the results of their audit and VF s selection and disclosure of critical accounting policies, (4) reviewing with management and the independent auditors our annual and quarterly statements prior to filing them with the Securities and Exchange Commission, (5) overseeing the scope and adequacy of VF s system of internal accounting controls and (6) preparing a report to shareholders annually for inclusion in the proxy statement. The Audit Committee is the principal liaison between the Board of Directors and the independent auditors for VF. As of the date of this proxy statement, the members of the committee are Messrs. Fellows (Chairman), de Bedout, McCollough and Viault. The committee held nine meetings during 2003. The Board of Directors has determined that Messrs. Fellows, McCollough and Viault qualify as audit committee financial experts in accordance with the definition of audit committee financial expert set forth in the Securities and Exchange Commission regulations and have accounting and related financial management expertise within the meaning of the Listing Standards of the New York Stock Exchange. Messrs. Fellows, McCollough and Viault acquired those attributes through actively overseeing a principal financial officer or principal accounting officer of a public company. Each of them has experience overseeing or assessing the performance of companies with respect to the evaluation of financial statements in their roles as chairman and chief executive officer or vice chairman of a public company. In addition to his service as vice chairman of General Mills, Mr. Viault acted as chief financial officer of General Mills for two years and currently serves on the audit committee of another public company. Mr. Fellows has served as chairman of the VF Audit Committee since 1998, Mr. McCollough

has served on the Committee since 2000, and Mr. Viault has served on the Committee since 2003.

Finance Committee: The Finance Committee monitors and makes recommendations to the Board concerning the financial policies and procedures of VF. The responsibilities of the committee include reviewing and recommending to the Board actions concerning (1) dividend policy, (2) changes in capital structure, including debt or equity issuances, (3) the financial aspects of proposed acquisitions or divestitures, and (4) VF s annual capital expenditure budgets and certain capital projects. As of the date of this proxy statement, the members of the committee are Messrs. Crutchfield (Chairman), de Bedout, Hesse and Hurst. The committee held four meetings during 2003.

Nominating and Governance Committee: The responsibilities of the Nominating and Governance Committee include (1) screening potential candidates for director and recommending candidates to the Board of Directors, (2) recommending to the Board a succession plan for the Chairman of the Board and Chief Executive Officer, and (3) reviewing and recommending to the Board governance policies and principles for VF. The committee generally identifies nominees for director by engaging a third party search firm whose function is to assist in the identification of potential nominees. The search firm is paid a fee for its services. Candidates are selected for their character, judgment, business experience and acumen. Clarence Otis, Jr., who was elected to the Board effective January 1, 2004, was identified by such a third party search firm. The committee will consider suggestions received from shareholders regarding nominees for election as directors, which should be submitted to the Secretary of VF. If the committee does not recommend a nominee proposed by a shareholder for election as a director, then the shareholder seeking to propose the nominee would have to follow the formal nomination procedures set forth in VF s By-Laws. VF s By-Laws provide that a shareholder may nominate a person for election as a director if written notice of the shareholder s intent to nominate a person for election as a director is received by the Secretary of VF (1) in the case of an annual meeting, not less than 150 days prior to the date of the annual meeting or (2) in the case of a special meeting at which directors are to be elected, not later than seven days following the day on which notice of the meeting was first mailed to shareholders. The notice must contain specified information about the shareholder and the nominee, including such information as would be required to be included in a proxy statement pursuant to the rules and regulations established by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the 1934 Act). The committee s policy with regard to consideration of any potential director is the same for candidates recommended by shareholders and candidates identified by other means. As of the date of this proxy statement, the members of the committee are Mrs. Feigin (Chairman) and Messrs. Fellows, McCollough and Viault. The committee held seven meetings during 2003.

Compensation Committee: The Compensation Committee reviews VF s compensation and benefits programs, considers VF s organizational structure, including management development and succession, except for the Chairman of the Board and Chief Executive Officer, and makes recommendations to the Board regarding such programs and structure. This committee also has responsibility for (1) reviewing and recommending to the Board salary and incentive compensation for VF s Chief Executive Officer and other executive

officers, (2) setting performance goals under VF s incentive compensation programs and (3) preparing a report to shareholders annually for inclusion in the proxy statement. The members of the committee are Mrs. Fairbairn (Chairman) and Messrs. Crutchfield, Hesse and Sharp. The committee held four meetings during 2003.

Directors Compensation

Each director other than Mr. McDonald receives an annual stipend of $35,000, payable in quarterly installments, plus a fee of $1,000 for each Board meeting attended. Each director who serves on a committee is paid $1,000 for each meeting attended. Each director serving as chairman of a committee also receives an additional stipend of $5,000 per year. Each director is paid $1,000 per day for special assignments in connection with Board or committee activity as designated by the Chairman of the Board. Travel and lodging expenses are reimbursed. Mr. McDonald, the only director who is also an employee of VF, does not receive any compensation in addition to his regular compensation for attendance at meetings of the Board or any of its committees. Each director may elect to defer all or part of his or her stipend and fees into equivalent units of VF Common Stock under the VF Deferred Savings Plan for Non-Employee Directors. All Common Stock equivalent units receive dividend equivalents. Deferred sums, including Common Stock equivalent units, are payable in cash to the participant upon termination of service or such later date specified in advance by the participant. Seven directors elected to defer compensation in 2003. VF does not provide pension, medical or life insurance benefits to its non-employee directors.

In order to link compensation of directors to VF s stock performance, each director is eligible to receive grants of non-qualified stock options to purchase shares of Common Stock and restricted awards (restricted stock or restricted stock units) under VF s 1996 Stock Compensation Plan. Currently, stock options are granted to non-employee directors at a rate of 4,800 per year. Such options have an exercise price equal to fair market value at the date of grant, have a stated term of ten years and become exercisable one year after the date of grant. Options are exercisable only so long as the optionee remains a director of VF except that, subject to earlier expiration of the option term, options remain exercisable for 36 months after the director s disability or retirement or 12 months after the director s death. It is VF s policy to strongly encourage stock ownership by VF directors to closely align the interests of management and shareholders. Accordingly, directors are required to accumulate, over a specific period of time, and then retain, shares having a fair market value equal to two times their annual retainer.

Each director is eligible to participate in VF s matching gift program for institutions of higher learning and National Public Television and Radio up to an aggregate of $10,000 per year.

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee (the Committee) reports as follows with respect to compensation of executive officers for the fiscal year ended January 3, 2004:

Principles of Executive Compensation Program

The goals of VF s Executive Compensation Program (the Program) are to attract and retain highly competent executives, to provide incentives for achieving and exceeding VF s short-term and long-term financial goals and to align the financial objectives of VF s executives with those of its shareholders, both in the short and long term.

The Program incorporates three compensation objectives. First, the Program seeks to offer total compensation that is competitive with other large U.S.-based companies with which VF may compete for executive talent. Second, the Program aims to provide annual incentives to executives based on corporate and individual performance and to reward superior performance with superior levels of compensation. Third, the Program seeks to maximize long-term total shareholder return by providing executives with incentives tied to stock ownership and value, thus aligning interests of shareholders and executives. VF balances each of the Program s objectives by establishing target compensation levels for executive pay that are achieved through a combination of base salary, annual cash incentives and long-term incentives consisting of performance-contingent Common Stock units and stock options.

VF s philosophy is that a significant portion of each executive s total compensation should be at-risk based on VF s financial performance. The at-risk components of total compensation are progressively greater for higher level positions. For 2003, the at-risk components of the targeted cash compensation and performance-contingent Common Stock unit packages for executive officers named in this proxy statement ranged from 64% to 73%.

Competitive Compensation Targets

Total compensation targets, consisting of base salary, annual incentive awards and long-term incentive awards, are set annually for designated management positions. The Committee used information provided by Towers Perrin, its outside compensation consultant, regarding its executive compensation database, which includes executive compensation data for over 500 large U.S.-based companies (the Comparison Group), as well as information about companies within the S&P 1500 Apparel, Accessories & Luxury Goods Index to establish compensation targets for 2003. In general, VF targets total direct compensation for each VF executive officer to be competitive with compensation paid to executives in comparable positions within VF s Comparison Group based on targeted performance goals established by the Committee. Benefits and indirect compensation are set at levels intended to be competitive but are not included in the Committee s evaluation of total direct compensation.

Base Salary: Salary ranges and individual salaries for senior executives are reviewed annually by the Committee. In determining individual salaries, the Committee considers the scope of job responsibilities, individual contribution, VF s salary budget, labor market conditions and current compensation, as compared to market practice, based on guidance provided by the Committee s outside compensation consultant.

Annual Incentives: Under the VF Executive Incentive Compensation Plan (EIC Plan), a performance goal, currently based on VF s earnings per share (excluding the effects of extraordinary and non-recurring items) and net sales, is set each year by the Committee. The Committee establishes a fixed percentage of the mid-point of each executive s salary grade as the executive s targeted annual incentive opportunity under the EIC Plan. Depending upon the level of achievement of the performance goal, annual cash awards for 2003 could range from 0% to 200% of the targeted incentive opportunity for each EIC Plan participant. The maximum individual award is $3,000,000 plus the amount of the participant s unused annual limit as of the close of the previous year. The Committee may exercise discretion to reduce awards under the EIC Plan generally or for any individual participant. While it is the policy of the Committee to provide opportunities for annual incentive compensation for achievement of pre-established performance goals based primarily on financial measures, the Committee also retains discretion to pay bonuses apart from the EIC Plan reflecting its subjective assessment of the valuable accomplishments of VF s executive officers which, in the Committee s view, cannot always be anticipated in advance or reflected in such pre-established goals.

Long-Term Incentives: Long-term incentives consist of performance-contingent Common Stock units and stock options.

Under VF s Mid-Term Incentive Plan (implemented under the VF 1996 Stock Compensation Plan) as in effect for the three-year performance cycle 2001-2003, performance-contingent Common Stock units could be awarded by the Committee if VF s average total shareholder return (Common Stock price change plus dividend yield) for the three-year performance period compared favorably to that of a performance peer group, or alternatively, if a specified increase in earnings per share was achieved in the last year of the performance period. For the three-year performance period ended December 31, 2003, the performance peer group consisted of 15 companies significantly engaged in the apparel industry. Depending on the level of achievement of the performance goal, each participant may earn from 0% to 200% of the number of performance-contingent Common Stock units, plus dividend equivalents, targeted by the Committee. Awards are paid in shares of VF Common Stock. At the election of a participant, receipt of awards may be deferred until retirement or until dates specified by the participant.

For three-year performance cycles beginning in 2004 and thereafter, awards under the 2004 Mid-Term Incentive Plan will depend on the level of achievement of performance goals set by the Committee.

Stock options are typically granted annually under the VF 1996 Stock Compensation Plan. Non-qualified stock options have a stated term of ten years and become exercisable not less than one year after the date of grant. Options are exercisable only so long as the option holder remains an employee of VF or its subsidiaries, except that, subject to earlier

expiration of the option term, and to the specific terms and definitions contained in the Stock Compensation Plan, options generally remain exercisable during the period severance payments (if any) are made in the case of involuntary termination of employment, for 36 months after death or retirement under the VF Pension Plan, and for 12 months after termination of employment due to disability. The Committee determines a value of options granted to executive officers as a component of the total targeted compensation. This value is based on an accepted valuation methodology.

The size of individual grants of performance-contingent Common Stock units and options generally increase with the level of responsibility of the executive officer. The grants to each executive officer named in this proxy statement also depend upon the Committee s assessment of the individual s performance. The Committee does not assign specific weighting to these factors.

The VF 1996 Stock Compensation Plan is proposed to be amended and restated. (See Item No. 2 Approval of an Amendment and Restatement of VF s 1996 Stock Compensation Plan .)

Stock Ownership Commitment. It is VF s policy to strongly encourage stock ownership by VF senior management. This policy closely aligns the interests of management with those of the shareholders. Senior executives are subject to share ownership guidelines that require that they accumulate, over a specific period of time, and then retain, shares of VF Common Stock having a market value ranging from one to five times annual base salary, depending upon the position. Until the targeted ownership level is met, each senior executive is expected to hold shares equal to 50% of the notional after-tax value of each option exercised.

Summary of Actions Taken by the Compensation Committee

2003 Base Salary Increases

At its February 2003 meeting, the Committee approved salary increases to be effective as of January 1, 2003. The base salary increase for each executive officer was based on (i) the Committee s adjustment of the executive s salary grade range, if appropriate, based on market guidance provided by the Committee s outside compensation consultant, (ii) the Committee s assessment of the individual s salary within his or her salary grade based on the individual s performance and (iii) VF s overall merit increase budget for 2003 of approximately 2% for salaries of senior employees after adjustment for salary range changes.

Annual Incentive Awards

At its February 2003 meeting, the Committee established the 2003 EIC Plan performance target and the targeted annual incentive awards for each participating executive as described above. At its February 2004 meeting, the Committee granted EIC Plan awards to the named executive officers based on the achievement of 98% of the EIC Plan performance target for 2003, excluding the effects of extraordinary and non-recurring items, resulting in a potential pay-out of 98% of the targeted awards.

Long-Term Incentive Awards

At its February 2003 meeting, the Committee reviewed VF s philosophy with respect to stock option grants. In order to instill an entrepreneurial spirit among its employees, it is VF s practice to grant options to a significant number of management-level employees. In 2003, stock options were granted to 523 management-level employees. The stock options awarded to the named executive officers were based on the Committee s assessment of the individual s total compensation from a competitive perspective, within the guidelines established by the Committee, and the executive s performance.

At the February 2003 meeting, the Committee established target awards for the 32 participants in the Mid-Term Incentive Plan for the 2003-2005 performance cycle. At the February 2004 meeting, the Committee approved awards to the 32 participants in the Mid-Term Incentive Plan for the three-year performance period ended December 31, 2003. These awards were based on an increase in the earnings per share of VF of at least 5% in the last year of the performance period. The total shareholder return performance threshold was not achieved, but, based on the increase in earnings per share in 2003, executive officer participants were awarded 50% of the target number of Common Stock units potentially earnable under the Plan for the 2001-2003 performance period.

Compensation of the Chief Executive Officer

The fiscal year 2003 compensation for Mr. McDonald, VF s Chief Executive Officer, consisted of base salary, an annual incentive award and long-term incentive awards. The Committee determined the level for each of these elements using methods consistent with those used for other senior executives.

Mr. McDonald s base salary remained $990,000 in 2003 in light of the limits on deductibility for federal income tax purposes of certain compensation as described below under Tax Deductibility Considerations.

In determining Mr. McDonald s 2003 annual incentive award and long-term incentive awards, the Committee evaluated his performance by considering VF s financial and operating performance for fiscal 2003. The Committee also considered Mr. McDonald s personal performance against pre-established objectives in a number of areas, including growth, marketing effectiveness, supply chain improvements, common systems implementation and leadership development. The Committee reported on this evaluation to the non-employee members of the Board of Directors.

Based on the foregoing evaluation and the level of achievement of the EIC Plan performance target for 2003, Mr. McDonald received an annual incentive award of $1,039,500 for 2003.

Mr. McDonald was granted options for 350,000 shares of VF Common Stock in 2003 based on the Committee s assessment of competitor compensation data, together with the projection of total targeted compensation within the guidelines described above, and the Committee s assessment of Mr. McDonald s performance.

Mr. McDonald was awarded 3,929 shares of Common Stock for the 2001-2003 performance period under the Mid-Term Incentive Plan. The basis for this payout is

described above. Mr. McDonald s target award under the Mid-Term Incentive Plan for the 2003-2005 performance cycle was set at 7,346 shares. As in the case of other long-term incentive awards, this grant level was determined based on the Committee s projection of total targeted compensation within the guidelines described above and the Committee s assessment of Mr. McDonald s performance.

Tax Deductibility Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility of compensation in excess of $1 million paid to the executive officers named in this proxy statement, unless certain requirements are met. Stock options and certain performance-based awards under the 1996 Stock Compensation Plan are designed to meet these requirements as are annual bonuses under VF s EIC Plan. It is the present intention of the Compensation Committee to preserve the deductibility of compensation under Section 162(m) to the extent the Committee believes that to do so is consistent with the best interests of shareholders; however, tax deductibility is only one consideration in determining the type and amount of compensation. The Board of Directors maintains discretion to grant awards based on the Board s assessment of individual performance and other relevant factors. Such discretionary awards may not meet the requirements for full deductibility of Section 162(m). In granting any such awards the Board takes into consideration any potential loss of deductibility.

Ursula F. Fairbairn, Chairman

Edward E. Crutchfield
Daniel R. Hesse
M. Rust Sharp

The following table sets forth a summary of the compensation paid or accrued for the years 2001 through 2003 by VF to or for the benefit of the named executive officers.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards[1]		
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compen-sation($)[2]**	**Stock Options/ SARs (#)**	**LTIP Payouts (#)**	**All Other Compen-sation($)[3]**
Mackey J. McDonald	2003	$990,000	$1,039,500		350,000	$169,733	$12,500
Chairman, President and	2002	990,000	1,455,000		350,000	310,800	12,500
Chief Executive Officer	2001	960,000	530,400		300,000		12,500
Terry L. Lay	2003	525,000	390,000		100,000	62,251	12,500
Vice President and Chairman	2002	510,000	522,700		100,000	114,100	12,500
Outdoor and International Jeanswear Coalitions	2001	495,000	194,600		104,000		12,500
John P. Schamberger	2003	525,000	355,000		100,000	62,251	12,500
Vice President and Chairman	2002	510,000	522,700		100,000	114,100	12,500
North & South America Jeanswear and Playwear Coalitions	2001	495,000	194,600		104,000		12,500
Robert K. Shearer	2003	440,000	325,000		80,000	51,710	12,500
Vice President Finance and	2002	392,500	433,600		80,000	94,700	12,500
Global Processes and Chief Financial Officer	2001	360,000	161,500		84,000		12,500
Eric C. Wiseman	2003	423,000	315,000		80,000	62,251	12,500
Vice President and Chairman	2002	370,000	433,400		80,000	94,700	12,500
Sportswear and Global Intimates Coalitions	2001	345,000	167,500		84,000		12,500

1 The target number and aggregate value of performance-contingent Common Stock units earnable by the named executive officers at January 3, 2004 were as follows: Mr. McDonald 14,099, $614,434; Mr. Lay 5,173, $225,439; Mr. Schamberger 5,173, $225,439; Mr. Shearer 4,296, $187,220; and Mr. Wiseman 5,173, $225,439. If designated performance levels corresponding to a maximum earning of performance-contingent Common Stock units are achieved, the number of units that may be earned and the related dollar values for each executive officer in the preceding sentence would double. Also, at fiscal year-end, Mr. McDonald held 47,346 shares of restricted stock, having an aggregate value of $2,063,339, and Mr. Schamberger held 13,937 restricted shares, having an aggregate value of $607,374, based on the closing price of VF Common Stock on January 3, 2004.

2 The incremental cost to VF of perquisites and other personal benefits provided to each named executive officer did not exceed the lesser of $50,000 or 10% of the executive s Salary plus Bonus.

3 The amount in this column for 2003 represents VF s matching contribution under the Executive Deferred Savings Plan.

LONG-TERM INCENTIVE AWARDS

Stock Options

This table sets forth for the named executive officers information regarding the grant of stock options by VF in the 2003 fiscal year and their potential realizable values. No stock appreciation rights have been granted to employees other than limited stock appreciation rights, which become exercisable only upon a Change in Control. All stock options were

granted under VF s 1996 Stock Compensation Plan, as amended, which is a shareholder-approved plan. This Plan is VF s only plan under which stock options and other equity awards are granted.

Options Granted in the Last Fiscal Year

					Potential Realizable Value at Assumed Annual Rates			
							2010	2009
	Americas	**EMEA**	**APAC**	**Consolidated**	**Americas**	**EMEA**	**APAC**	**Consolidated**
Revenue:								
Software license	**$ 10,036**	**$ 1,693**	**$ 363**	**$ 12,092**	$ 10,342	$ 464	$ 554	$ 11,360
Services	**44,369**	**6,344**	**2,773**	**53,486**	38,511	5,868	2,538	46,917
Hardware and other	**8,150**	**229**	**57**	**8,436**	6,773	195	49	7,017
Total revenue	**62,555**	**8,266**	**3,193**	**74,014**	55,626	6,527	3,141	65,294
Costs and Expenses:								
Cost of revenue	**26,962**	**4,475**	**1,787**	**33,224**	20,790	4,117	1,798	26,705
Operating expenses	**25,325**	**2,505**	**1,086**	**28,916**	21,646	2,229	994	24,869
Depreciation and amortization	**2,147**	**72**	**43**	**2,262**	2,454	161	50	2,665
Total costs and expenses	**54,434**	**7,052**	**2,916**	**64,402**	44,890	6,507	2,842	54,239
Operating income	**$ 8,121**	**$ 1,214**	**$ 277**	**$ 9,612**	$ 10,736	$ 20	$ 299	$ 11,055

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	Nine Months Ended September 30,							
	2010				2009			
	Americas	EMEA	APAC	Consolidated	Americas	EMEA	APAC	Consolidated
Revenue:								
Software license	**$ 33,935**	**$ 4,565**	**$ 3,284**	**$ 41,784**	$ 16,520	$ 1,980	$ 1,908	$ 20,408
Services	**134,103**	**19,611**	**8,013**	**161,727**	121,070	18,823	7,289	147,182
Hardware and other	**21,281**	**666**	**146**	**22,093**	16,235	572	131	16,938
Total revenue	**189,319**	**24,842**	**11,443**	**225,604**	153,825	21,375	9,328	184,528
Costs and Expenses:								
Cost of revenue	**76,981**	**13,605**	**6,042**	**96,628**	63,637	12,201	6,100	81,938
Operating expenses	**77,430**	**7,829**	**3,610**	**88,869**	68,555	6,673	3,374	78,602
Depreciation and amortization	**6,618**	**246**	**131**	**6,995**	8,025	599	216	8,840
Restructuring charge					3,019	20	853	3,892
Total costs and expenses	**161,029**	**21,680**	**9,783**	**192,492**	143,236	19,493	10,543	173,272
Operating income (loss)	**$ 28,290**	**$ 3,162**	**$ 1,660**	**$ 33,112**	$ 10,589	$ 1,882	$ (1,215)	$ 11,256

The Company s services revenues, which consist of fees generated from professional services and customer support and software enhancements related to its software products, for the three and nine months ended September 30, 2010 and 2009 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Professional services	**$ 33,349**	$ 27,158	**$ 101,658**	$ 90,270
Customer support and software enhancements	**20,137**	19,759	**60,069**	56,912
Total services revenue	**$ 53,486**	$ 46,917	**$ 161,727**	$ 147,182

License revenues related to the Company s warehouse and non-warehouse product groups for the three and nine months ended September 30, 2010 and 2009 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	**2010**	2009
Warehouse	**$ 7,020**	$ 6,799	**$ 22,375**	$ 12,649
Non-Warehouse	**5,072**	4,561	**19,409**	7,759
Total software license revenue	**$ 12,092**	$ 11,360	**$ 41,784**	$ 20,408

11. Restructuring charge

During the quarter ended June 30, 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 based on the revenue outlook for 2009. This action was based on continued deterioration of the global macro-economic environment in the first quarter of 2009 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 ($2.6 million after-tax or $0.12 per fully diluted share) in the second quarter of 2009. The restructuring charge primarily consisted of employee severance and outplacement services. In the first quarter of 2009, the Company also recorded additional employee severance expense of $63,000 pre-tax, or $42,000 after-tax, related to similar restructuring action taken in the fourth quarter of 2008. The

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MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
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restructuring charges are classified in Restructuring charge in the Company s Condensed Consolidated Statements of Operations.

The following table summarizes the segment activity in the restructuring accrual for the nine months ended September 30, 2010 (in thousands):

	Americas	EMEA	APAC	Consolidated
Restructuring accrual balance at December 31, 2009	$ 255	$	$	$ 255
Cash payments	(159)			(159)
Restructuring accrual balance at September 30, 2010	**$ 96**	**$**	**$**	**$ 96**

The balance at September 30, 2010 is included in Accrued compensation and benefits in the Company s Condensed Consolidated Balance Sheets. The majority of the remaining balance is expected to be paid during the fourth quarter of 2010.

12. 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.

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

Forward-Looking Statements

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

could affect our future results, please see Risk Factors in Item 1A of our annual report on Form 10-K for the year ended December 31, 2009. Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

The following discussion should be read in conjunction with the condensed consolidated financial statements for the three and nine months ended September 30, 2010 and 2009, including the notes to those statements, included elsewhere in this quarterly report (the Condensed Consolidated Financial Statements). We also recommend the following discussion be read in conjunction with management s discussion and analysis and consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2009. References in this filing to the Company, Manhattan, Manhattan Associates, we, our, and us refer to Manhattan Associates, Inc. predecessors, and our wholly-owned and consolidated subsidiaries.

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™ 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, a trend we expect to see continue.

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 the three months ended September 30, 2010, we generated $74.0 million in total revenue, with a revenue mix of: license revenues 16%; services 72%; and hardware and other revenue 12%. In the nine months ended September 30, 2010, we generated $225.6 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 $20.8 million and $62.4 million for the three and nine months ended September 30, 2010, respectively, which represents approximately 30% of our total revenue for both periods. International revenue includes all revenue derived from sales to customers outside the United States. At September 30, 2010, we employed approximately 1,900 employees worldwide, of which approximately 950 employees are based in the Americas, approximately 145 employees in EMEA, and approximately 805 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.

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 the third quarter of 2010, approximately 70% of our total revenue was generated in the United States, 10% in EMEA and the balance in APAC, Canada and Latin America. In addition, industry analysts project 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 current and prospective customers have had an adverse impact on our

ability to sell our solutions, largely we believe as a result of the global economic recession. The deterioration in the current business climate 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.

In October 2010, the International Monetary Fund (IMF) provided a World Economic Outlook (WEO) update reiterating its previous 2010 world economic growth forecast from July 2010. The update noted that, global activity is forecast to expand by 4.8% in 2010 and 4.2% in 2011, broadly in line with earlier expectations, and downside risks continue to predominate. However, the probability of a sharp global slowdown, including stagnation or contraction in advanced economies, still appears low. Advanced economies are projected to expand sluggishly through 2010 and 2011 with annual growth of about 2.7% and 2.2%, respectively.

In the first nine months of 2009, we recognized three license deals greater than $1.0 million. In contrast, in the first nine months of 2010, we recognized eight license deals greater than $1.0 million and view this as a sign the economy is continuing to stabilize and customers and prospects are beginning to invest more in improving their supply chains. While our results over the past several quarters seem to be a signal of improving demand, 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, eliminated unpaid furlough days and provided merit increases to our employees among other actions to ensure long-term success.

Year to date in 2010, we have achieved 22% total revenue growth, representing a strong rebound from 2009 in a stabilizing and improving macro-economic environment. License revenue has more than doubled and services revenue has grown by 10% in the first three quarters of 2010 as compared to the same period in 2009 with demand currently exceeding capacity. As a result of the improved demand environment, we are actively hiring to support demand for our products. The difference between the 2010 and 2009 expense base has created an abnormal comparison of 2010 versus 2009 operating results. In addition, performance based compensation has increased significantly for 2010 on improved revenue and earnings performance. Barring another macro-economic catastrophe, we expect expense comparisons will largely normalize in 2011 versus 2010 as we look to post consecutive years of revenue and earnings growth.

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. License revenue totaled $12.1 million, or 16% of total revenue, with gross margins of 87.8% and $41.8 million, or 18% of total revenue, with gross margins of 88.9% in the three and nine months ended September 30, 2010, respectively. Our typical license revenue percentage mix of new to existing customers is approximately 50/50. However, for the three and nine months ended September 30, 2010, the percentage mix was approximately 25/75 and 35/65, respectively, of new to existing customers.

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 and the timing of the closing of a few large license transactions can have a material impact on our quarterly license revenues, operating profit and earnings per share. For example, $1.0 million of license revenue in the third quarter of 2010 equates to approximately $0.03 of diluted earnings per share impact.

Our software solutions are singularly focused on the supply chain planning and execution markets, which are intensely competitive, rapidly consolidating 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 do anticipate facing increased competition in the future from Enterprise Resource Planning (ERP) and Supply Chain Management applications vendors and business application software vendors that may broaden

their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. 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. Services revenue totaled $53.5 million, or 72% of total revenue, with gross margins of 53.9% and $161.7 million, or 72% of total revenue, with gross margins of 54.5% in the three and nine months ended September 30, 2010, respectively. Professional services accounted for approximately 60% of total services revenue and approximately 45% of total revenue in the third quarter and the first nine months of 2010. When comparing our operating margins to other technology companies, our 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.

At September 30, 2010, our services business totaled approximately 950 employees, accounting for approximately 50% 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: 1) license revenue growth, which is influenced by the strength of general economic and business conditions and the competitive position of our software products, 2) customer multiple site implementation timelines and upgrades, which are influenced by the strength of general economic and business conditions specifically impacting our customers, 3) competitive exposure to offshore providers and other consulting companies, 4) price pressure due to competition and general economic and business conditions, and 5) fluctuations in currency rates. 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 $20.1 million and $60.1 million in the three and nine months ended September 30, 2010. CSSE represented approximately 40% of services revenue and approximately 25% of total revenue in the third quarter and the first nine months of 2010. 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 $8.4 million representing 12% of total revenue with gross margins of 15.9% and $22.1 million representing 10% of total revenue with gross margins of 16.9% in the three and nine months ended September 30, 2010, respectively. 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 significant 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 $2.7 million and $6.8 million for three and nine months ended September 30, 2010, respectively.

Product Development

We continue to invest significantly in research and development (R&D), which historically has averaged about $0.14 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 three and nine months ended September 30, 2010 were $9.9 million and $30.6 million, respectively. At September 30, 2010, our R&D organization totaled approximately 620 employees, located in the U.S. and India, representing about 35% 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 the nine months ended September 30, 2010, we generated cash flow from operating activities of $35.4 million. Our cash, cash equivalents and investments at September 30, 2010 totaled $116.7 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 repurchases of common stock.

During the quarter ended September 30, 2010, we repurchased approximately $15.4 million of Manhattan Associates outstanding common stock under the repurchase program approved by our Board in July 2010. In October 2010, our Board of Directors approved the repurchase of up to an additional $25.0 million of Manhattan Associates outstanding common stock. For the remainder of 2010, we anticipate that our priorities for the 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 the fourth quarter of 2010 or 2011 for general corporate purposes.

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Results of Operations

The following table summarizes our consolidated results for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
	(in thousands, except per share data)			
Revenue	**$ 74,014**	$ 65,294	**$ 225,604**	$ 184,528
Costs and expenses	**64,402**	54,239	**192,492**	169,380
Restructuring charge				3,892
Operating income	**9,612**	11,055	**33,112**	11,256
Other (loss) income, net	**(188)**	255	**(382)**	(382)
Income before income taxes	**9,424**	11,310	**32,730**	10,874
Net income	**$ 6,232**	$ 10,983	**$ 21,616**	$ 10,689
Diluted earnings per share	**$ 0.28**	$ 0.50	**$ 0.96**	$ 0.47
Diluted weighted average number of shares	**22,051**	22,175	**22,456**	22,529

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 the three and nine months ended September 30, 2010 and 2009, 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:

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	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	% Change vs. Prior Year	2010	2009	% Change vs. Prior Year
	(in thousands)			(in thousands)		
Revenue:						
Software license						
Americas	**$ 10,036**	$ 10,342	-3%	**$ 33,935**	$ 16,520	105%
EMEA	**1,693**	464	265%	**4,565**	1,980	131%
APAC	**363**	554	-34%	**3,284**	1,908	72%
Total software license	**$ 12,092**	$ 11,360	6%	**$ 41,784**	$ 20,408	105%
Services						
Americas	**$ 44,369**	$ 38,511	15%	**$ 134,103**	$ 121,070	11%
EMEA	**6,344**	5,868	8%	**19,611**	18,823	4%
APAC	**2,773**	2,538	9%	**8,013**	7,289	10%
Total services	**$ 53,486**	$ 46,917	14%	**$ 161,727**	$ 147,182	10%
Hardware and Other						
Americas	**$ 8,150**	$ 6,773	20%	**$ 21,281**	$ 16,235	31%
EMEA	**229**	195	17%	**666**	572	16%
APAC	**57**	49	16%	**146**	131	11%
Total hardware and other	**$ 8,436**	$ 7,017	20%	**$ 22,093**	$ 16,938	30%
Total Revenue						
Americas	**$ 62,555**	$ 55,626	12%	**$ 189,319**	$ 153,825	23%
EMEA	**8,266**	6,527	27%	**24,842**	21,375	16%
APAC	**3,193**	3,141	2%	**11,443**	9,328	23%
Total revenue	**$ 74,014**	$ 65,294	13%	**$ 225,604**	$ 184,528	22%
Operating income (loss):						
Americas	**$ 8,121**	$ 10,736	-24%	**$ 28,290**	$ 10,589	167%
EMEA	**1,214**	20	5970%	**3,162**	1,882	68%
APAC	**277**	299	-7%	**1,660**	(1,215)	237%
Total operating income	**$ 9,612**	$ 11,055	-13%	**$ 33,112**	$ 11,256	194%

As discussed in our business overview under global economic trends and industry factors, our revenue has increased 22% year to date and 13% quarter to date, in which we attribute primarily to a stabilizing and improving macro-economic environment. As a result of the improved demand environment, we are actively hiring to support

demand for our products. Additionally, we eliminated our short-term compensation reduction measures instituted in 2009 and our performance-based compensation has increased significantly on improved revenue and earnings performance. These differences have created an abnormal comparison of 2010 versus 2009 operating results, particularly on quarter to date expenses. Thus, we believe that year to date 2010 comparisons to 2009 are currently better for analyzing our performance.

Financial Summary of Third Quarter 2010 Condensed Consolidated Financial Results

The Company reported diluted earnings per share of $0.28 in the third quarter of 2010, compared to $0.50 in the third quarter of 2009.

Consolidated revenue for the third quarter of 2010 was $74.0 million, compared to $65.3 million in the third quarter of 2009. License revenue was $12.1 million in the third quarter of 2010, compared to $11.4 million in the third quarter of 2009.

Operating income for the third quarter of 2010 was $9.6 million, compared to $11.1 million in the third quarter of 2009.

Cash flow from operations was $11.5 million in the third quarter of 2010, compared to $15.4 million in the third quarter of 2009. Days Sales Outstanding were 60 days at September 30, 2010, compared to 55 days at June 30, 2010.

Cash and investments on-hand at September 30, 2010 was $116.7 million, compared to $120.2 million at June 30, 2010.

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The Company repurchased approximately 573,000 common shares under the share repurchase program authorized by the Board of Directors totaling $15.4 million at an average share price of $26.96 in the third quarter of 2010. In October 2010, Manhattan s Board of Directors approved raising the Company s share repurchase authority to repurchase a total of $25.0 million of Manhattan Associates outstanding common stock.

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

The results of our operations for the third quarter of 2010 and 2009 are discussed below.

Revenue

	Three Months Ended September 30,				
			% Change vs. Prior	% of Total Revenue	
	2010	2009	Year	2010	2009
	(in thousands)				
Software license	**$ 12,092**	$ 11,360	**6%**	**16%**	17%
Services	**53,486**	46,917	**14%**	**72%**	72%
Hardware and other	**8,436**	7,017	**20%**	**12%**	11%
Total revenue	**$ 74,014**	$ 65,294	**13%**	**100%**	100%

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.

License revenue. License revenue increased $0.7 million, or 6%, in the quarter ended September 30, 2010 over the same period in the prior year. The license sales percentage mix across our product suite in the quarter ended September 30, 2010 was approximately 60/40 of warehouse management solutions to non-warehouse management solutions, respectively.

Services revenue. Services revenue increased $6.6 million, or 14%, in the third quarter of 2010 compared to the same quarter in the prior year due to a $6.2 million increase in professional services revenue and a $0.4 million increase in customer support and software enhancements. The increase in services revenue is primarily due to improved license sales over the past five quarters combined with customer upgrade activity largely driven by the improving macroeconomic conditions. Services revenue for the Americas, EMEA and APAC segments increased $5.9 million, $0.5 million and $0.2 million, respectively, in the third quarter of 2010 compared to the third quarter of 2009.

Over the past several years, our services revenue growth and margins have been affected by some pricing pressures. We believe that the pricing pressures are attributable to global macroeconomic conditions and competition. Our services revenue growth has been and will likely continue to be affected by the mix of products sold. Further, the individual engagements involving our non-warehouse management solutions typically require less implementation services; however, the number of engagements continues to grow.

Hardware and other. Hardware sales increased by $0.7 million, or 13%, to $5.8 million in the third quarter of 2010 compared to $5.1 million in the third quarter of 2009. Sales of hardware are largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. Reimbursements by customers for out-of-pocket expenses were approximately $2.7 million and $1.9 million for the quarters ended September 30, 2010 and 2009, respectively.

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Cost of Revenue

	Three Months Ended September 30,		
	2010	**2009**	**% Change vs. Prior Year**
	(in thousands)		
Cost of software license	**$ 1,471**	$ 1,162	27%
Cost of services	**24,661**	19,697	25%
Cost of hardware and other	**7,092**	5,846	21%
Total cost of revenue	**$ 33,224**	$ 26,705	24%

Cost of software license. Cost of software license consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; and royalties on third-party software sold with or as part of our products. Cost of software license increased by $0.3 million, or 27%, in the third quarter of 2010 compared to the same quarter of 2009 principally due to increased sales of third party software.

Cost of services. Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The $5.0 million, or 25%, increase in cost of services in the quarter ended September 30, 2010 compared to the same quarter in the prior year was principally due to (1) a $2.9 million increase in compensation and other personnel-related expenses resulting from increased headcount in our services organization, (2) a $1.7 million increase in performance-based bonus expense, and (3) a $0.2 million increase in travel expenses.

Services gross margin decreased 410 basis points to 53.9% in the third quarter of 2010 from 58.0% in the third quarter of 2009. The decrease in margin is primarily 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.

Cost of hardware and other. Cost of hardware increased $0.5 million to approximately $4.4 million in the third quarter of 2010 compared to the same quarter of 2009 as a direct result of increased hardware sales. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $2.7 million and $1.9 million for the quarters ended September 30, 2010 and 2009, respectively.

Operating Expenses

	Three Months Ended September 30,		
	2010	**2009**	**% Change vs. Prior Year**
	(in thousands)		
Research and development	**$ 9,866**	$ 8,781	**12%**
Sales and marketing	**10,329**	8,626	**20%**
General and administrative	**8,721**	7,462	**17%**
Depreciation and amortization	**2,262**	2,665	**-15%**
Operating expenses	**$ 31,178**	$ 27,534	**13%**

Research and development. Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Research and development expenses for the quarter ended September 30, 2010 increased to $9.9 million from $8.8 million in the same quarter of the prior year. This $1.1 million increase was mainly attributable to the increase of $0.7 million in performance based bonus expense and an increase of $0.4 million in employee-related costs such as salary, benefits and payroll taxes.

Our principal research and development activities have 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 **S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution. The Manhattan SCOPE Platform provides not only a sophisticated service-oriented architecture-based application framework, but a platform that facilitates integration with ERP

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and other supply chain solutions. For the quarters ended September 30, 2010 and 2009, we did not capitalize any research and development costs.

Sales and marketing. 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. Sales and marketing expenses increased by $1.7 million, or 20%, in the third quarter of 2010 compared to the same quarter of the prior year. This increase was mainly attributable to the increase in performance based bonus and commission expense of $1.2 million related to higher software license revenue and a $0.4 million increase in compensation and employee-related expenses resulting from a slight increase in sales and marketing headcount.

General and administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, legal, insurance, accounting and other administrative expenses. The $1.3 million, or 17%, increase in general and administrative expenses during the quarter ended September 30, 2010 compared to the same quarter in the prior year was primarily attributable to an increase of $0.6 million in performance based bonus expense and a $0.7 million increase in compensation and employee-related expenses including contract labor.

Depreciation and amortization. Depreciation expense amounted to $1.7 million and $1.9 million for the quarters ended September 30, 2010 and 2009, respectively. Amortization of intangibles associated with various acquisitions totaled $0.6 million and $0.7 million for the quarters ended September 30, 2010 and 2009, respectively.

Operating Income

Operating income for the third quarter of 2010 was $9.6 million compared to operating income of $11.1 million in the third quarter of 2009. Operating margins were 13.0% for the third quarter of 2010 versus 16.9% for the third quarter of 2009. Operating income and margins decreased primarily due to increased performance-based compensation tied to improved results and restoration of normalized base compensation following short-term reduction initiatives executed in 2009.

Other (Loss) Income and Taxes

	Three Months Ended September 30,		
	2010	**2009**	**% Change vs. Prior Year**
	(in thousands)		
Other (loss) income, net	**$ (188)**	$ 255	-174%
Income tax provision	**3,192**	327	876%

Other (loss) income, net. Other (loss) income, net principally includes interest income, foreign currency gains and losses and other non-operating expense. Other (loss) income, net decreased $0.4 million in the third quarter of 2010 compared to the third quarter of 2009 primarily due to the fluctuation of the U.S. dollar relative to foreign currencies, principally the Indian Rupee, the Australian Dollar, the Japanese Yen, and the Singapore Dollar. We recorded a net foreign currency gain of $0.3 million during the third quarter of 2009 and a net foreign currency loss of $0.4 million during the third quarter of 2010. This loss was partially offset by a $0.2 million increase in interest income.

Income tax provision. Our effective income tax rate was 33.9% and 2.9% for the quarter ended September 30, 2010 and 2009, respectively. The effective tax rate in the third quarter of 2010 included the reduction of U.S. federal income tax reserves that resulted from the expiration of tax audit statues 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 the third quarter of 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.

Financial Summary for the First Nine Months of 2010 Condensed Consolidated Financial Results

Diluted earnings per share for the nine months ended September 30, 2010 was $0.96, compared to $0.47 for the nine months ended September 30, 2009.

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Consolidated revenue for the nine months ended September 30, 2010 was $225.6 million, compared to $184.5 million for the nine months ended September 30, 2009. License revenue was $41.8 million for the nine months ended September 30, 2010, compared to $20.4 million in the nine months ended September 30, 2009.

Operating income was $33.1 million for the nine months ended September 30, 2010, compared to $11.3 million for the nine months ended September 30, 2009. For the first nine months of 2010, operating income includes $1.2 million of recoveries of previously expensed sales tax associated with expiring sales tax audit statutes. Results for the first nine months of 2009 include restructuring charges of $3.9 million associated with the workforce reduction executed in the second quarter of 2009.

For the nine months ended September 30, 2010, the Company repurchased approximately 2.0 million common shares under the share repurchase program authorized by the Board of Directors at an average share price of $27.22, for a total investment of $55.4 million.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

The results of our operations for the first nine months of 2010 and 2009 are discussed below.

Revenue

	Nine Months Ended September 30,				
			% Change vs. Prior Year	% of Total Revenue	
	2010	2009		2010	2009
	(in thousands)				
Software license	**$ 41,784**	$ 20,408	**105%**	**18%**	11%
Services	**161,727**	147,182	**10%**	**72%**	80%
Hardware and other	**22,093**	16,938	**30%**	**10%**	9%
Total revenue	**$ 225,604**	$ 184,528	**22%**	**100%**	100%

License revenue. License revenue increased $21.4 million, or 105%, in the nine months ended September 30, 2010 over the same period in the prior year primarily, we believe, driven by the continued stabilization of the global economy resulting in customers and prospects beginning to invest more capital to improve their supply chains.

The license sales percentage mix across our product suite for the nine months ended September 30, 2010 was approximately 55/45 of warehouse management solutions to non-warehouse management solutions, respectively.

Services revenue. Services revenue increased $14.5 million, or 10%, in the first nine months of 2010 compared to the same period in the prior year due to an $11.4 million and $3.1 million increase in revenue from professional services and customer support and software enhancements, respectively. The increase in services revenue is primarily due to improved license sales beginning in the second half of 2009 and continuing year to date in 2010 combined with customer upgrade activity largely driven by the improving macroeconomic conditions. Services revenue for the Americas, EMEA and APAC segments increased $13.0 million, $0.8 million and $0.7 million, respectively in the first nine months of 2010 compared to the first nine months of 2009.

Hardware and other. Hardware sales increased by $4.2 million, or 37%, to $15.3 million in the first nine months of 2010 compared to $11.1 million in the first nine months of 2009. Sales of hardware are largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. Reimbursements by customers for out-of- pocket expenses were approximately $6.8 million and $5.8 million for the nine months ended September 30, 2010 and 2009, respectively.

Cost of Revenue

	Nine Months Ended September 30,		
	2010	2009	% Change vs. Prior Year
	(in thousands)		
Cost of software license	**$ 4,631**	$ 3,621	28%
Cost of services	**73,631**	64,173	15%
Cost of hardware and other	**18,366**	14,144	30%
Total cost of revenue	**$ 96,628**	$ 81,938	18%

Cost of software license. Cost of software license consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; and royalties on third-party software sold with or as part of our products. Cost of software license increased by $1.0 million, or 28%, in the nine months ended September 30, 2010 compared to the same period of 2009 principally due to increased sales of third party software driven by 105% increase in software license revenues over the prior year.

Cost of services. Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The $9.5 million, or 15%, increase in cost of services in the nine months ended September 30, 2010 compared to the same period in the prior year was principally due to a $7.6 million increase in performance-based bonus expense and a $2.1 million increase in employee-related costs such as salary, benefits and payroll taxes resulting from increased headcount in our professional services organization.

Services gross margin decreased 190 basis points to 54.5% in the first nine months of 2010 from 56.4% in the first nine months of 2009. The decrease in 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.

Cost of hardware and other. Cost of hardware increased $3.2 million to approximately $11.7 million in the first nine months of 2010 compared to the same period of 2009 as a direct result of increased hardware sales. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $6.7 million and $5.7 million for the nine months ended September 30, 2010 and 2009, respectively.

Operating Expenses

	Nine Months Ended September 30,		
	2010	2009	% Change vs. Prior Year
	(in thousands)		
Research and development	**$ 30,640**	$ 28,196	**9%**
Sales and marketing	**32,870**	27,731	**19%**
General and administrative	**25,359**	22,675	**12%**
Depreciation and amortization	**6,995**	8,840	**-21%**
Restructuring charge		3,892	**-100%**
Operating expenses	**$ 95,864**	$ 91,334	**5%**

Research and development. Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Research and development expenses for the nine months ended September 30, 2010 increased to $30.6 million from $28.2 million in the same period of the prior year. This $2.4 million increase was mainly attributable to the increase of $3.1 million in performance based bonus expense, partially offset by a decrease of $0.6 million in employee-related costs such as salary, benefits and payroll taxes resulting from lower headcount.

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Sales and marketing. 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. Sales and marketing expenses increased by $5.1 million, or 19%, during the nine months ended September 30, 2010 compared to the same period of the prior year. This increase was mainly attributable to (1) the increase in performance based bonus and commission expense of $4.4 million related to increased revenue and earnings performance, (2) a $0.7 million increase in stock compensation expense, and (3) a $0.6 million increase in travel expense, partially offset by a decrease of $0.4 million in marketing programs.

General and administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, legal, insurance, accounting and other administrative expenses. The $2.7 million, or 12%, increase in general and administrative expenses during the nine months ended September 30, 2010 compared to the same period in the prior year was primarily attributable to an increase of $2.3 million in performance-based bonus expense and a $1.0 million increase in other administrative costs such as professional services, contract labor and computer related costs. This increase was partially offset by $1.2 million in recoveries of previously recorded state sales tax resulting from sales tax audits.

Depreciation and amortization. Depreciation expense amounted to $5.1 million and $6.6 million for the nine months ended September 30, 2010 and 2009, respectively. Amortization of intangibles associated with various acquisitions totaled $1.8 million and $2.2 million for the nine months ended September 30, 2010 and 2009, respectively.

Restructuring charge. During the second quarter of 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 related to the restructuring action taken in the second quarter of 2009. We also recorded additional employee severance expense of $63,000 in the first quarter of 2009 related to the restructuring action taken in the fourth quarter of 2008.

Operating Income

Operating income for the nine months ended September 30, 2010 was $33.1 million, an increase of $21.8 million as compared to $11.3 million for the nine months ended September 30, 2009. Operating margins improved to 14.7% for the first nine months of 2010, up from 6.1% for the first nine months of 2009. The increase in operating income and margins is primarily due to a 22% increase in year to date revenue versus the same period of 2009.

Other Loss and Taxes

	Nine Months Ended September 30,		
	2010	**2009**	**% Change vs. Prior Year**
	(in thousands)		
Other loss, net	**$ (382)**	$ (382)	0%
Income tax provision	**11,114**	185	5908%

Other loss, net. Other loss, net principally includes interest income, foreign currency gains and losses and other non-operating expense. Other loss, net remained unchanged during in the first nine months of 2010 compared to the first nine months of 2009.

Income tax provision. Our effective income tax rate was 34.0% and 1.7% for the nine months ended September 30, 2010 and 2009, respectively. The effective tax rate in the first nine months of 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 statues 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 the first nine months of 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.

Liquidity and Capital Resources

As of September 30, 2010, we had approximately $116.7 million in cash, cash equivalents and investments, as compared to $123.0 million at December 31, 2009. Our main source of operating cash flows is cash collections from our customers, which we use to fund our operations. Our priorities for the use of cash will be similar to prior years, with our first priority being continued investment in product development and 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 the fourth quarter of 2010 or 2011 for general corporate purposes.

Our operating activities generated cash flow of approximately $35.4 million and $38.9 million for the nine months ended September 30, 2010 and 2009, respectively. The decrease in cash flow from operations was primarily attributable to higher income tax and performance-based compensation payments, partially offset by an increase in trade receivables collections on increased revenues in the first nine months of 2010 compared to the same period of 2009.

Our investing activities used cash of approximately $12.8 million and $1.6 million for the nine months ended September 30, 2010 and 2009, respectively. The primary use of cash for investing activities for the nine months ended September 30, 2010 was the net purchase of $8.4 million in short-term investments and $4.3 million in capital expenditures. The primary use of cash for investing activities for the nine months ended September 30, 2009 was capital expenditures.

Our financing activities used cash of approximately $37.8 million and $20.0 million for the nine months ended September 30, 2010 and 2009, respectively. The principal use of cash for financing activities for the nine months ended September 30, 2010 was to purchase approximately $56.6 million of our common stock including $1.2 million for shares withheld for taxes due upon vesting of restricted stock, partially offset by proceeds generated from options exercised of $18.4 million. The principal use of cash for financing activities for the nine months ended September 30, 2009 was to purchase approximately $20.6 million of our common stock including $0.6 million for shares withheld for taxes due upon vesting of restricted stock, partially offset by proceeds generated from options exercised of $0.6 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 existing balances of 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.

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 the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions were made. To the extent there are material differences between those estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that we believe reflect our more significant estimates, judgments and assumptions, which we have identified as our critical accounting policies are: Revenue Recognition, Allowance for Doubtful Accounts, Valuation of Goodwill, Accounting for Income Taxes, Stock-based Compensation, and Business Combinations.

Revenue Recognition

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

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

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 arrangement 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 significant hardware inventory.

In accordance with the other presentation matters within Revenue Recognition Topic of the 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.

Allowance for Doubtful Accounts

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

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

Valuation of Goodwill

In accordance with 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 take a charge to income for that portion of goodwill that we believed was impaired. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations.

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 taxes 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

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

We recognize compensation cost for service-based awards with graded vesting using the straight-line attribution method, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. We recognize compensation costs for service-based awards that also contain performance conditions when it is probable that the performance conditions will be met. We recognize the cost for awards with performance conditions using the accelerated attribution method (on a straight-line basis over the service period for each separately vesting portion of the award). Compensation cost recognized in any period is affected by the number of awards granted, the vesting period (which generally is four years), the underlying assumptions used in estimating the fair value and estimated forfeiture rates, and the probability that the performance

conditions, if applicable, will be achieved.

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Business Combinations

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Business

Our international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Our international operations currently include business activity out of offices in the United Kingdom, the Netherlands, France, Australia, Japan, China, Singapore and India. When the U.S. dollar strengthens against a foreign currency, the value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases. We recorded foreign exchange losses of $0.7 million and $0.6 million for the nine months ended September 30, 2010 and 2009, respectively. Foreign exchange rate transaction losses are classified in Other (loss) income, net in our Condensed Consolidated Statements of Operations. A fluctuation of 10% in the period end exchange rates at September 30, 2010 relative to the U.S. dollar would result in approximately a $0.2 million change in the reported foreign currency loss for the nine months ended September 30, 2010.

Interest Rates

We invest our cash in a variety of financial instruments, including money market funds, certificates of deposit and auction rate securities. These investments are denominated in U.S. dollars and recorded at fair market value. Cash balances in foreign currencies overseas are derived from operations. At September 30, 2010, our cash, cash equivalents and investments balance totaled $116.7 million, of which $105.3 million is highly liquid. The remaining investments totaling $11.3 million are invested in short-term certificates of deposit and auction rate securities. Our cash equivalents balance at September 30, 2010 was $31.5 million. Cash equivalents principally consist of highly liquid money market funds and certificates of deposit with maturities of more 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 less than 1% for nine months ended

September 30, 2010 and 2009. Based on

the average total cash and investments outstanding during the nine months ended September 30, 2010, an increase or decrease of 25 basis points would result in an increase or decrease in interest income approximately $0.3 million.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

During the nine months ended September 30, 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.

PART II

OTHER INFORMATION

Item 1. 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.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A, Risk Factors , of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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 September 30, 2010. All repurchases related to the repurchase program were made on the open market.

Period	Total Number of Shares Purchased[(a)]		Average Price Paid per Share[(b)]	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
July 1 - July 31, 2010	133,010	$	27.73	129,900	$	21,396,368
August 1 - August 31, 2010	274,310		26.01	274,310		14,261,536
September 1 - September 30, 2010	168,976		27.91	168,668		9,553,888
Total	576,296	$	26.96	572,878	$	9,553,888

(a) Includes 3,110 shares and 308 shares withheld for taxes due upon vesting of restricted stock during July and September, respectively.

(b) The average price paid per share for shares withheld for taxes due upon vesting of restricted stock was $27.25 and $28.04 in July and September, respectively.

In October 2010, our Board of Directors approved raising our remaining repurchase authority for the Company s common stock to a total of $25.0 million.

Item 3. Defaults Upon Senior Securities.

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

Item 5. Other Information.

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

Item 6. Exhibits.

Exhibit 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32* Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* In accordance with Item 601(b)(32)(ii) of the SEC s Regulation S-K, this Exhibit is hereby furnished to the SEC as an accompanying document and is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

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SIGNATURES

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

	MANHATTAN ASSOCIATES, INC.
Date: October 29, 2010	/s/ Peter F. Sinisgalli *Peter F. Sinisgalli* Chief Executive Officer, President and Director (Principal Executive Officer)
Date: October 29, 2010	/s/ Dennis B. Story *Dennis B. Story* Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

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