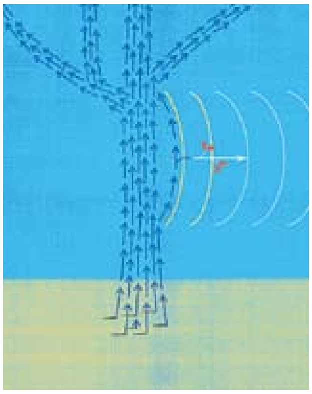
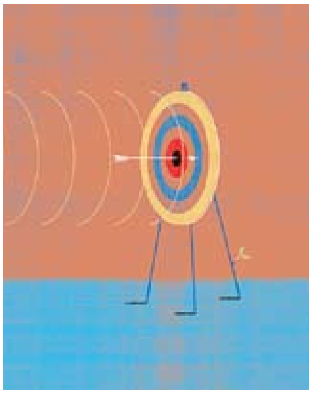
annualreport2008



evolve

extend



compete

Manhattan Associates

“Manhattan gets my vote for this year’s award for Supply Chain visionary.”

Steve Banker, *ARC Advisory Group, May 23, 2008*

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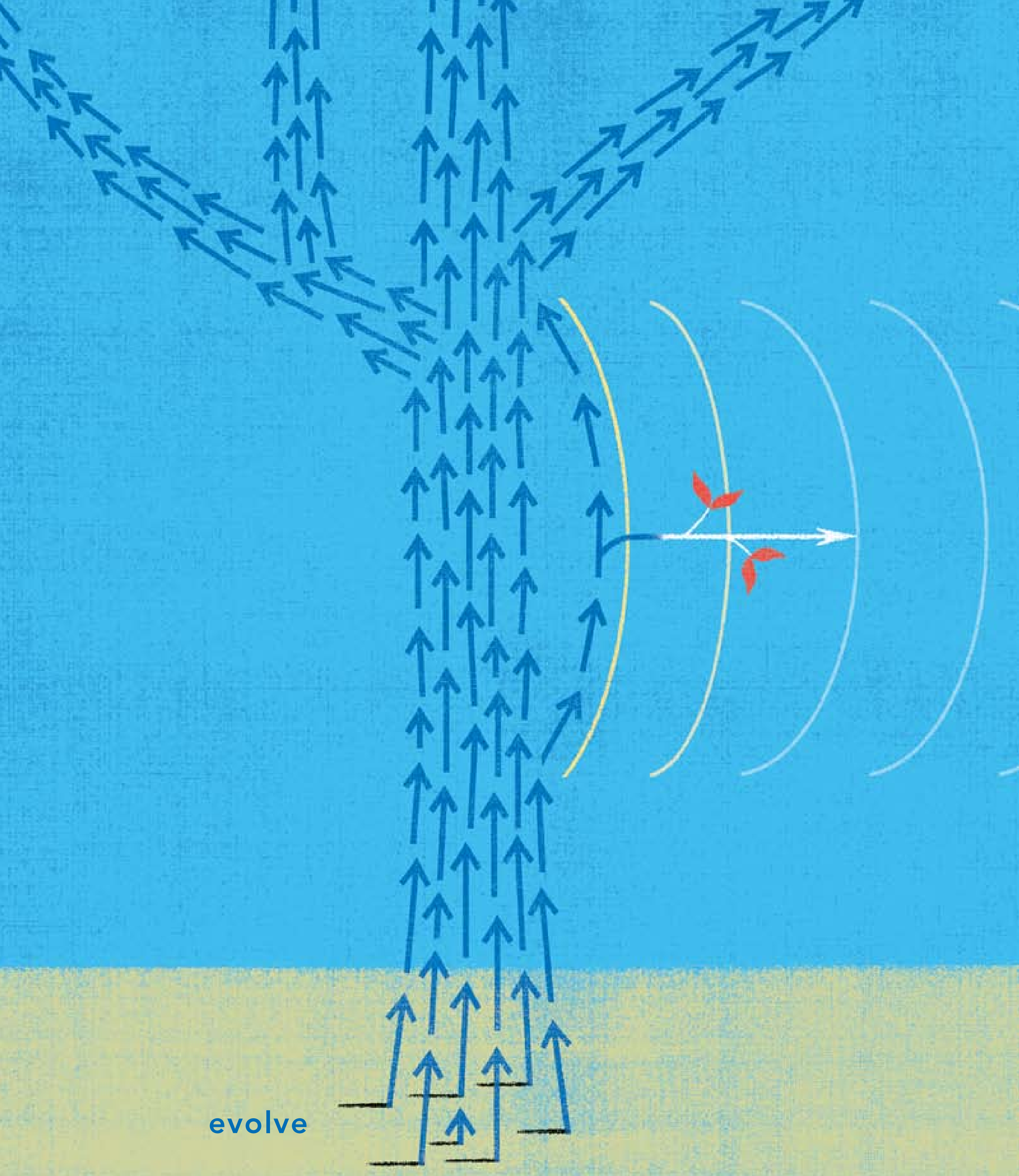


evolve

your supply chain vision innovatively
and resourcefully—on a plan and at a pace that makes sense
for your business

Letter to Stakeholders

Dear Fellow Stakeholders,

Manhattan Associates is not unique in the challenges that impacted our revenue growth and stock performance in 2008, and will not be alone in navigating the global market recalibration that we expect to hinder us in 2009.

Where I believe we do stand strategically apart in our industry is in how we are positioned to weather economic uncertainty and changing business tides without compromising our vision: To be the global leader providing technology-based solutions that optimize supply chain effectiveness and efficiency for our customers.

Regardless of economic hazards or market complexities, the perennial principle of "vision to value" underlies our thinking and actions with regard to supply chain solutions. Vision is the essential constant: What is the path of supply chain optimization—not only in the volatile "now," but next month, next year, or three years from now? Value is the unforgiving measure: Does the output from supply chain investing ***today*** yield results that support the long-term path?

This vision-to-value relationship underlies the investment strategy we initiated more than five years ago to unify our full suite of supply chain software solutions on a common supply chain process platform to optimize performance and lower lifetime ownership costs. I believe this investment—and the critical advantage of ***sustainable*** value that it delivers to our customers—positions Manhattan to catapult beyond other market players when economic visibility and stability are restored.

Despite the setbacks that all businesses will face until that time, I am highly confident that Manhattan will continue to find opportunity amid chaos, and progress amid barriers. Let me explain why.

Manhattan's operations are well-run. In a selling environment riddled with tightened capital across industries, we completed 2008 with total revenue of $337.2 million, essentially the same as 2007. While we anticipated a tough economy in 2008, the fallout from the brutal collapse of the world financial markets hit software license sales hard, and will continue to do so until markets stabilize and capital is released for investment.

However, our strong track record of managing expenses and driving efficiency contributed to operating earnings expansion, with Adjusted Earnings per Share of $1.38, up 6% over 2007. Nearly $240 million in global consolidated services revenue at best-in-class margins helped to offset dampened software license sales, as did record maintenance revenue, which was up 15% over 2007.

Our well-managed capital structure enables us to advance our business with solid liquidity and no debt. We exited 2008 with $88.7 million in cash and investments. In fact, 80% of our net operating assets are in cash. And despite 2008's difficult business environment, we generated a record operating cash flow of $63.8 million, an increase of 67% from 2007. Over the past three years, we have generated nearly $150 million in cash flow from operations, enabling us to continue to re-invest in our solutions and in our people, and to fund a share repurchase program accretive to shareowners.

Regardless of economic hazards or market complexities, the perennial principle of "vision to value" underlies our thinking and actions with regard to supply chain solutions.

By meaningfully improving operating performance metrics within our control, and by being willing to make difficult expense decisions with an eye toward the long-term, we have placed Manhattan in a stronger position to weather the uncertain business cycles ahead.

Manhattan's people are first-class supply chain experts. Optimizing supply chains to yield sustainable value is the shared goal of every Manhattan employee. They have earned Manhattan's reputation as "a company that gets things done." With 292 software deployments worldwide in 2008, roughly every 30 hours somewhere around the world a customer was flipping the switch and trusting their mission-critical supply chain to Manhattan Associates.

With 292 software deployments worldwide in 2008, roughly every 30 hours somewhere around the world a customer was flipping the switch and trusting their mission-critical supply chain to Manhattan Associates.

This tangible success goes beyond "deals signed" to indicate "customers engaged," and means our sales teams, product managers, application designers and engineers, solutions consultants, professional services experts, customer service representatives, trainers and others across Manhattan have worked together to meet customers' needs, integrate with their business processes and generally gain their confidence in our company. This "culture of commitment" has led to record customer satisfaction and participation in supply market programs such as our Supply Chain Leader initiative to promote the strategic impact of well-run supply chains.

Our operational effectiveness is a key reason why we won more than 70% of the competitive deals we pitched last year. Customers and prospects believe with good reason that we will do what we say we can do.

Manhattan's investments deliver vision-to-value for the long run. Because our vision ties value to optimizing supply chains through solutions sharing a common supply chain process platform, we have opted to grow Manhattan primarily through organic means rather than through acquisition, and to invest more than $200 million since 2004 in research and development that drives toward this vision. Although this path requires more discipline and patience, we believe over the long term the rewards to both customers and shareowners are greater. This is why:

Global supply chains continue to grow increasingly complex and diverse, with numerous trading partners, distribution channels, product choices and sales options. At the same time, the margins for error continue to grow smaller as customer expectations increase and the timeframes for planning and decision making shrink. That means functions like planning, forecasting, inventory replenishment, order management, transportation, and warehousing that once could get by operating independently can no longer do so. A decision in one area can have unintended (and often negative) consequences for another.

Some competitors address this challenge by relying on industry-available Web Services and Service Oriented Architectures (SOA) that allow applications to interoperate and "talk" to each other. While Manhattan leverages these technologies as well, we believe that, alone, they fall short of the optimization required. Therefore, our Supply Chain Process Platform enables a vision that delivers value far beyond simple interoperability. Our Manhattan SCOPE solutions are cross-optimized with a collective intelligence that considers the whole.

A concrete example of the power of our platform is this: A retailer orders product based on projected demand across stores, plus web and catalog sales. Once the product has shipped from the manufacturer, however, actual sales may show that demand in certain stores is substantially below forecast, while web sales are outpacing projections. Our systems can automatically reallocate and reroute the incoming inventory to increase the stock available for web customers and send less to underperforming stores, and inform all disciplines of the change. We also can help determine whether product should go to a warehouse or directly to customers or stores, depending on the demand and promise dates.

This built-in optimization treats the entire supply chain holistically and helps the retailer make the optimal decision based on intelligence gleaned from across the network.

As we progress to fully delivering our optimization vision across all elements of the supply chain, we may very well pursue attractive acquisition candidates. However, in addition to requiring a solid financial return from any acquisition, we insist that a target's technology direction be complementary to ours, and that their solution coverage be additive to our supply chain optimization footprint.

The 2009 theme for Manhattan's market initiatives is **evolve>extend>COMPETE**. In times of great change, supply chain leaders **evolve** their vision to embrace new opportunity…**extend** differentiating value across their enterprises and ecosystems…and ultimately strengthen their position to **compete** more effectively. So, too, is Manhattan.

Our operational effectiveness is a key reason why we won more than 70% of the competitive deals we pitched last year. Customers and prospects believe with good reason that we will do what we say we can do.

Like all business leaders, I am challenged to adjust my vision to better feel our way through the economic fog clouding global decision making. No one wise is hazarding to pinpoint when our global financial infrastructure will stabilize, nor definitively describe its ultimate characteristics. The best we can do is execute today based on what we believe are long-term, inalterable values our customers demand. It is in this commitment that Manhattan finds its strength.

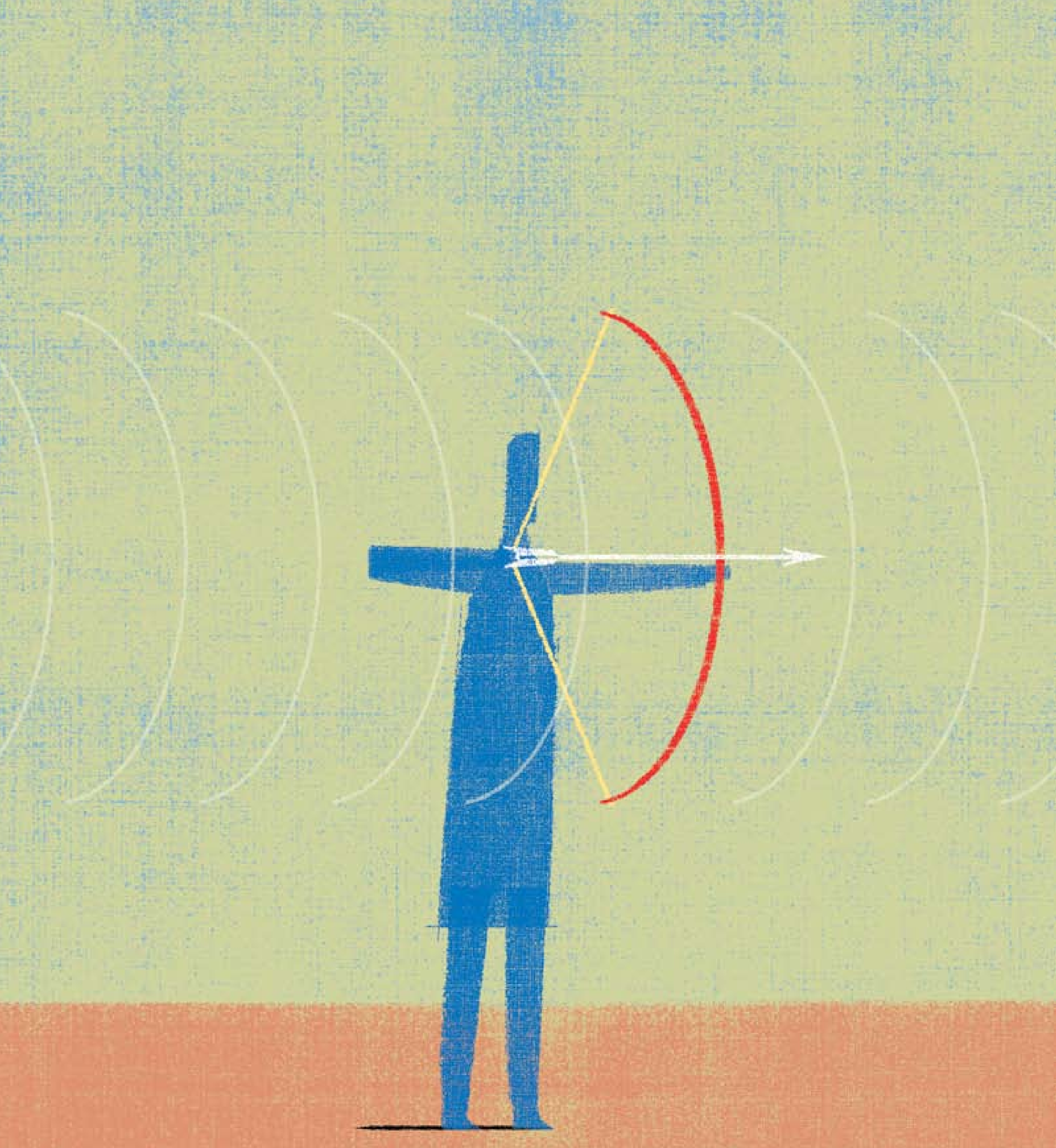
The latest market research shows spending on global supply chain solutions increasing from $6.9 billion in 2008 to $9.2 billion in 2012. I believe the global economy will have reset before then, so the 2012 estimate may be somewhat high. But I also believe Manhattan's operating strength, people expertise, value-driving solutions and applied vision will far surpass those characteristics in any other company addressing this growing market.

Along the way the road will be bumpy. We will likely need to adjust our plans and make tough decisions to protect shareowner value. I believe Manhattan has the people, infrastructure and strength to take appropriate actions without compromising our vision and the value we deliver to customers over the long term.

On behalf of our employees worldwide, I thank you for your investment in our company, in our associates, and in the future of global supply chains.

Sincerely,

Pete Sinisgalli,
President and Chief Executive Officer



extend

your supply chain to integrate
multiple touchpoints, relationships and technologies
to serve complex and varied markets

Manhattan Vision to Value: Optimizing supply chains to yield sustainable value is the shared goal of every Manhattan associate

Our approach to sustainable value is to view the supply chain holistically—every person, task, workflow and event. In total, they combine to create an efficient, informed opportunity stream for your business. This is the vision behind **Manhattan SCOPE™: Supply Chain Optimization—Planning through Execution**, a platform-based, full-range solution designed to harness the power of your supply chain across every touch-point.

Today, SCOPE is helping more than 1200 Manhattan customers around the world realize the operational and strategic power of their supply chains to create sustainable value. Manhattan extends additional value to every customer by surrounding SCOPE with **Manhattan MORE™: *Manhattan's Optimized Roadmap for Excellence***, which comprehensively covers the full spectrum of services and support. Led by our dedicated team of supply chain experts, Manhattan MORE's results-driven methodologies deliver more expertise, more support and more value to every Manhattan customer.

For two decades Manhattan Associates has been the industry leader in supply chain R&D investment, with unparalleled focus on developing the most relevant and innovative supply chain solutions available. As complexity of demand and globalization of markets has evolved, Manhattan has led the way in transforming solutions to optimize supply chain value.

With a worldwide team of 2000 supply chain experts—credentialed engineers, proven designers, analysts and support services professionals—representing the best from industry, academia and business, Manhattan's **Supply Chain People** are the recognized standard in excellence.

"With our exponential growth rate, **we couldn't be where we are today without our supply chain technology**. We needed a platform we could grow with, that was scalable and robust."

Under Armour
Manhattan Case Study

"As a sustainable company, we look to ensure that our trucks are filled to capacity with the correct products and that they are efficiently routed to our stores. **Manhattan's transportation solution supports our philosophy that 'every day is earth day'** by helping us to continue to improve our judicious use of fuel and energy."

Publix
Manhattan Press Release

Manhattan SCOPE™

Supply Chain Optimization...Planning through Execution

In today's challenging environment, simply managing the individual logistics of the supply chain is no longer good enough. You need the *scope* to optimize it.

At Manhattan we believe taking a holistic, "big picture" approach to the supply chain is the best way to improve operational performance, create strategic value, enhance competitive strength and generate a profitable bottom line. The Manhattan SCOPE™ suite of solutions leverages people, tasks, workflows, events and assets across the supply chain—breaking down functional silos to allow full-range visibility, integrated decision-making and ultimately greater business value for your organization.

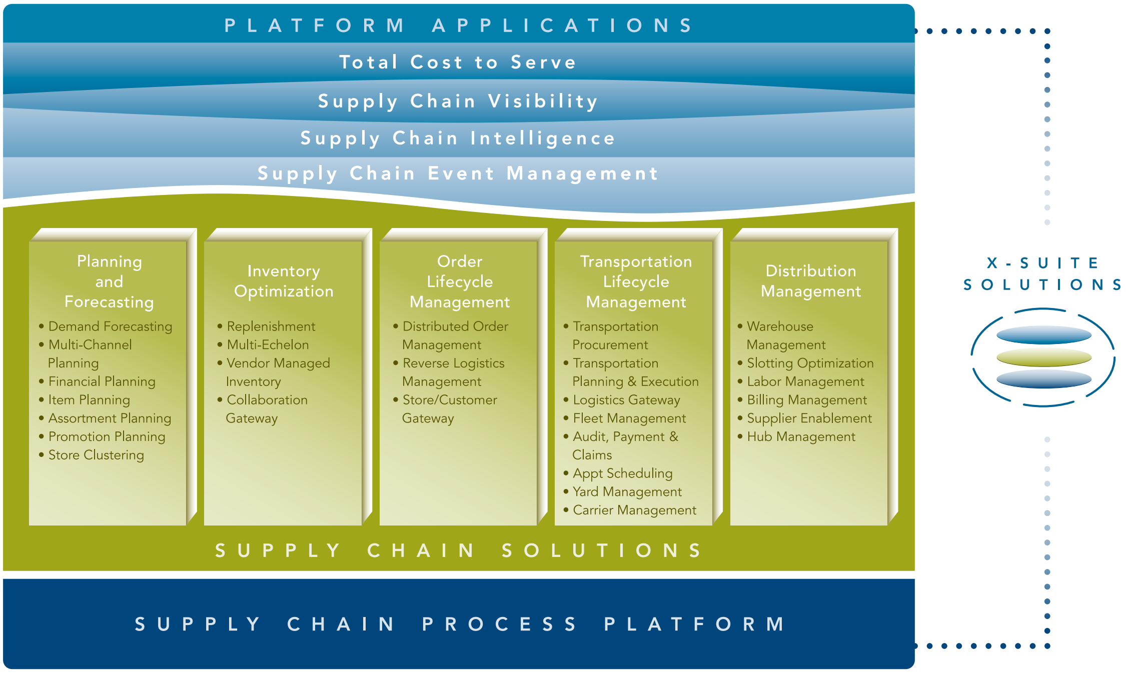
"**Linking supply chain planning, optimization, and execution together** in a product where data and workflow are natively integrated between applications is a rare accomplishment."

Greg Aimi
AMR Research, June 18, 2008

Measurable efficiencies of this approach include decreased labor costs, lower inventory carrying costs and greatly improved asset utilization. Time after time, our customer case studies confirm this assertion. Many have achieved transportation savings of 10-15%, labor savings of 15-30% and inventory savings of 8-10%.

SCOPE lets you evolve your supply chain at a pace that aligns with financial goals while extending enhanced value across your enterprise. No matter how unique the business model or complex the supply chain, Manhattan SCOPE allows customers to:

- Vary customer service targets by channel or product
- Match inventory investments to brand goals
- Achieve a global view of transportation across all modes, inbound or outbound
- Orchestrate product availability and costs across multiple channels
- Align labor decisions with service and cost decisions



Manhattan SCOPE is the only supply chain solution optimized on a
common supply chain process platform.

High Performance Solution Suites

At the core of Manhattan SCOPE™ are five highly performing solution suites designed to optimize the full spectrum of the supply chain. Whether building an optimization strategy beginning with a single suite, single application, or multiple ones, SCOPE is designed to generate superior outcomes and sustainable value from your supply chain.

- **Planning and Forecasting**
- **Inventory Optimization**
- **Order Lifecycle Management**
- **Transportation Lifecycle Management**
- **Distribution Management**

Common Supply Chain Process Platform

The foundation of Manhattan SCOPE is a unique Supply Chain Process Platform, providing common business objects, service-oriented architecture, and science and math innovations to optimize workflows across all applications and solutions, streamlining processes and elevating overall performance.

Overarching Platform Applications

SCOPE's Supply Chain Platform Applications—**Visibility**, **Intelligence**, **Total Cost to Serve** and **Event Management**—span the range of application suites to inform, build efficiencies, eliminate redundancy and increase overall supply chain velocity.

Innovative X-Suite Solutions

Using flexible, cross-application technology, SCOPE X-Suite solutions combine key applications, objects and components to target specific supply chain requirements:

- **Flow Management** synchronizes demand, supply and inventory strategies from planning through execution for increased value and velocity, and accelerates response times across the supply chain.
- **Extended Enterprise Management** connects companies with their trading partners and ecosystem, and provides the visibility and critical event management capabilities to ensure the seamless flow of goods—on time and across optimal channels.

"**The ability to share inventory and leverage it across all channels is a real competitive differentiator**…We plan and procure inventory across all of our channels, and optimize our operation so we can fill any customer order with inventory sitting anywhere in our enterprise."

The Orvis Co.
Manhattan Case Study

"Manhattan's Replenishment and Transportation solutions allow us to manage inventory levels accurately and efficiently—it's more dynamic and based on actual need. **We can allocate in-transit product to outbound orders even before it arrives at our facility.** The improved visibility has also allowed us to reduce inventory."

Papa John's
Manhattan Case Study

Manhattan MORE™
Manhattan's Optimized Roadmap to Excellence

"We were working on a very tight timescale. The Manhattan project team helped up develop training documentation, put standard operating procedures in place and gave us invaluable advice…**Finding the right people is important to the success of any project, and that's where Manhattan Associates is a cut above the rest.**"

Tesco.com
Manhattan Case Study

More Service. More Expertise. More Value.

Surrounding Manhattan SCOPE to provide a complete solution to optimizing your supply chain is *Manhattan MORE™*—a comprehensive, professional services approach to training, implementation, best practices and ongoing support and account management. Led by our dedicated team of supply chain experts, Manhattan MORE's results-driven methodologies—from high performance technology configurations through implementation, ongoing education and performance reviews—deliver more expertise, more support and more value to every Manhattan customer.

Manhattan Product Councils

Your Input

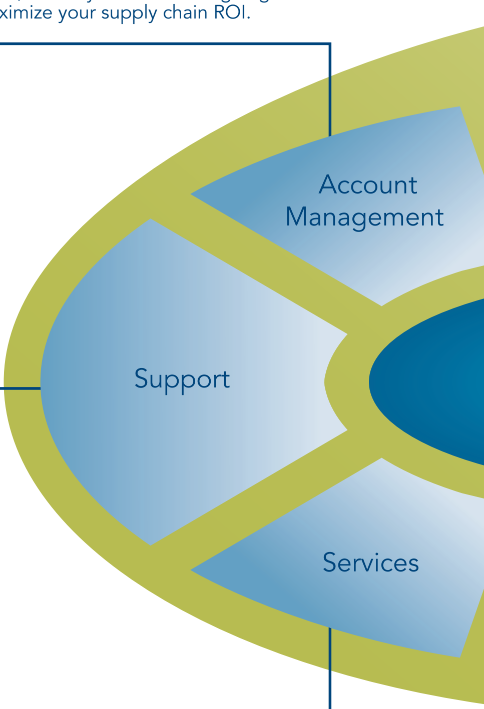
Manhattan customers are an integral part of the product development process. Product Councils offer forums for customers to provide input into the future direction of SCOPE solutions with a direct impact on the allocation of R&D resources. The ultimate result is a lower total cost of ownership for the entire Manhattan customer community.

"Product Councils provide an invaluable opportunity to not only **play a key role in the direction of Manhattan solutions,** but also to network and share ideas with others who have similar challenges and goals."

JA Hilzendeger, Giant Eagle
Product Steering Committee President

Your dedicated account manager is your trusted advisor, keeping you abreast of product development, industry trends and ongoing ways to maximize your supply chain ROI.

Manhattan experts have you covered 24-7—in 150 languages—via phone, email or web—as well as through prompt on-site service or remote system access.



Manhattan RPM™: Results-driven Performance Methodology combines best practices from thousands of installations worldwide to reduce implementation time and minimize risk.

Designed for Results

Manhattan MORE is designed to help you optimize supply chain performance to generate sustainable value while evolving your supply chain at the right pace for your business. Backed by industry-leading Manhattan resources and the proven services of our worldwide network of partners, Manhattan MORE includes a full range of services, support and account management.

Our Team

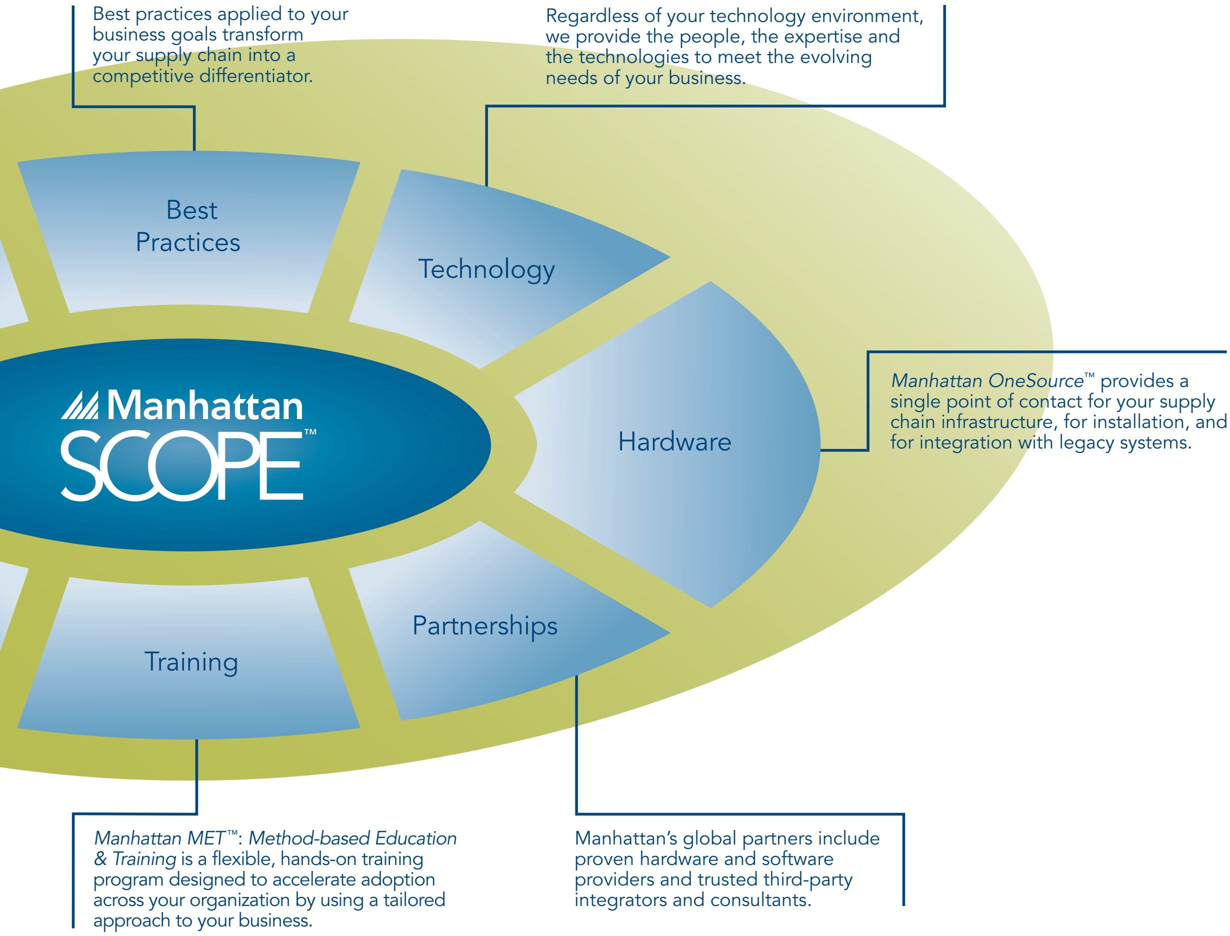
Manhattan's Supply Chain People represent the best from industry, business and academia. As recognized leaders in supply chain expertise, innovation and skill, we are a "culture of commitment," dedicated to helping you optimize your supply chain at every touch-point. Each member of your Manhattan MORE team is 100% focused on helping you achieve your organizational goals and realize measurable value from your supply chain investment.

Your Success

Your success is the measure of our success. Manhattan's commitment—from high performance technology configurations through implementation, ongoing education, performance reviews, dedicated account management and total customer support are centered on your best outcomes.

"**Manhattan understood our business and its expertise in the direct-to-consumer, retail and wholesale industries** made it the low-risk choice. We felt we had a long-term partner for our long-term strategy. We've reduced our labor requirements and our cost per order has gone down under a specific mark we were told you will never get to. And we're there."

Urban Outfitters
Manhattan Case Study



Manhattan ILS™

Integrated Logistics Solutions, built on Microsoft® .NET

As the first supply chain software to be Certified for Microsoft Dynamics®, Manhattan ILS is a proven solution with independently tested integration that has been deployed worldwide.

With Manhattan ILS™, you can realize the full potential of your supply chain to ensure your customers receive goods when they expect them—and that your company can grow profits. Leveraging the complete Microsoft .NET framework, Manhattan ILS enables companies that have invested or plan to invest in Microsoft environments to maximize speed-to-value by reducing IT complexity and deployment.

With a familiar, easy-to-use interface, Manhattan ILS gives over 200 customers worldwide the opportunity to reduce the complexity of their IT environment while enhancing the performance of their supply chain. With Manhattan ILS, our customers can:

- Increase responsiveness by leveraging global inventory visibility
- Optimize labor and facility assets to drive increased profitability
- Streamline activity-based costing to ensure accuracy and on-time payment
- Profitably manage transportation execution and compliance

"Manhattan's solutions gave us the **scalability and efficiency we needed to streamline our supply chain** and create the capacity necessary to attract and support more and larger customers."

ArchBrook Laguna
Manhattan Case Study

For companies invested in Microsoft® technology

By enabling you to tie together processes, data and workflows, Manhattan ILS improves the flow of goods throughout your supply chain, giving you the control you need to provide your customers with the best possible service while keeping costs down.

Performance Management: These tools leverage reporting, event management, alerting and analytics to proactively respond to supply chain events.

Trading Partner Management: Extend capabilities to suppliers and automate communications to keep inventory flowing smoothly and respond to orders quickly.

Yard Management: Know trailer positions and status instantly. Schedule arrivals by dock and reduce loading and unloading time.

Optimization: Maximize labor resources, improve SKU distribution to increase picking accuracy and efficiency, and ensure bills reflect contracted prices.

Warehouse Management: Fine-tune your facility with a more efficient layout, well utilized resources, streamlined inventory and flawless order fulfillment.

Transportation Execution: Manage transportation activities so you can coordinate, redirect and stay on schedule.

Manhattan Carrier™

Designed to meet the specific needs of motor carriers

Manhattan Carrier™ provides the tools you need to optimize routing, minimize fuel costs, manage drivers' time on the road, meet customer expectations—and make money. With tools such as driver-to-load assignment, en route swapping, profitability analysis and optimal fuel and routing plans, Manhattan Carrier improves the profitability and efficiency of your business. Manhattan Carrier also allows truckload (TL) and less-than-truckload (LTL) motor carriers to improve network balance and increase resource utilization.

Manhattan Carrier solutions are used by more than half of the top 100 motor carriers in North America.

The Manhattan Carrier suite of solutions provides fleets with the fastest, most efficient route to an optimized transportation strategy. Each day, more than 125,000 trucks on U.S. roadways rely on Manhattan Carrier solutions to:

- Maximize fuel-related savings
- Target the most profitable freight
- Calculate the true cost of serving customers
- Improve miles per truck per day and revenue per truck per day
- Reduce driver turnover and enable compliance with Hours of Service
- Boost on-time pickup and delivery
- Increase customer service and profitability

Solutions to help you go the distance

Driver&Load®: Match specific drivers to the best possible load combinations across your network.

Drop&Swap®: Improve efficiency by evaluating all potential drivers and load combinations to determine optimal swaps.

Fuel&Route®: Determine optimal routing and fuel recommendations while balancing driver requests and preferences.

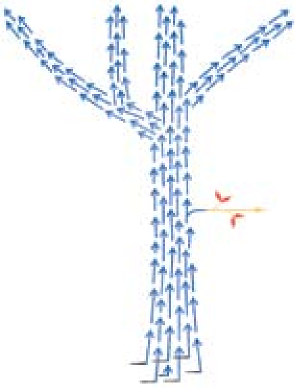
Load Analyzer: Respond to load requests, solicit freight in markets with surplus capacity and create the optimal repositioning plan in anticipation of demand.

Profit Analyzer/Bid Response: Assess the long-term value of each shipper, each lane and each shipment in your freight network and respond to bids quickly.

SuperSpin®: Evaluate possible changes to linehaul networks and request suggested load plan changes that will save money and improve service.

"**The Manhattan Carrier solution was an integral part of J.B. Hunt's strategy** to expand its planning model and successfully implement process changes. The solution helps us control empty and out-of-route miles, increase equipment utilization and decrease costs."

J.B. Hunt Transport Services
Manhattan Case Study



Manhattan Global Presence:

Offices:

Atlanta, GA (Headquarters)
Bangalore, India
Bracknell, UK
Melbourne, Australia
Mishawaka, IN
Nieuwegein, The Netherlands
Paris, France
Tokyo, Japan
Shanghai, China
Singapore
Sydney, Australia

"**Leveraging our supply chain is how we'll separate ourselves from other footwear suppliers**…Manhattan's solutions will help us achieve our goal to create wholesale selling excellence and transform New Balance into a top-tier global brand."

New Balance
Manhattan Case Study

No matter where you do business,

2008 presented many challenges to global supply chains. Our customers—whose businesses extend across continents and oceans, with diverse cultural, geopolitical and industry requirements—have come to rely on the global expertise that Manhattan Associates offers.

With offices in nine countries and a network of strategic partners on every continent, we've made it our priority to understand the complexities of doing business across borders and cultures.

We are the global supply chain people

1200 customers worldwide rely on Manhattan Associates to find a smarter way to do business, including:

- **Wincanton**, the European supply chain services leader, is standardizing its European logistics infrastructure on Manhattan's supply chain solutions platform, initially across 15 sites in the Czech Republic, France, Germany, Hungary, Netherlands, Poland, Slovakia and the UK.
- **Seiwa Kaiun Co., Ltd.**, a leading Japan-headquartered international logistics service provider, uses Manhattan ILS™ to support growth both at home and in international markets.
- **Kolok**, one of the largest printer supplies distributors in Africa and a subsidiary of the global services, trading and distribution giant Bidvest, gets results with Manhattan ILS, increasing volume throughput by 28% while reducing picking errors by 80%.
- **Donaldson**, a leading worldwide provider of filtration systems and replacement parts, relies on Manhattan's Warehouse Management solution in its Bruges, Belgium distribution center—increasing productivity 40%, reducing warehouse transit time, and increasing accuracy to 99.8%.
- **Tally Weijl**, one of Europe's most successful women's fashion retailers, uses Manhattan SCOPE™ solutions to streamline and optimize its distribution operations—achieving a picking productivity increase of 20% and put-to-store efficiency improvement of 35%.

we speak your language.

Customer profile: **Sportmaster**

When Sportmaster—**Russia's leading sports goods retailer and wholesaler**—sought to improve supply chain connectivity and visibility, it turned to Manhattan's Extended Enterprise Management solution.

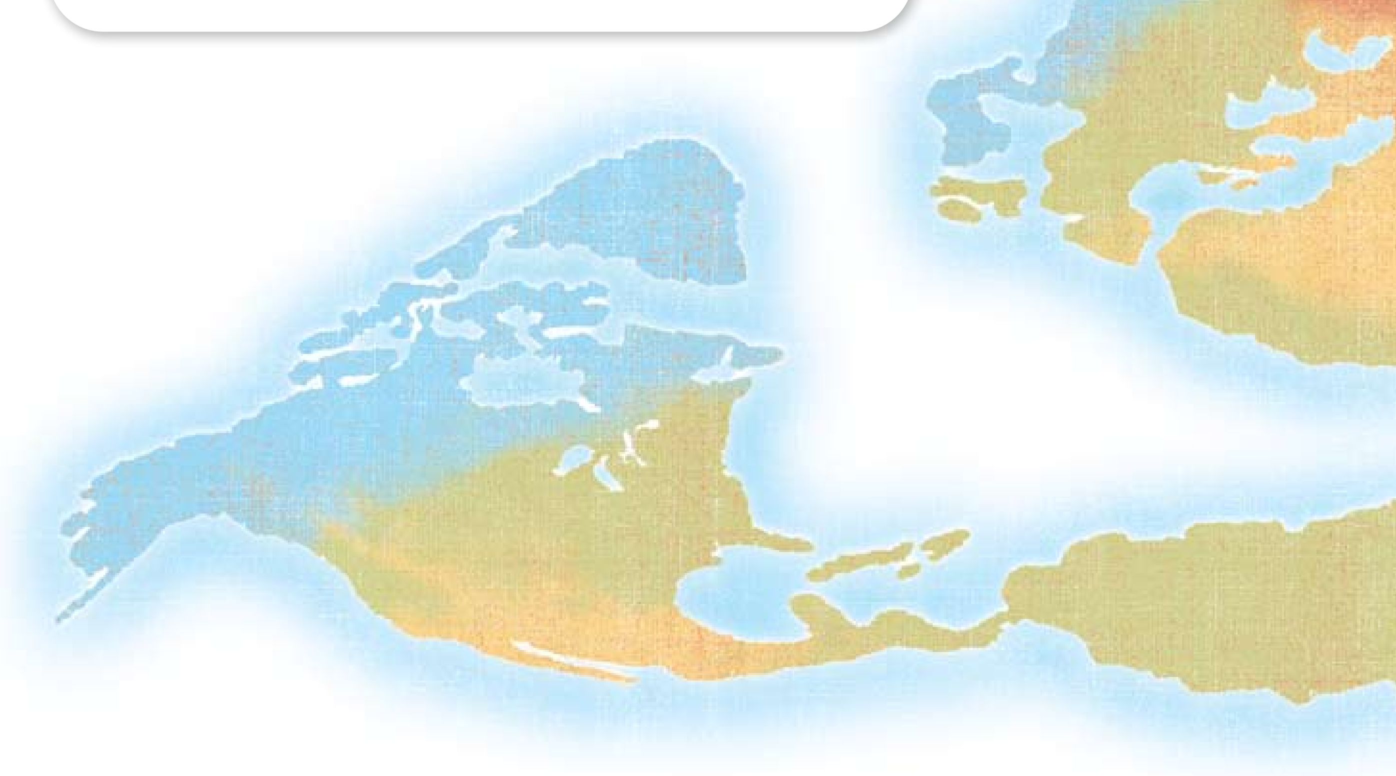
To effectively serve its 225 stores and 360 franchise stores throughout Russia, Sportmaster needed to gain better visibility of inbound shipments from Asia, improve productivity in the receiving process, accelerate the flow of goods at the various distribution hubs and make better use of space available at its Moscow distribution center.

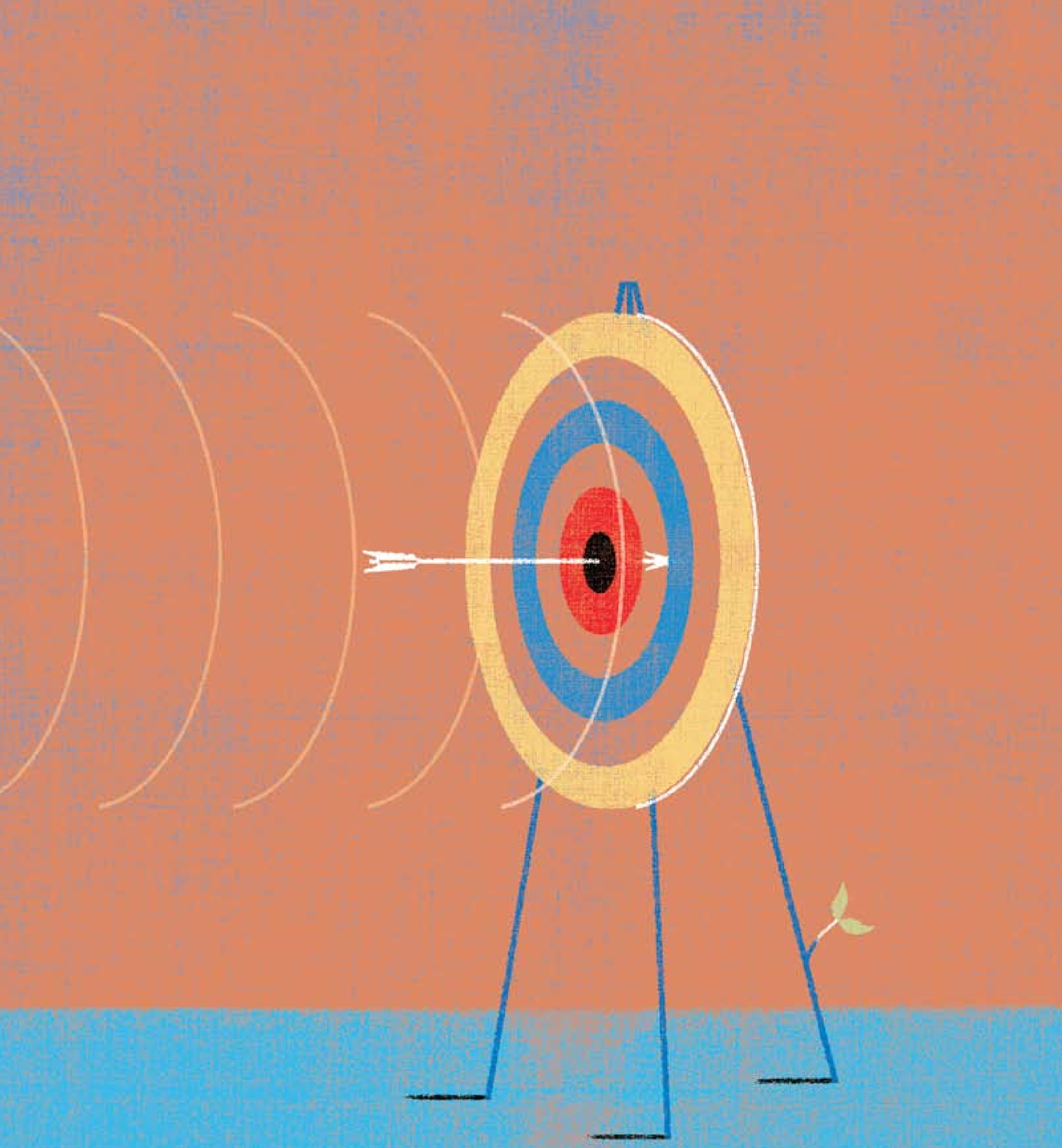
"The collaborative approach enabled by Extended Enterprise Management will enable us to improve the speed at which goods are moving at specific points in the supply chain. Improved visibility will enable us to introduce flow-through techniques at our distribution hubs and better plan activities based on what goods are arriving when."

Artem Skorikov
Logistics Director, Sportmaster

Partner Presence:

Chile
Denmark
Dubai
Iceland
Indonesia
Ireland
Malaysia
Mexico
Philippines
Poland
Russia
South Africa
Spain
Thailand
The Netherlands





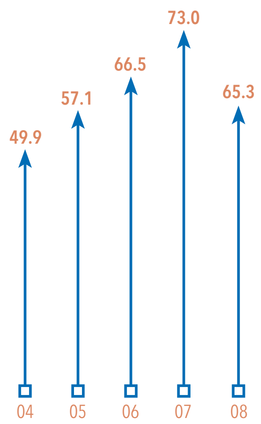
compete

by leveraging a full scope of supply chain solutions
to ensure competitive advantage
and optimal return on investment

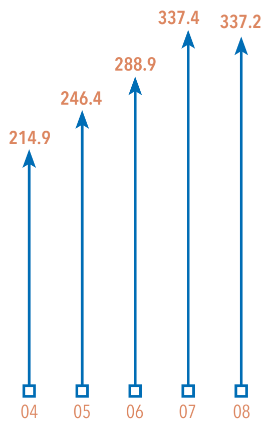
Financial Highlights

	Year Ended December 31,				
	2004	2005	2006	2007	2008
			(in thousands except per share data)		
Statement of Income Data (annual):					
License revenue	$ 49,886	$ 57,119	$ 66,543	$ 73,031	$ 65,313
Total revenue	214,919	246,404	288,868	337,401	337,201
Net income	21,634	18,635	19,331	30,751	22,798
Adjusted net income (1)	23,797	25,711	30,264	35,581	33,641
GAAP diluted earnings per share	0.70	0.64	0.69	1.13	0.94
Adjusted diluted earnings per share (1)	0.77	0.88	1.08	1.30	1.38
Balance Sheet Data (at December 31):					
Cash, cash equivalents and investments	$172,656	$ 93,675	$131,057	$ 72,772	$ 88,706
Total assets	290,239	273,398	314,893	271,660	270,221
Shareholders' equity	239,017	205,398	237,140	185,705	179,839

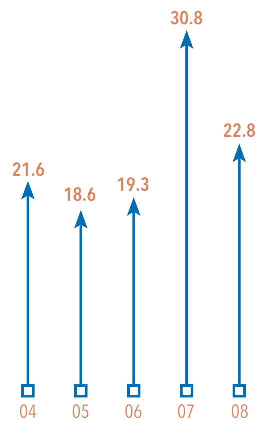
License Revenue
(in millions)



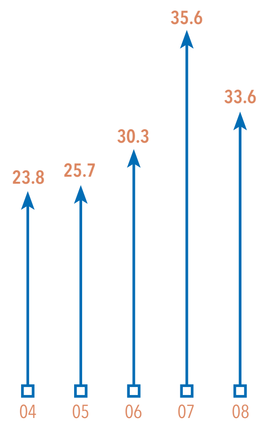
Total Revenue
(in millions)



Net Income
(in millions)



Adjusted Net Income (1)
(in millions)



Operating Highlights

- For 2008 we generated record operating cash flow of $63.8 million, up $25.6 million or 67% over 2007. Over the past three years, we have generated approximately $150 million in cash flow from operations.
- Our Balance Sheet is strong, with 80% of our Net Operating Assets in cash and investments and no debt, providing the capacity to invest.
- Of our 2100 employees, 92% are focused on extending customer value.
- We achieved record maintenance revenue in 2008—up 15% over 2007, with a renewal rate of more than 90%.
- In 2008, we delivered $44.3 million in adjusted operating profit.

(1) Adjusted net income and adjusted diluted earnings per share exclude amortization of acquisition-related intangibles, stock option expense, and unusual items such as restructuring, impairment, and acquisition charges, net of related tax effects. Adjusted net income and adjusted diluted earnings per share are not financial measures presented in accordance with generally accepted accounting principles in the United States (GAAP) and may be different from similarly titled non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be used as a substitute for, or considered superior to, measures of financial performance prepared in accordance with GAAP.

Manhattan-At-A-Glance

Founded: 1990

Nasdaq: MANH

Global Customers:

1200 and growing

Deployments:

292 completed in 2008 or one every 30 hours

Supply Chain Focused

R&D Investment:

Over $48 million in 2008; more than $200 million since 2004

Employees Worldwide:

2100

Core Markets:

- Retail
- Consumer Goods
- Food/Grocery
- Government
- High Tech/Electronics
- Industrial/Wholesale
- Life Sciences
- Logistics Service Providers
- Transportation Providers

Leading companies use Manhattan solutions:

- 44 of the top 100 retailers
- 55 of the top 100 motor carriers
- 8 of the 10 largest North American warehousers
- 8 of the 12 largest 3PLs
- 6 of Fortune's 20 most admired companies

Management Team

Pete Sinisgalli
*President and Chief Executive Officer**

Jeff Baum
Senior Vice President, APAC

Eddie Capel
*Executive Vice President, Global Operations**

Jeff Cashman
Senior Vice President, Business Development

David Dabbiere
*Senior Vice President and Chief Legal Officer**

Terry Geraghty
Senior Vice President, Global Human Resources

Jeff Mitchell
*Executive Vice President, Americas**

Terrie O'Hanlon
Senior Vice President and Chief Marketing Officer

Steve Smith
Senior Vice President, EMEA

Dennis Story
*Senior Vice President and Chief Financial Officer**

* *Executive Officers*

Board of Directors

John J. Huntz, Jr.
Chairman of the Board of Directors
Executive Director and Head of Venture Capital, Arcapita, Inc.

Brian J. Cassidy
Director
Formerly Co-founder and Vice Chairman, Webforia, Inc.

Paul R. Goodwin
Director
Formerly Vice Chairman and Chief Financial Officer, CSX Corporation

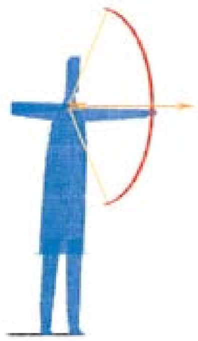
Pete Kight
Director
Vice Chairman and Director, Fiserv, Inc.

Dan J. Lautenbach
Director
Formerly Chairman, Witness Systems, Inc.

Thomas E. Noonan
Director
Formerly General Manager, IBM Internet Security Systems

Deepak Raghavan
Director
Graduate Student, Department of Physics and Astronomy, Georgia State University

Pete Sinisgalli
Director
President and Chief Executive Officer, Manhattan Associates, Inc.



2008 Form 10-K
Manhattan Associates, Inc.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from_________ to_________

Commission File Number: 000-23999

Manhattan Associates, Inc.

(Exact Name of Registrant As Specified in Its Charter)

Georgia	**58-2373424**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
2300 Windy Ridge Parkway, Suite 1000 **Atlanta, Georgia**	**30339**
(*Address of Principal Executive Offices*)	(*Zip Code*)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value per share	**The Nasdaq Stock Market LLC**

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

None

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

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

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

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

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

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2008 was $577,628,019, which was calculated based upon a closing sales price of $23.73 per share of the Common Stock as reported by the Nasdaq Global Select Market on the same day. As of February 19, 2009, the Registrant had outstanding 23,556,939 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 29, 2009 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

MANHATTAN ASSOCIATES, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2008
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Forward-Looking Statements

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

PART I

Item 1. *Business*

Overview

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

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

- Maintaining optimal inventory levels across multiple channels, including store, web and catalog;
- Optimizing inventory assortments by channel to maximize sales and profitability;
- Improving sales and customer order fill rates while reducing overall network inventory;
- Improving visibility of inventory, order status and delivery status;
- Coordinating workflows and communication with other participants in a supply chain ecosystem, including suppliers, customers and transportation providers;
- Increasing the productivity of labor, facilities and materials-handling equipment;
- Balancing transportation and inventory costs with desired service levels by channel;
- Reducing transportation costs;
- Reduce inventory and inventory carrying costs;
- Reducing labor costs and increasing productivity throughout;
- Improving asset utilization; and
- Improving compliance with customer requirements, including radio frequency identification (RFID) and electronic product code (EPC) requirements.

We are a Georgia corporation formed in February 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC, our predecessor. References in this filing to the "Company," "Manhattan," "Manhattan Associates," "we," "our," and "us" refer to Manhattan Associates, Inc., our predecessors, and our wholly-owned and consolidated subsidiaries. Our principal executive offices are located at 2300 Windy Ridge Parkway, Suite 1000, Atlanta, Georgia 30339, and our telephone number is 770-955-7070.

Industry Background

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

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

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

Manhattan Associates' Solutions and Services

Our solutions are designed to help organizations optimize their supply chain operations holistically, from planning through execution. This holistic approach can be leveraged to create operational and market advantages, among them:

- **Organized Optimization:** Making decisions about inventory or transportation or labor in isolation without considering data, workflows and inputs from the other areas can lead to more costly and suboptimal decisions. Each of these cost areas directly impacts the others, and "optimizing" one area in isolation often has a negative and unanticipated cost and/or service-level influence on the other areas. We believe true optimization must synchronize decisions across the entire organization based on a common set of business priorities.

- **Mastery Over Channel Proliferation:** Selling channels are proliferating across all market sectors and affect almost every area of a business. Providing the means to plan and manage these channels independently, yet execute as a united entity, is key to optimizing revenue and mitigating unnecessary and duplicative costs.

- "**Green" Supply Chains:** Whether the priority is reducing carbon footprints and greenhouse gas emissions or improving reuse and recycling, supply chain solutions help companies improve their eco-friendliness.

Our solutions and services include:

- Our portfolio of software solutions, which we call MANHATTAN SCOPE™ (**S**upply **C**hain **O**ptimization, Planning through **E**xecution)
- Professional Services
- Customer Support Services and Software Enhancements
- Training

- Hardware Sales

We provide an overview of our solutions and services below.

Software Solutions

We call our portfolio of supply chain software solutions MANHATTAN SCOPE™ (Supply Chain Optimization, Planning through Execution). Built on a common Supply Chain Process Platform, SCOPE combines Planning and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management to enable full-range supply chain optimization.

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

Our solutions operate across the Unix, System i (iSeries, AS/400) and Microsoft.NET computing platforms. Our solutions operate on multiple hardware platforms utilizing various hardware systems and inter-operate with many third-party software applications (i.e. IBM's webSphere Commerce) and legacy systems. This interfacing and open system capability enables customers to continue using their existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies. We provide adapters for most Enterprise Resource Planning (ERP) systems to enhance communication and reduce implementation costs between our core products and our clients' business operation systems. We currently offer interfacing adapters to a variety of ERP systems such as but not limited to Oracle, SAP, Lawson/Intentia and JDA Software. We also offer certain of our solutions in both premise software and hosted Software-as-a-Service (SaaS) models so that customers can select the option that best meets their requirements for control, flexibility, cost of ownership, and time-to-deployment.

<u>Manhattan SCOPE Portfolio Overview</u>

SCOPE encompasses the following solutions and technology:

- Supply Chain Process Platform
- Supply Chain Platform Applications
- Supply Chain Solution Suites
- X-Suite Solutions

<u>Supply Chain Process Platform</u>

At the foundation of our SCOPE portfolio is the services-based Supply Chain Process Platform, which enables our customers to manage their supply chain ecosystems. Our Supply Chain Process Platform utilizes a service-oriented architecture (SOA), common data model, extensive collaborative gateways and an optimization engine to facilitate supply chain transformations that help our customers create and sustain competitive advantages.

In addition, our Supply Chain Process Platform provides the foundation for ensuring that our solutions reside on a common architecture, leverage common master and transaction data and utilize the same business services to accomplish tasks common to multiple solutions. Its service-oriented architecture provides the flexibility, scalability and supportability required to meet the needs of today's industry leaders. This unified approach to a common architecture allows our customers to speed implementation and upgrade times and fosters a lower total cost of ownership.

Our Supply Chain Process Platform also enables us to identify new ways to combine solutions to uniquely address industry-specific business problems. As customers identify needs to coordinate and synchronize business objectives across departments and organizational boundaries, Manhattan will continue to focus on providing solutions to these cross-application optimization opportunities.

Supply Chain Platform Applications

SCOPE Platform Applications span the entire portfolio to provide key visibility, intelligence and adaptive functionality across the enterprise. These solutions offer the broad supply chain insight and analytics that are critical to an executive's ability to proactively manage the holistic supply chain. They include:

- Supply Chain Event Management
- Supply Chain Visibility
- Supply Chain Intelligence
- Total Cost to Serve

Whether deployed with the fully-integrated Manhattan supply chain solutions suite or integrated with other enterprise systems, our Platform Applications provide a comprehensive range of event and schedule tracking; alerts and notifications; inventory, order and shipment visibility; cost monitoring and tracking; and leading-edge analytics and reporting with graphical depictions of critical supply chain performance metrics.

Supply Chain Solution Suites

At the core of the Manhattan SCOPE portfolio are five Supply Chain Solution Suites:

- Planning and Forecasting
- Inventory Optimization
- Order Lifecycle Management
- Transportation Lifecycle Management
- Distribution Management

Each of the five suites offers capabilities designed to enable organizations to proactively plan, monitor and execute against their overall business objectives.

Planning and Forecasting provides tools to sense and respond to demand as well as support all levels of enterprise merchandise planning, from strategic level planning down to assortment and key item planning. Our Planning and Forecasting solutions provide unique capabilities to manage multi-channel planning and forecasting business processes, and include the following features modules:

- Demand Forecasting
- Multi-Channel Planning
- Financial Planning
- Assortment Planning
- Item Planning
- Promotional Planning
- Store Clustering

Inventory Optimization enables enterprises to reduce overall network inventory therefore freeing up much needed working capital while improving sales and customer order fill rates. Inventory Optimization also provides analytical tools to better balance the financial trade-off between improving customer service levels and overall inventory investments. Our Inventory Optimization suite facilitates the following functions:

- Replenishment
- Multi-Echelon
- Vendor Managed Inventory
- Collaboration Gateway

Our Multi-Echelon solution helps organizations manage distribution networks with more than one level of distribution center between the supplier and the end point. Vendor Managed Inventory and Collaboration Gateway solutions help formulate tighter, lasting relationships with key trading partners, such as replenishing products into customers' locations or sharing key supply chain performance indicators.

Order Lifecycle Management is designed to optimize order fulfillment across a distributed supply chain. By managing orders across all channels from inception to sourcing physical fulfillment—and ultimately through physical returns if applicable —Order Lifecycle Management helps to optimize inventory deployment while reducing overall fulfillment costs. This suite enables the following functions:

- Distributed Order Management
- Store/Customer Gateway
- Reverse Logistics Management

Transportation Lifecycle Management optimizes all aspects of transporting product through supply chains by improving multiple product delivery dimensions, such as speed, accuracy and cost, and covers the following areas:

- Transportation Procurement
- Transportation Planning & Execution
- Logistics Gateway
- Fleet Management
- Audit Payment and Claims
- Appointment Scheduling
- Yard Management
- Carrier Management

Distribution Management is designed to effectively manage the key assets required to run complex distribution operations, and to move goods and information through a warehouse with precision and velocity. The suite addresses, among other needs, inbound visibility, receiving and shipping, labor management, and slotting optimization, and includes the following functions:

- Warehouse Management
- Labor Management
- Labor Forecasting and Scheduling Slotting Optimization
- Billing Management

- Supplier Enablement
- Hub Management
- RFID Solutions

<u>X-suite solutions</u>

The final component of Manhattan SCOPE is X-Suite Solutions. An X-Suite Solution is the integration of two or more solutions or solution components to solve a specific business problem. SCOPE's modular service-oriented architecture facilitates the creation of these cross-suite applications. X-Suite includes:

- Flow Management
- Extended Enterprise Management

Flow Management improves the agility of the supply chain while reducing the overall amount of inventory required to maintain high levels of customer service. In a flow-through distribution model, goods literally flow directly through the warehouse to outbound shipping areas. Flow Management is designed to synchronize demand, supply and inventory strategies across all aspects of planning, allocation and distribution. It synthesizes these SCOPE elements:

- Demand Forecasting
- Replenishment
- Supply Chain Visibility
- Distributed Order Management
- Warehouse Management

Businesses achieve the greatest benefit from a flow-through distribution model only by synchronizing demand management, inventory optimization, purchase order allocations, and the execution of the physical distribution within the warehouse. Flow Management enables organizations to evolve from a facilities-based distribution model to a more holistic, network-based perspective. As a result, organizations can:

- Free inventory to drive maximum profitability and customer service across channels;
- Redirect inbound supply directly to customers, alternate stores or distribution centers based on real-time demand signals and
- Optimize cross-channel inventory by enabling a single supply planning and inventory management process enterprise wide.

Extended Enterprise Management connects organizations with supply chain ecosystem participants to create insight on key supply chain events and improve how goods are ordered and move through supply chains. It synthesizes these solutions:

- Supplier Enablement
- Hub Management
- Transportation Enablement
- Store / Consumer Gateway
- Collaborative Gateway
- Supply Chain Visibility
- Supply Chain Event Management

Extended Enterprise Management facilitates quick and fluid interactions with trading partners, optimizes order management, creates compliant case labels and advanced shipment notifications upstream, assures quality inventory and shipments, and responds efficiently to events to increase on-time delivery rates, improve inventory control and meet demand expectations.

Professional Services

Our professional services provide our customers with expertise and assistance in planning and implementing our solutions. To ensure a successful product implementation, consultants assist customers with the initial installation of a system, the conversion and transfer of the customer's historical data onto our system, and ongoing training, education and system upgrades. We believe 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 professional services are optional, substantially all of our customers use at least some portion of these services to implement and support our software solutions. Professional services are typically rendered under time and materials-based contracts, with services typically billed on an hourly basis. Professional services are sometimes rendered under fixed-fee based contracts, with payments due on specific dates or milestones. We believe that increased sales of our software solutions will drive higher demand for our consulting services.

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

We have developed a proprietary, standardized implementation methodology which leverages our solutions' architecture with the knowledge and expertise gained from completing more than 3,000 installations worldwide. The modular design of our solutions significantly reduces the complexities associated with integrating to existing systems, including Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM), e-business systems and complex material handling systems.

Customer Support Services and Software Enhancements

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

Training

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

Hardware Sales

In conjunction with the licensing of our software, and as a convenience for our customers, we sell 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 sell all third-party hardware products pursuant to agreements with manufacturers or through distributor-authorized reseller agreements. These agreements entitle us to purchase hardware at discount prices, and to receive technical support during product installations and in the event of any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

Strategy

Our objective is to extend our position as a leading global supply chain solutions provider. Our solutions 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. We believe our solutions are advanced, highly functional, highly scalable and allow our customers to improve relationships with suppliers, customers and logistics providers; leverage their investments across the supply chain; effectively manage costs; and meet dynamically changing customer requirements. We believe our solutions are uniquely positioned to holistically optimize supply chains from planning through execution, and that customers can leverage this holistic approach to create operational and market advantages.

Our strategies to accomplish our objectives include the following:

Develop and Enhance Software Solutions. We intend to continue to focus our product development 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. To deliver additional functionality and value, we plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify 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 solution user groups; association with leading industry analyst 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. We intend to continue to enhance the functionality of our solutions to meet the dynamic requirements of these vertical markets as well as new vertical markets as business opportunities dictate.

Expand International Sales. We believe that our solutions offer significant benefits to customers in international markets. We have approximately 1,000 employees outside the United States focused on international sales, servicing our international clients and product development. We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, the Middle East, and Asia. Our Europe, Middle East, and Africa operations support the sales, implementation services and customer support functions for a number of customers across the Middle East. Our business activities are currently centralized within those countries that we consider to be politically and economically stable; such current customers and business activities are located in Saudi Arabia, United Arab Emirates, Kuwait, Turkey, and Oman. Our international strategy includes leveraging the strength of our relationships with current customers that also have significant overseas operations and pursuing strategic marketing partnerships with international systems integrators and third-party software application providers.

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

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

In 2005, the Company acquired Evant, Inc., a provider of supply chain planning and replenishment solutions, for approximately $50.0 million in cash.

Sales and Marketing

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

The sales cycle typically begins with the generation of a sales lead — through in-house telemarketing efforts, targeted promotions, web inquiries, trade show presence, speaking engagements, hosted seminars, or other means of referral — or the receipt of a request for proposal from a prospective customer. The sales lead or request for proposal is followed by the qualification of the lead or prospect, an assessment of the customer's requirements, a formal response to the request for proposal, presentations and product demonstrations, site visits and/or reference calls to an existing customer using our supply chain solutions and contract negotiation. The sales cycle can vary substantially from customer to customer, but typically requires three to nine months.

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

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

Customers

To date, our customers have been suppliers, manufacturers, distributors, retailers and logistics providers in a variety of industries. The following table sets forth a representative list of customers that contracted to purchase solutions and services from us in 2008.

A.N. Deringer, Inc.	Australian Pharmaceutical Industries Limited	Benjamin Moore & Co.
AF Logistics	Baekgaard, LTD	Bestin Supply Chain
Al-Azizia Panda United Inc.	Bakkavor Limited	Brown Shoe Company
Al-Shiwari Group	Ballester Hermanos, Inc.	BUT International SAS
American Eagle Outfitters	Bally Technologies, Inc.	C&S Wholesale Grocers
Amerisource Bergen Services Corporation	Bay Valley Foods LLC	C.R. England, Inc.
Anvil Knitwear, Inc.	Bed Bath & Beyond, Inc.	Carlisle Tire & Wheel Company
Archbrook Laguna LLC	Belk, Inc.	Carolina Logistics Services, LLC

Chery Automobile Company, Ltd.
Clapper Technology Sdn Bhd
Copernica, Inc. DBA Amplifier
Cosmax, Inc.
Costa Group Pty Ltd
Crete Carrier Corporation
David's Bridal, Inc.
Destra Vision (fka Magna Pacific)
DHL
Donaldson Company, Inc.
EMPiK
Essilor of America, Inc.
Estes Express
EXE c&t Co., Ltd
Express Scripts, Inc.
Fasteners for Retail
Fiskars Brands, Inc.
Folica, Inc.
Foschini Retail Group (Pty) Ltd.
Genuine Parts Company
Giant Eagle, Inc.
GoldToeMoretz LLC
Grays (NSW) Pty Lt.
HoMedics
Hunter Fan Company
Innotrac Corporation
InterDesign
J.J. Taylor Companies, Inc.
Jones Apparel Group, Inc.
Kenco Logistic Services
Keystone Distribution UK Ltd
LamRite West, Inc.
Landair, Inc.
Lennox International, Inc.
LeSaint Logistics
Loblaw Companies Limited
LoginUral, LLC
Loglibris
Logolux
Maersk Distribution Services
Manutan International S.A.
McKesson Corporation
Mydin Mohamed Holdings Bhd
Natasha
Ocean State Jobbers Corporation
Olympus America, Inc.
Optimal LTD
O'Reilly Auto Parts
Ozburn-Hessey Logistics, Inc.
Palmers Textil AG
Panalpina Management AG
Pearl, Incorporated
Perfect 10 Satellite Distribution, Inc.
Performance Team Freight Systems
Pfizer, Inc.
Polo Ralph Lauren
Publix Super Markets
QVC, Inc.
Republic National Distributing Company
Robinson Manufacturing
SamsonOpt
Santrade, Ltd.
Samsung India Electronics Pvt Ltd
Sara Lee Corporation
Select Carrier Group, Inc.
Shanghai Bertelsmann Industry Company
Shanghai Tingtong Logistics Co., Ltd.
Simplehuman LLC
Sinopharm Logistics
Skye Clothing (Pty) Ltd
Skye Footwear (Pty) Ltd
Sportmaster Ltd.
Stampin' Up!, Inc.
Staples, Inc.
Sturm Foods, Inc.
Sunglass Hut Trading Company
Super Cheap Auto
Teva Pharmaceuticals USA
The Apparel Group, Ltd.
The Bunsha Company
The Men's Wearhouse
Travis Association for the Blind
Triplefin LLC
United Natural Foods, Inc.
UWT Logistics LLC
Volcom, Inc.
Wakefern Food Corporation.
Walgreen Co.
Warnaco, Inc.
Whirlpool Corporation
Wincanton
Wineworks Marlborough Ltd
Winzer Corporation
Wirtz Corporation

Our top five customers in aggregate accounted for 11%, 13% and16% of total revenue for each of the years ended December 31, 2008, 2007 and 2006, respectively. No single customer accounted for more than 10% of revenue in 2008, 2007 or 2006.

Product Development

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

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

Science Advisory Board inform both the practical business approaches and the mathematical and scientific inventiveness of our solutions.

We plan to principally conduct our development efforts internally in order to retain development knowledge and promote the continuity of programming standards; however, some projects that can be performed separately and/or require special skills may be outsourced. Periodically, we use third-party research and development companies to localize our products into Chinese, Danish, French, German, Japanese, Korean, Spanish and Swedish. We also established a development center in Bangalore, India during 2002, which now has approximately 780 research and development professionals.

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

Our research and development expenses for the years ended December 31, 2008, 2007 and 2006 were $48.4 million, $46.6 million and $41.5 million, respectively. We intend to continue to invest significantly in product development.

Competition

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

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

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

- the corporate information technology departments of current or potential customers capable of internally developing solutions;
- Enterprise Resource Planning (ERP) vendors, including Oracle and SAP, among others;
- supply chain execution vendors, including RedPrairie Corporation, Infor, Highjump Software LLC, CDC Software (a CDC Corporation company) and Sterling Commerce, Inc. (an AT&T company), among others;

- supply chain planning vendors, including JDA Software Group, Inc., SAS Institute Inc. and i2 Technologies, Inc., among others; and
- smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or supply chain planning solutions that compete with our Supply Chain Solutions.

We anticipate facing increased competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. For instance, both Oracle and SAP have entered the market for supply chain management applications. These companies, and many of our other competitors and potential competitors, have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition, a broader offering of products and a larger installed base of customers than we do. To the extent ERP and SCM vendors or other large competitors develop or acquire systems with functionality comparable or superior to our solutions, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide them a significant competitive advantage over our solutions. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share.

We believe that the domain expertise required continually innovating targeted supply chain technology, effectively and efficiently implementing solutions, identifying and attracting sales opportunities, and compete successfully in the sales cycle provides us with a competitive advantage and is a significant barrier to market entry. However, in order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations, and consequently we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future.

International Operations: Segments

Manhattan Associates has three reporting segments, based on geographic locations of its operations: the Americas, EMEA and APAC. For further information on our segments, see Note 8 to our consolidated financial statements. Our international revenue was approximately $81.5 million, $68.7 million and $59.0 million for the years ended December 31, 2008, 2007 and 2006, respectively, which represents approximately 24%, 20% and 20% of our total revenue for the years ended December 31, 2008, 2007 and 2006, respectively. International revenue includes all revenue derived from sales to customers outside the United States. We now have over 1,000 employees outside the United States. 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.

Our Europe, Middle East, and Africa operations support the sales, implementation services and customer support functions for a number of customers across the Middle East. Our business activities in the Middle East are currently centralized within those countries that we consider to be politically and economically stable; such current customers and business activities are located in Saudi Arabia, United Arab Emirates, Kuwait, Turkey, and Oman.

Proprietary Rights

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have registered trademarks for Manhattan Associates and the Manhattan Associates logo, as well as for a number of products and product features. We also have trademark applications submitted for Manhattan SCOPE, SCOPE, Transportation Lifecycle Management, Order Lifecycle Management, Distributed Order Management, Extended Enterprise Management and Flow Management. We generally enter into confidentiality and assignment-of-rights agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license our solutions to our customers and restrict the customer's use for internal purposes and do not give customers the right to sublicense the solutions. However, we believe that this provides us only limited protection. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure you that we will successfully deter misappropriation or independent third-party development of our technology or prevent an unauthorized third party from copying or obtaining and using our products or technology. In addition, policing unauthorized use of our solutions is difficult, and while we are unable to determine the extent to which piracy of our software solutions exist, as is the case with any software company, piracy could become a problem.

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

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

Employees

As of December 31, 2008, we employed 2,084 full time employees, including 177 in sales and marketing, 1,004 in services, 733 in research and development ("R&D") and 170 in general and administration. By geography, we have 1,062 employees based in the Americas, 781 employees in India, 151 employees in EMEA, and 90 employees in APAC. During 2008, we committed to and initiated plans to reduce our workforce by approximately 170 positions due to intermediate term market demand and to realign our capacity with demand forecasts.

Available Information

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the "SEC" or the "Commission"). These materials can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may also be obtained by mail at prescribed rates from the SEC's Public Reference Room at the above address. Information about the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is www.sec.gov.

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

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

Item 1A. *Risk Factors*

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

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

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

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

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

- the varying sales cycle for our products and services from customer to customer, including multiple levels of authorization required by some customers;
- the varying demand for our products;
- customers’ budgeting and purchasing cycles;
- delays in our implementations at customer sites;
- timing of hiring new services employees and the rate at which these employees become productive;
- timing of introduction of new products;
- development and performance of our distribution channels;
- market and economic disruptions; and
- timing of any acquisitions and related costs.

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

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

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

We may not be able to continue to successfully compete with other companies. We compete in markets that are intensely competitive and are expected to become more competitive as current competitors expand their product offerings. Our current competitors come from many segments of the software industry and offer a variety of solutions directed at various aspects of the extended supply chain, as well as the enterprise as a whole. We face competition for product sales from:

- the corporate information technology departments of current or potential customers capable of internally developing solutions;
- Enterprise Resource Planning (ERP) vendors, including Oracle and SAP, among others;
- supply chain execution vendors, including RedPrairie Corporation, Infor, Highjump Software LLC, CDC Software (a CDC Corporation company) and Sterling Commerce, Inc. (an AT&T company), among others;
- supply chain planning vendors, including JDA Software Group, Inc., SAS Institute Inc. and i2 Technologies, Inc., among others; and
- smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or supply chain planning solutions that competes with our Supply Chain Solutions.

We anticipate facing increased competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. For instance, both Oracle and SAP have entered the market for supply chain management applications. These companies, and many of our other competitors and potential competitors, have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition, a broader offering of products and a larger installed base of customers than we do. To the extent such ERP and SCM vendors or other large competitors develop or acquire systems with functionality comparable or superior to our solutions, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide them a significant competitive advantage over our solutions. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share.

We believe that the domain expertise required to continually innovate targeted supply chain technology, effectively and efficiently implement solutions, identify and attracting sales opportunities, and compete successfully in the sales cycle provides us with a competitive advantage and is a significant barrier to market entry. However, in order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations, and consequently we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Some of our competitors have significant resources at their disposal, and the degree to which we will compete with these new products in the marketplace is still undetermined.

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

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

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

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

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

Our operating results may include foreign currency gains and losses. Due to our international operations, we conduct a portion of our business in currencies other than the United States dollar. Our revenues and operating results are positively affected when the dollar weakens in relation to other currencies but are negatively affected when the dollar strengthens in relation to other currencies. Fluctuations in the value of other currencies can significantly affect our revenues, expenses and operating results.

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

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

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

- maintain continuity in our executive officers;
- improve our operational, financial and management controls;
- improve our reporting systems and procedures;

- enhance management and information control systems;
- develop the management skills of our managers and supervisors; and
- attract, retain, train and motivate our employees.

Our inability to attract, integrate and retain management and other personnel may adversely affect us. Our success greatly depends on the continued service of our executives, as well as our other key senior management, technical and sales personnel. Our success will depend on the ability of our executive officers to work together as a team. The loss of any of our senior management or other key professional services, research and development, sales and marketing personnel—particularly if they are lost to competitors—could impair our ability to grow our business. We do not maintain key man life insurance on any of our executive officers.

Our future success will depend in large part upon our ability to attract, retain and motivate highly skilled employees. We face significant competition for individuals with the skills required to perform the services we offer, and thus we may encounter increased compensation costs that are not offset by increased revenue. We cannot assure you that we will be able to attract and retain sufficient numbers of these highly skilled employees or to motivate them. Because of the complexity of the SCM market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

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

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

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

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

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

Our software may contain undetected errors or "bugs," resulting in harm to our reputation and operating results. Software products as complex as those offered by us might contain undetected errors or failures when first introduced or when new versions are released. We cannot assure you, despite testing by us and by current and prospective customers that errors will not be found in new products or product enhancements after commercial release. Any errors found could cause substantial harm to our reputation, result in additional unplanned expenses to remedy any defects, delay the introduction of new products and/or cause a loss in revenue. Further, such errors could subject us to claims from our customers for significant damages, and we cannot assure you that courts would enforce the provisions in our customer agreements that limit our liability for damages.

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

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

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

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

- difficulties in assimilating new operations and personnel;
- diverting financial and management resources from existing operations; and

- difficulties in integrating acquired technologies.

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

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

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

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

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

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

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

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

- quarterly variations in operating results;

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

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

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

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

As of December 31, 2008, we do not have any unresolved written comments that we received from the SEC more than 180 days before December 31, 2008.

Item 2. ***Properties***

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 176,000 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through September 30, 2018. We have additional offices under multi-year agreements in Indiana. We also occupy facilities outside of the United States under multi-year agreements in the United Kingdom, the Netherlands, France, Japan, China, Singapore, India and Australia. We also occupy offices under short-term agreements in other geographical regions. We believe our office space is adequate to meet our immediate needs; however, we may expand into additional facilities in the future.

Item 3. ***Legal Proceedings***

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

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

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2008.

PART II

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

Market for Common Stock

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

Fiscal Period	High Price	Low Price
2008		
First Quarter	$ 25.75	$ 21.74
Second Quarter	26.77	21.35
Third Quarter	25.87	21.34
Fourth Quarter	21.79	13.82
2007		
First Quarter	$ 30.16	$ 26.18
Second Quarter	30.45	26.54
Third Quarter	30.67	25.19
Fourth Quarter	30.16	24.93

On February 19, 2009, the last reported sales price of our common stock on the Nasdaq Global Select Market was $14.74 per share. The number of shareholders of record of our common stock as of February 19, 2009 was approximately 35.

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

Equity Compensation Plan Information

The following table provides information regarding our current equity compensation plans as of December 31, 2008:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	6,010,909	$26.00	1,171,776
Equity compensation plans not approved by security holders	-	-	-
Total	6,010,909	$26.00	1,171,776

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

Purchase of Equity Securities

On October 16, 2008, it was announced that Manhattan Associates' Board of Directors authorized the repurchase of an additional $25.0 million of the Company's common stock under the Company's stock repurchase program. At December 31, 2008, the Company had $15.0 million remaining in share repurchase authority. The following table provides information regarding our common stock repurchases under our publicly-announced repurchase program and shares withheld for taxes due upon vesting of restricted stock for the quarter ended December 31, 2008. 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	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31, 2008	134,812	$ 15.41	132,200	$ 22,996,792
November 1 - November 30, 2008	519,414	15.40	519,414	14,999,274
December 1 - December 31, 2008	-	-	-	14,999,274
Total	654,226	$ 15.40	651,614	$ 14,999,274

(a) Includes 2,612 shares withheld for taxes due upon vesting of restricted stock.

The Company previously withheld 2,215 shares for taxes due upon vesting of restricted stock in the third quarter of 2008.

Item 6. *Selected Financial Data*

You should read the following selected consolidated financial data in conjunction with our Consolidated Financial Statements and related Notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2008, 2007 and 2006, and the balance sheet data as of December 31, 2008 and 2007, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2005 and 2004 and the balance sheet data as of December 31, 2006, 2005, and 2004 are derived from the audited financial statements not included herein. Historical results are not necessarily indicative of results to be expected in the future.

	Year Ended December 31,				
	2004	2005	2006	2007	2008
	(in thousands, except per share data)				
Statement of Income Data:					
License revenue	$ 49,886	$ 57,119	$ 66,543	$ 73,031	**$ 65,313**
Total revenue	$ 214,919	$ 246,404	$ 288,868	$ 337,401	**$ 337,201**
Operating income	$ 31,609	$ 30,277	$ 30,755	$ 43,058	**$ 25,963**
Net income	$ 21,634	$ 18,635	$ 19,331	$ 30,751	**$ 22,798**
Earnings per diluted share	$ 0.70	$ 0.64	$ 0.69	$ 1.13	**$ 0.94**

	December 31,				
	2004	2005	2006	2007	2008
	(in thousands)				
Balance Sheet Data:					
Cash, cash equivalents and investments	$ 172,656	$ 93,675	$ 131,057	$ 72,772	**$ 88,706**
Total assets	$ 290,239	$ 273,398	$ 314,893	$ 271,660	**$ 270,221**
Debt	$ 148	$ -	$ -	$ -	**$ -**
Shareholders' equity	$ 239,017	$ 205,398	$ 237,140	$ 185,705	**$ 179,839**

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

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

Business Overview

We are a leading developer and implementer of supply chain software solutions that help organizations optimize their supply chain operations from planning through execution. We call our portfolio of supply chain software solutions MANHATTAN SCOPE™ (**S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution). Built on a common Supply Chain Process Platform, SCOPE combines Planning and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management to enable full-range supply chain optimization.

Early in the Company's history, our offerings were heavily focused on warehouse management solutions. As the Company grew in size and scope, its 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 management warehouse 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 2008, we generated $337.2 million in total revenue with a revenue mix of: license revenues 19%; services 70%; and hardware and other revenue 11%.

We manage our business based on three geographic regions: Americas (North America and Latin America), EMEA (Europe, Middle East and Africa), and APAC (Asia Pacific). Geographic revenue is based on the location of the sale. Our international revenue was approximately $81.5 million, $68.7 million and $59.0 million for the years ended December 31, 2008, 2007 and 2006, respectively, which represents approximately 24%, 20% and 20% of our total revenue for the years ended December 31, 2008, 2007 and 2006, respectively. International revenue includes all revenue derived from sales to customers outside the United States. At December 31, 2008, we employed 2,084 employees worldwide, of which 1,022 employees are based outside the United States. Of the 1,022 international employees, approximately 75%, or nearly 800 employees, are located in our India Development Center. 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. Approximately 76% of our total revenue is generated in the United States, 13% 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.

According to the International Monetary Fund ("IMF") January 28, 2009 World Economic Outlook Update ("WEO Update"), "World growth is projected to fall to ½ percent in 2009, its lowest rate since World War II. Despite wide-ranging policy actions, financial strains remain acute, pulling down the real economy. A sustained economic recovery will not be possible until the financial sector's functionality is restored and credit markets are unclogged." "Against this uncertain backdrop, output in the advanced economies is now expected to contract by 2 percent in 2009." According to the WEO Update, the global economy grew 3.4% in 2008 compared to 5.2% in 2007. In 2008 the United States economy grew 1.1%, and is projected to contract by 1.6% in 2009. Western Europe's economy also grew 1.0% in 2008, and is forecast to shrink by 2.0% in 2009. The United Kingdom separately grew 0.7% in 2008 and is forecast to decline by 2.8% in 2009.

The IMF notes the uncertainty surrounding the WEO Update's outlook is unusually large as downside risks continue to dominate due to the unprecedented scale and scope of the current financial crisis. Global output and trade plummeted in the final months of 2008, due to the continuation of the financial crisis. The associated high level of uncertainty has prompted households and businesses to postpone expenditures, reducing demand for consumer and capital goods. At the same time, widespread disruptions in credit are constraining household spending and curtailing production and trade.

A slowing macro-economic environment impacts the timing of closing software transactions and lengthens the software sales cycles, which in turn affects our revenue and earnings per share. In the first half of 2008, our consolidated license revenue increased 1% (compared to 15% growth in the first half of 2007), while in the second half of 2008, license revenue decreased 23% compared to the second half of 2007. Our Americas license revenue for the first half of 2008 versus the first half of 2007 decreased 11% and for the second half of 2008 declined 23% versus the second half of 2007 as the economy worsened. We began to see the deceleration of America's license revenue in the latter half of 2007 as second half license revenue declined 3% compared to the prior comparable period in 2006, largely, management believes, due to the slowing of the U.S. economy driven by turbulence in the financial markets, the U.S. housing market collapse and rising commodity prices.

With the current macro-economic environment, we believe companies will seek to protect their balance sheets and hoard cash, which in turn will drive lower information technology spending. According to Gartner, a leading supply chain industry analyst, estimated overall information technology spending growth for 2009 in the U.S. is projected at 2.2% as of December 2008, confirming a significant reduction to Gartner's September 2008 forecast. The Company is consequently predicting the continuation of a very difficult selling environment throughout the 2009 year.

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

Revenue

License revenue: License revenue, a leading indicator of our business, is primarily derived from software license fees that customers pay for supply chain solutions. In 2008, license revenue totaled $65.3 million, or 19% of total revenue, with gross margins of 91%. Our annual license revenue percentage mix of new to existing customers was approximately 50% to 50%, and over the past three years has averaged about 45% to 55%. We believe our mix of new customer to existing customer license sales is well balanced, reflecting solid demand from our installed base, as well as from new 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 of which the timing of the closing of a few large license transactions can have a material impact on our quarterly license revenues, operating profit and earnings per share. For example, $1.0 million of license revenue in 2008 equates to approximately 2.5 cents of diluted earnings per share impact.

Our software solutions are singularly focused on the supply chain planning and execution markets, which are intensely competitive, 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 ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share.

Services revenue: Our services business consists of professional services (consulting and training) and customer support services and software enhancements. In 2008, our services revenue totaled $236.0 million, or 70% of total revenue, with gross margins of 51%. Professional services accounted for approximately 70% of total services revenue and nearly 50% of total revenue in 2008. 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 December 31, 2008, our consulting services business totaled 1,004 employees, about 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 license revenue growth, which is influenced by the strength of general economic and business conditions and the competitive position of our software products. In addition, our consulting services business has competitive exposure to offshore providers and other consulting companies. All of these factors potentially create the risk of pricing pressure, fewer customer orders, reduced gross margins and loss of market share.

For customer support services and software enhancements (CSSE), we offer a comprehensive program that provides our customers with software upgrades 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 $77.0 million in 2008, representing approximately 30% of services revenue and approximately 20% of total revenue, respectively. The growth of CSSE revenues is influenced by: 1) new license revenue growth, 2) annual renewal of support contracts, 3) increase in customers through acquisitions, and 4) fluctuations in currency rates. Substantially all of our customers renew their annual support contracts. Over the last three years, our annual 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 $35.9 million in 2008 representing 11% of total revenue with gross margins of 19%. 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.

Product Development

We intend to continue to invest significantly in research and development (R&D), which historically has averaged about 14 cents of every revenue dollar, to provide market leading solutions that help global manufacturers, wholesalers, distributors, retailers and logistics providers successfully manage accelerating and fluctuating demands as well as the increasing complexity and volatility of their local and global supply chains. Our research and development expenses for the years ended December 31, 2008, 2007 and 2006 were $48.4 million, $46.6 million and $41.5 million, respectively. At December 31, 2008, our R&D organization totaled 733 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. The underpinning of our product portfolio is the services-based Supply Chain Process Platform, which provides the foundation for ensuring that all our solutions reside on a common architecture, leverage common master and transaction data and utilize the same business services to accomplish tasks common to multiple solutions, enabling our customers to lower their total cost of ownership while optimizing their supply chain effectiveness and efficiency.

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 2008, we generated cash flow from operating activities of $63.8 million and have generated a cumulative total of $146.2 million for the three years ended 2006, 2007 and 2008. Our cash and investments at December 31, 2008 totaled $88.7 million, with no debt on our balance sheet. We currently have no credit facilities. During the past three years, our primary uses of our cash have been to continue funding of R&D investment and operations to drive earnings growth and to repurchase common stock.

At the end of 2008, we had $15.0 million in remaining share repurchase authority. In 2009, we anticipate that our priorities for use of cash will be similar to prior years, with our first priority being continued investment in product development and profitably growing our business to extend our market leadership. We will continue to evaluate acquisition opportunities that are complementary to our product footprint and technology direction. We will also continue to weigh our share repurchase options against cash for acquisitions and investing in the business. We do not anticipate any borrowing requirements in 2009 for general corporate purposes.

Application of Critical Accounting Policies and Estimates

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

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

Revenue Recognition

Our revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, “professional services”), plus customer support services and software enhancements, and sales of hardware and other (other consists of reimbursements of out of pocket expenses incurred by professional services). All revenue is recognized net of any related sales taxes.

We recognize license revenue under Statement of Position No. 97-2, “Software Revenue Recognition” (“SOP 97-2”), as amended by Statement of Position No. 98-9, “Software Revenue Recognition, With Respect to Certain Transactions” (“SOP 98-9”), specifically when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. SOP 98-9 requires recognition of revenue using the “residual method” when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2, other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

The accounting related to license revenue recognition in the software industry is complex and affected by interpretations of the rules which are subject to change. Our judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience and economic market conditions. If market conditions decline, or if the financial condition of our customers 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 Financial Accounting Standard Board's ("FASB's") Emerging Issues Task Force ("EITF") Issue No. 01-14 ("EITF No. 01-14"), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," we recognize amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been included in hardware and other revenue. The total amount of expense reimbursement recorded to revenue was $12.7 million, $13.0 million and $9.7 million for 2008, 2007 and 2006, respectively.

Allowance for Doubtful Accounts

We continuously monitor collections and payments from our customers and maintain an allowance for estimated credits based upon our historical experience and any specific customer collection issues that we have identified. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

Valuation of Goodwill

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill and other intangible assets with indefinite lives. Our goodwill is subject to an annual impairment test, which requires us to estimate the fair value of our business compared to the carrying value. The impairment reviews require an analysis of future projections and assumptions about our operating performance. Should such review indicate the assets are impaired, we would record an expense for the impaired assets.

Annual tests or other future events could cause us to conclude that impairment indicators exist and that our goodwill is impaired. For example, if we had reason to believe that our recorded goodwill had become impaired due to decreases in the fair market value of the underlying business, we would have to take a charge to income for that portion of goodwill that we believed was impaired. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations. At December 31, 2008, our goodwill balance was $62.3 million.

Accounting for Income Taxes

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

Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, allowable deductions, projected tax credits and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. 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 publicly traded options (issued by third party) for our common stock. Due to the limited trading volume of publicly traded options for our common stock, we place a greater emphasis on historical volatility of our common stock. We also use historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. We base the risk-free interest rate on the rate for U.S. Treasury zero-coupon issues with a term approximating the expected term.

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

Business Combinations

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

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

In connection with purchase price allocations, we estimate the fair value of the support obligations assumed in connection with acquisitions. The estimated fair value of the support obligations is determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The estimated costs to fulfill the support obligations are based on the historical direct costs related to providing the support services and to correct any errors in the software products acquired. We do not include any costs associated with selling efforts, 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.

2008 Accounting Charges

Asset Impairment Charges. During 2008, we recorded an other-than-temporary impairment charge of $1.7 million, writing down the remaining balance of a $2.0 million investment in an RFID technology company we made in July 2003. We recorded the additional impairment due to a combination of continued negative financial results reported by this company in a very competitive sector and a down round of financing (i.e., a round of financing that was dilutive to our investment) in which our preferred share ownership was converted into common stock, eliminating our preference rights associated with liquidation, thereby substantially impairing our ability to recoup our investment.

In addition, we recorded an other-than-temporary impairment charge of $3.5 million on an investment in an auction rate security. We reduced the carrying value to zero due to a combination of credit downgrades of the underlying issuer and the bond insurer as well as increased publicly reported exposure to bankruptcy risk by the issuer and continued significant deterioration in the credit markets limiting the issuer's ability to re-finance the underlying bond.

Restructuring charge. During 2008, we committed to and initiated plans to reduce our workforce by approximately 170 positions due to intermediate term market demand and to realign our capacity with demand forecasts. As a result of this initiative, we recorded a restructuring charge of approximately $4.7 million pretax ($3.0 million after-tax or $0.13 per fully diluted share) in the fourth quarter of 2008. The restructuring charge primarily consists of employee severance and outplacement services.

Highlights of Full Year 2008 Consolidated Financial Results

Summarized highlights for our 2008 results, as compared to 2007, are:

- Total revenue was essentially flat at $337.2 million compared to $337.4 million for 2007;
    - License revenue decreased 11% to $65.3 million;
    - Services revenue increased 4% to $236.0 million;
- Operating income was $26.0 million compared to $43.1 million in 2007; 2008 includes the $9.9 million of unusual adjustments taken in the second half of 2008 described above under "2008 Accounting Charges";
- Diluted earnings per share was $0.94, a decrease of 17%;
- Cash flow from operations totaled $63.8 million, a 67% increase over 2007;
- Cash and investments on hand at December 31, 2008 was $88.7 million, increasing $16.0 million over December 31, 2007; and
- The Company repurchased approximately 1.7 million shares of common stock during the year totaling $35.0 million at an average price of $20.52 under its publicly-announced buy-back program. As of December 31, 2008, the Company had approximately $15.0 million remaining in share repurchase authority.

Results of Operations

The following table summarizes selected Statement of Income data for the years ended December 31, 2008, 2007 and 2006.

	Year Ended December 31,			% Change	
	2008	2007	2006	2008 to 2007	2007 to 2006
	(in thousands)				
Revenue:					
Software license	**$ 65,313**	$ 73,031	$ 66,543	**-11%**	10%
Services	**235,967**	226,153	194,521	**4%**	16%
Hardware and other	**35,921**	38,217	27,804	**-6%**	37%
Total revenue	**337,201**	337,401	288,868	**-**	17%
Costs and expenses:					
Cost of license	**5,961**	5,334	5,796	**12%**	-8%
Cost of services	**116,707**	109,758	93,427	**6%**	17%
Cost of hardware and other	**29,270**	32,268	24,515	**-9%**	32%
Research and development	**48,407**	46,594	41,468	**4%**	12%
Sales and marketing	**51,177**	53,406	45,888	**-4%**	16%
General and administrative	**37,145**	33,366	29,143	**11%**	14%
Depreciation and amortization	**12,699**	13,617	13,247	**-7%**	3%
Asset impairment charges (1)	**5,205**	-	270	**100%**	-100%
Restructuring and acquisition-related charges (2)	**4,667**	-	1,503	**100%**	-100%
Settlement charges (3)	**-**	-	2,856	**-**	-100%
Total costs and expenses	**311,238**	294,343	258,113	**6%**	14%
Operating Income	**$ 25,963**	$ 43,058	$ 30,755	**-40%**	40%
Operating margin	**7.7%**	12.8%	10.6%		

(1) The impairment charge for 2008 includes a $1.7 million charge for writing down the remaining balance of a $2.0 million investment in a RFID technology company we made in July 2003. We recorded the additional impairment due to a down round of financing (i.e., a round of financing that was dilutive to our investment) in which our preferred share ownership was converted into common stock, eliminating our preference rights associated with liquidation, thereby substantially impairing our ability to recoup our investment. In addition, we recorded an impairment charge of $3.5 million on an investment in an auction rate security. We reduced the carrying value to zero due to credit downgrades of the underlying issuer and the bond insurer as well as increasing publicly reported exposure to bankruptcy risk by the issuer. The impairment charge for 2006 represents an impairment charge of $0.3 million against our $2.0 million investment in a RFID technology company discussed above.

(2) The restructuring charge of $4.7 million in 2008 mainly represents employee severance and outplacement services resulting from the workforce reduction initiative executed in the fourth quarter of 2008. Acquisition charges for 2006 include employee retention bonuses associated with our Evant, Inc. acquisition in 2005.

(3) Settlement charges for 2006 represent legal settlements resulting from disputes over the implementation of our software.

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 costs consist of 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 2008, 2007 and 2006, we derived the majority of our revenues from sales to customers within our Americas region. The following table summarizes revenue and operating profit by region:

	Year Ended December 31,			% Change	
	2008	**2007**	**2006**	**2008 to 2007**	**2007 to 2006**
Revenue:		**(in thousands)**			
License					
Americas	**$ 51,392**	$ 61,708	$ 57,579	**-17%**	7%
EMEA	**8,885**	9,311	5,285	**-5%**	76%
APAC	**5,036**	2,012	3,679	**150%**	-45%
Total license	**$ 65,313**	$ 73,031	$ 66,543	**-11%**	10%
Services					
Americas	**$ 192,483**	$ 187,019	$ 158,603	**3%**	18%
EMEA	**32,163**	25,617	20,793	**26%**	23%
APAC	**11,321**	13,517	15,125	**-16%**	-11%
Total services	**$ 235,967**	$ 226,153	$ 194,521	**4%**	16%
Hardware and Other					
Americas	**$ 33,371**	$ 35,595	$ 26,138	**-6%**	36%
EMEA	**1,750**	1,921	1,273	**-9%**	51%
APAC	**800**	701	393	**14%**	78%
Total hardware and other	**$ 35,921**	$ 38,217	$ 27,804	**-6%**	37%
Total Revenue					
Americas	**$ 277,246**	$ 284,322	$ 242,320	**-2%**	17%
EMEA	**42,798**	36,849	27,351	**16%**	35%
APAC	**17,157**	16,230	19,197	**6%**	-15%
Total revenue	**$ 337,201**	$ 337,401	$ 288,868	**0%**	17%
Operating income:					
Americas	**$ 18,849**	$ 40,300	$ 32,747	**-53%**	23%
EMEA	**6,640**	2,422	(2,817)	**174%**	186%
APAC	**474**	336	825	**41%**	-59%
Total operating income	**$ 25,963**	$ 43,058	$ 30,755	**-40%**	40%

The results of our operations for year 2008, 2007, and 2006 are discussed below.

Revenue

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancements; and sales of complementary radio frequency and computer equipment.

	Year Ended December, 31							
				% Change		% of Total Revenue		
	2008	2007	2006	2008 to 2007	2007 to 2006	2008	2007	2006
		(in thousands)						
License	**$ 65,313**	$ 73,031	$ 66,543	**-11%**	10%	**19%**	22%	23%
Services	**235,967**	226,153	194,521	**4%**	16%	**70%**	67%	67%
Hardware and other	**35,921**	38,217	27,804	**-6%**	37%	**11%**	11%	10%
Total revenue	**$ 337,201**	$ 337,401	$ 288,868	**0%**	17%	**100%**	100%	100%

License revenue

Year 2008 compared with year 2007

License revenue decreased 11% or $7.7 million in 2008 compared to 2007. Americas and EMEA license revenue declined $10.3 million and $0.4 million, respectively, driven by the current global macro-economic slowdown, which has lengthened sales cycles in our markets in 2008. This decrease was partially offset by an increase in APAC license revenue of $3.0 million.

License sales mix across our product suite remained strong with approximately 55% of sales in our warehouse management solutions and 45% in non-warehouse management solutions in 2008. Sales of warehouse management solutions and non-warehouse management solutions declined 7% and 15%, respectively, in 2008 compared to 2007.

Year 2007 compared with year 2006

License revenue increased 10% in 2007 over 2006 driven by strong growth in our Americas and EMEA segments. Americas license and hosting revenues increased $4.1 million, or 7%, and EMEA license revenue increased $4.0 million, or 76%, in 2007 over 2006. This increase was partially offset by a decline in APAC license sales of $1.7 million.

License sales mix across our product suite remained balanced with approximately 52% of our sales in our warehouse management solutions and 48% in non-warehouse management solutions in 2007. Revenue from our warehouse management solutions grew 2% and non-warehouse management solutions grew 20% in 2007 over 2006. From period to period, we continue to see an increase in the diversity of products purchased from us by new and existing customers as our newer products gain greater market acceptance. This diversification is contributing to the fluctuations in the sales mix of our solutions groups.

Services revenue

Year 2008 compared with year 2007

Services revenue increased 4% or $9.8 million in 2008 over 2007 principally due to a 15% or $9.9 million increase of software enhancements revenue. The EMEA and Americas segments led the growth with an increase in services revenue of $6.5 million, or 26%, and $5.5 million, or 3%, respectively, from 2007 to 2008. These increases were partially offset by a decrease in APAC services revenue of $2.2 million, or 16%, from 2007 to 2008 due to the lack of large license sales closed in 2007.

Year 2007 compared with year 2006

Services revenue increased $31.6 million, or 16%, in 2007 over 2006 principally due to a 16% increase of professional services revenue required to implement larger projects, increased license sales and existing customer upgrades to more current versions of our offerings and a 15% increase in revenue from software enhancement agreements. The Americas segment led the growth with an increase in services revenue of $28.4 million, or 18%, from 2006 to 2007. Services revenue in EMEA also increased by $4.8 million, or 23%, from 2006 to 2007. These increases were partially offset by a decrease in APAC services revenue of $1.6 million from 2006 to 2007 due to the lack of large license sales closed in 2007.

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 deteriorating global macro-economic conditions and competition. In addition, our services revenue growth will be affected by timing of license revenue growth and the mix of products sold. For instance, individual engagements involving our non-warehouse management solutions typically require less implementation services resources.

Hardware and other

Sales of hardware decreased $2.0 million, or 8%, in 2008 compared to 2007. Sales of hardware increased $7.0 million, or 39% in 2007 over 2006. Over 90% of this revenue is generated from the Americas segment. Sales of hardware are largely dependent upon customer-specific desires, which fluctuate. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. For 2008, 2007 and 2006, reimbursements by customers for out-of-pocket expenses were approximately $12.7 million, $13.0 million and $9.7 million, respectively.

Cost of Revenue

	Year Ended December 31,				
				% Change	
	2008	2007	2006	2008 to 2007	2007 to 2006
	(in thousands)				
Cost of license	**$ 5,961**	$ 5,334	$ 5,796	**12%**	-8%
Cost of services	**116,707**	109,758	93,427	**6%**	17%
Cost of hardware and other	**29,270**	32,268	24,515	**-9%**	32%
Total cost of revenue	**$ 151,938**	$ 147,360	$ 123,738	**3%**	19%

Cost of License

Cost of license consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; and royalties on third-party software sold with or as part of our products. Cost of license increased $0.6 million, or 12%, to $6.0 million in 2008 due to an increase in costs associated with our hosting services. Cost of licenses decreased $0.5 million, or 8%, in 2007 compared with 2006.

Cost of Services

Year 2008 compared with year 2007

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 6% increase in cost of services in 2008, from $109.8 million to $116.7 million, was primarily due to: (i) a $6.7 million increase in salary-related costs resulting from a 10% increase in the average number of personnel dedicated to the delivery of professional services, prior to our fourth quarter workforce reduction; (ii) an $0.8 million increase in travel expenses, and (iii) a $0.5 million increase in third-party software maintenance, partially offset by a decrease of $1.4 million in bonus and commission expense.

The services gross margin decreased 90 basis points to 50.5% in 2008. The reduction in the services gross margin in 2008 was caused by the more intricate services work required as our sales mix shifts from our heritage System i platform to our Open Systems platform. We expect to see downward pressure on services revenue growth as a result of lower America's license revenues combined with the slowing in upgrade activity given the global economic climate.

Year 2007 compared with year 2006

The 17% increase in cost of services in 2007, from $93.4 million to $109.8 million, was primarily due to: (i) increases in salary-related costs resulting from a 22% increase in the average number of personnel dedicated to the delivery of professional services; (ii) an increase of $2.7 million in bonus expense based on our cumulative performance relative to internal plans; and was

(iii) partially off-set by a decrease of $1.1 million in stock compensation expense due to completed vesting of options issued prior to 2006 combined with a reduction in stock awards granted.

The services gross margin decreased 60 basis points to 51.4% in 2007. The reduction in the services gross margin in 2007 was caused by the more intricate services work required as our sales mix shifts from our heritage System i platform to our Open Systems platform.

Cost of Hardware and other

Cost of hardware decreased $2.2 million to approximately $17.0 million in 2008 compared to 2007 as a direct result of a decrease in sales of hardware. In 2007, cost of hardware increased to $19.2 million from $14.8 million in 2006 as a direct result of increased hardware sales in 2007. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $12.3 million, $13.0 million and $9.7 million for 2008, 2007 and 2006, respectively. The fluctuation in reimbursed out-of-pocket expenses is due to variations in travel related to the changeability in services projects.

Operating Expenses

	Year Ended December 31,				
				% Change	
	2008	**2007**	**2006**	**2008 to 2007**	**2007 to 2006**
	(in thousands)				
Research and development	**$ 48,407**	$ 46,594	$ 41,468	**4%**	12%
Sales and marketing	**51,177**	53,406	45,888	**-4%**	16%
General and administrative	**37,145**	33,366	29,143	**11%**	14%
Depreciation and amortization	**12,699**	13,617	13,247	**-7%**	3%
Asset impairment charges	**5,205**	-	270	**100%**	-100%
Restructuring and acquisition-related charges	**4,667**	-	1,503	**100%**	-100%
Settlement charges	**-**	-	2,856	**100%**	-100%
Operating expenses	**$ 159,300**	$ 146,983	$ 134,375	**8%**	9%

Research and Development

Our principal research and development activities during 2008, 2007 and 2006 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 the integration with Enterprise Resource Planning (ERP) and other supply chain solutions.

For the years ended December 31, 2008, 2007, and 2006, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

Year 2008 compared with year 2007

Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Consistent with prior years, we typically invest approximately 14% of revenue in research and development. The $1.8 million, or 4%, increase in research and development expenses in 2008 to $48.4 million is principally attributable to a realignment of resources from service projects to research and development activities.

Year 2007 compared with year 2006

Research and development expenses increased $5.1 million, or 12%, in 2007 to $46.6 million primarily because of:
(i) increases in the number of personnel dedicated to ongoing research and development activities (the number of research and

development personnel increased 8% to 772 at December 31, 2007 as compared to 713 at December 31, 2006) and (ii) $1.2 million in bonus expense.

Sales and Marketing

Year 2008 compared with year 2007

Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing and alliance programs and related activities. Sales and marketing expenses decreased $2.2 million, or 4%, to $51.2 million in 2008 compared to 2007. The decrease in sales and marketing expense in 2008 is principally caused by the decrease of $2.9 million in bonus and commissions due to the year over year decrease in license revenue, partially offset by a $0.7 million increase in stock compensation expense.

Year 2007 compared with year 2006

Sales and marketing expenses increased $7.5 million, or 16% to $53.4 million in 2007 over 2006. The incremental sales and marketing expense are primarily attributable to: (i) a $3.3 million increase in compensation in 2007 caused by increase in sales and marketing headcount; (ii) a $1.5 million increase in bonus and incentive compensation expense relating to the higher license fees; (iii) a $1.1 million increase in travel and travel-related expenses; (iv) a $0.7 million increase in our marketing programs; and (vi) $0.4 million of incremental stock compensation expense.

General and Administrative

Year 2008 compared with year 2007

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 increase in general and administrative expenses from 2007 to 2008 of $3.8 million to $37.1 million was primarily attributable to: (i) a $1.5 million reserve for transaction tax exposure, (ii) a $1.2 million reduction in recoveries of previously expensed sales tax resulting from the expiration of the sales tax audit statutes in certain states in 2007, (iii) $1.3 million of incremental stock compensation expense, and (iv) a $1.0 million increase in salary-related costs resulting from a 7% increase in the average number of personnel, partially offset by a $0.8 million decrease in travel expenses.

Year 2007 compared with year 2006

The increase in general and administrative expenses of $4.2 million from 2006 to $33.4 million in 2007 was attributable to: (i) a $2.5 million increase in salary-related costs and bonuses resulting from additional personnel combined with annual compensation increases and higher earnings; and (ii) an increase of $0.3 million in stock compensation expense; partially offset by (iii) a decrease of approximately $0.1 million in recoveries of previously expensed sales tax resulting from the expiration of the sales tax audit statutes in certain states.

Depreciation and Amortization

Depreciation expense amounted to $9.4 million, $9.0 million and $8.4 million, during 2008, 2007, and 2006, respectively. Amortization of intangibles amounted to $3.3 million, $4.6 million and $4.9 million during 2008, 2007, and 2006, respectively. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions, including the acquisitions of Evant in August 2005, *eebiznet* in July 2004, Avere, Inc. in January 2004, ReturnCentral, Inc. in June 2003, and Logistics.com, Inc. in December 2002. The decreases in amortization expense in 2008 and 2007 of $1.3 million and $0.3 million, respectively, were mainly associated with certain intangible assets related to prior acquisitions which became fully amortized.

Impairment charges

Asset impairment charges of $5.2 million in 2008 consist of a $3.5 million impairment on an investment in an auction-rate security and a $1.7 million impairment on an investment in an RFID technology company. We reduced the carrying value of the auction-rate security investment to zero due to a combination of credit downgrades of the underlying issuer and the bond insurer as well as increased publicly reported exposure to bankruptcy risk by the issuer and continued significant deterioration in the credit markets limiting the issuer's ability to re-finance the underlying bond. We wrote down the remaining balance of our $2.0 million investment in the company due to a combination of continued negative financial results reported by this company in a very competitive sector and a down round of financing (i.e., a round of financing that was dilutive to our investment) in which our preferred share ownership was converted into common stock, eliminating our preference rights associated with liquidation, thereby substantially impairing our ability to recoup our investment.

In 2006, based on our assessment of uncertainties associated with the fair value of our investment in an RFID technology company following its unsuccessful public offering during the third quarter of 2006, we wrote down $0.3 million of our $2.0 million investment.

Restructuring and acquisition-related charges

During 2008, we committed to and initiated plans to reduce our workforce by approximately 170 positions due to intermediate term market demand and to realign our capacity with demand forecasts. As a result of this initiative, we recorded a restructuring charge of approximately $4.7 million pretax ($3.0 million after-tax or $0.13 per fully diluted share) in fourth quarter 2008. The restructuring charge consisted of employee severance and outplacement services.

The $1.5 million of charges for 2006 represent the remaining expense of $2.8 million paid for employee retention bonuses incurred in connection with the acquisition of Evant, Inc. in September 2005.

Settlement charges

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

Operating Income

Operating income in 2008 decreased by $17.1 million on a flat consolidated revenue year over year. Operating margins declined from 12.8% in 2007 to 7.7% in 2008. The decline in profit contribution and margin in 2008 was largely driven by the following factors: (i) lower license revenues in 2008, which have a relatively higher margin compared to services revenues, (ii) $5.2 million of asset write-downs, (iii) a $4.7 million restructuring charge, (iv) a $1.2 million increase in stock option expense, and (v) a $1.8 million increase in research and development investment. Operating income in the Americas segment decreased by $21.5 million, or 53%, due to incremental stock compensation expense of $1.2 million, asset write-downs of $5.2 million and a restructuring charge of $4.4 million. Operating income in EMEA and APAC increased $4.3 million on strong revenue growth.

Operating income in 2007 increased by $12.3 million on consolidated revenue growth of 17%. Operating margins increased to 12.8% from 10.6% in 2006. The incremental profit contribution and margin was largely driven by the following factors: (i) record revenue and operating profit; (ii) lower expenses in 2007 due to 2006 unusual expenses for settlement charges, acquisition charges and impairment charges of $2.9 million, $1.5 million and $0.3 million in 2006, respectively; and (iii) a reduction in stock compensation expense of $0.6 million in 2007. Operating income in the Americas segment increased by $7.6 million in 2007, or 23%, due to the decline in stock compensation expense of $0.4 million as well as acquisition-related charges of $1.5 million and legal settlements of $0.8 million in 2006. Operating income in EMEA improved by $5.2 million in 2007 due to record revenues and $2.0 million of settlement charges in 2006, plus a $0.2 million reduction in stock compensation expense. Operating income for APAC decreased by $0.5 million mainly due to lower revenue.

Other Income and Income Taxes

	Year Ended December 31,			% Change	
	2008	2007	2006	2008 to 2007	2007 to 2006
Other income, net	**$ 5,545**	$ 4,608	$ 3,638	20%	27%
Income tax provision	**8,710**	16,915	15,062	-49%	12%

Other Income, net

Other income, net primarily includes interest income and foreign currency gains and losses. Interest income was $1.8 million for the year ended December 31, 2008 and $3.4 million for each of the years ended December 31, 2007 and 2006. The decrease of $1.6 million in interest income in 2008 compared to 2007 was due to overall lower average investment balances driven by our share repurchase programs. Interest income remained consistent from 2006 to 2007. The weighted-average interest rate earned on cash and investment securities was 2.3%, 3.3% and 3.1% for the year ended December 31, 2008, 2007 and 2006, respectively. We recorded net foreign currency gains of $3.9 million, $1.2 million and $0.2 million in 2008, 2007 and 2006, respectively. The foreign currency gains mainly resulted from gains on intercompany transactions denominated in foreign currencies with subsidiaries due to the fluctuation of the U.S. dollar relative to other foreign currencies, primarily the Indian Rupee, the British Pound and the Euro.

Income Tax Provision

Our effective income tax rates were 27.6%, 35.5%, and 43.8% in 2008, 2007 and 2006, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The reduction in the effective income tax rate in 2008 compared to 2007 primarily resulted from a release of income tax reserves resulting from expiring tax audit statutes for U.S. federal income tax returns filed for 2004 and prior, partially offset by the asset impairment charges for which no tax benefit was recorded. The lower effective tax rate in 2007 compared to 2006 was primarily attributable to higher deductible stock option expense and the impact of legal settlements in 2006, partially offset by tax on certain intercompany balances.

Liquidity and Capital Resources

During 2008, 2007, and 2006, we funded our operations through cash generated from operations. As of December 31, 2008, we had $88.7 million in cash, cash equivalents and investments as compared to $72.8 million at December 31, 2007.

Our operating activities provided cash of $63.8 million, $38.3 million and $44.1 million in 2008, 2007, and 2006, respectively. Cash from operating activities for 2008 increased by $25.6 million due to strong accounts receivable collections. In addition, cash flow from operations in 2007 included legal settlement payments of $3.0 million for legal settlements in the fourth quarter of 2006. Days sales outstanding ("DSO") was 78 days at December 31, 2008 compared to 79 at December 31, 2007. Cash from operating activities for 2007 decreased $5.8 million compared to 2006, principally because of an increase in accounts receivable driven by record revenues that increased days sales outstanding to 79 days at December 31, 2007 as compared to 73 days at December 31, 2006.

During 2008, our investing activities provided cash of approximately $13.9 million from net maturities and sales of investments of $21.6 million, partially offset by payments in connection with purchases of capital equipment of $7.7 million. Our investing activities provided cash of approximately $75.1 million during the year ended December 31, 2007, primarily from the net maturities of investments of $84.5 million which was used mainly to fund stock repurchases, partially offset by payments of $9.4 million for capital equipment to support our business and infrastructure. During 2006, our investing activities used cash of approximately $47.9 million, primarily for the purchase of approximately $9.6 million in capital equipment to support our business and infrastructure and $38.1 million in net investments.

Our financing activities used cash of approximately $31.8 million and $88.3 million in 2008 and 2007, respectively, and provided cash of approximately $2.5 million in 2006. The principal use of cash for financing activities was to repurchase shares of our common stock for approximately $35.1 million, $99.9 million, and $16.0 million in 2008, 2007, and 2006, respectively. These repurchases were partially offset by the proceeds from the issuance of our common stock pursuant to the exercise of stock options of $3.2 million, $10.9 million, and $16.2 million in 2008, 2007, and 2006, respectively. As of December 31, 2008, we had $15.0 million of Board approved share repurchase authority remaining.

Periodically, opportunities may arise to grow our business through the acquisition of complementary and synergistic companies, products and technologies. Any material acquisition could result in a decrease to our working capital depending on the amount, timing and nature of the consideration to be paid. We believe that existing balances of cash, cash equivalents and short-term investments will be sufficient to meet our working capital and capital expenditure needs at least for the next twelve months, although there can be no assurance that this will be the case. We anticipate that we will able to continue fund our operations with cash flow from operations in the future. We do not maintain any bank line of credit. However, if the Company should encounter a need to raise additional capital, recent turmoil in the credit and capital markets could make such capital unavailable or available only at unfavorable costs.

New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition-related items including expensing acquisition-related costs as incurred and expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. We expect that SFAS No. 141(R) will have an impact on our accounting for future business combinations once adopted but the extent of the impact is dependent upon the number, size, and complexity of acquisitions that we make in the future.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in FASB Statements No. 157, "Fair Value Measurements," and No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS No. 159 is effective for the entity's fiscal year that begins after November 15, 2007. We do not elect to measure at fair value any of our financial instruments under the provisions of SFAS No. 159, thus the adoption of this statement effective January 1, 2008 did not have an impact on our consolidated financial statements.

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS No. 157") which establishes a framework for reporting fair value and expands disclosures required for fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. However, in February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," which delayed for one year the applicability of SFAS No. 157's fair-value measurements to non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis. We partially adopted SFAS No. 157 on January 1, 2008 related to all financial assets and liabilities and non-financial assets and liabilities recognized or disclosed at fair value on a recurring basis. We are currently assessing the potential impact this statement will have on the Consolidated Financial Statements once it is adopted for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis. See Note 1, *Organization and Summary of Significant Accounting Policies*, for further discussion of the adoption.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Our principal commitments as of December 31, 2008 consist of obligations under operating leases. We expect to fulfill all of the following commitments from our working capital. We have no off-balance sheet arrangements within the meaning of SEC rules.

Lease Commitments

We lease our facilities and some of our equipment under noncancelable operating lease arrangements that expire at various dates through 2018. Rent expense for these leases aggregated $7.2 million, $6.7 million and $7.0 million during 2008, 2007, and 2006, respectively.

The following table summarizes our contractual commitments as of December 31, 2008 (in thousands):

	Total	2009	2010	2011	2012	Thereafter
Non-cancelable operating leases	$ 52,561	$ 7,859	$ 5,395	$ 5,176	$ 4,788	$ 29,343

Indemnifications

Our sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with patent, copyright or trade secret infringement claims made by third parties with respect to the customer’s authorized use of our products and services. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer, as well as our modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. Our sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by our personnel or contractors in the course of performing services to customers. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with death, personal injury and property damage claims made by third parties with respect to actions of our personnel or contractors. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer. The indemnity obligations contained in sales agreements generally have no specified expiration date and no specified monetary limitation on the amount of award covered. We have not previously incurred costs to settle claims or pay awards under these indemnification obligations. We account for these indemnity obligations in accordance with SFAS No. 5, *Accounting for Contingencies*, and record a liability for these obligations when a loss is probable and reasonably estimable. We have not recorded any liabilities for these agreements as of December 31, 2008.

Warranties

We warrant to our customers that our software products will perform in all material respects in accordance with our standard published specifications in effect at the time of delivery of the licensed products to the customer for 90 days after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, we warrant to our customers that our services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, we would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, we have not incurred significant recurring expense under our product or service warranties. As a result, we believe the estimated fair value of these agreements is nominal. Accordingly, we have no liabilities recorded for these agreements as of December 31, 2008.

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

Foreign Business

Our international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Our international operations currently include business activity out of offices in the United Kingdom, the Netherlands, France, Australia, Japan, China, Singapore and India. When the U.S. dollar strengthens against a foreign currency, the value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases. We recognized a foreign exchange rate gain of $3.9 million, $1.2 million and $0.2 million in 2008, 2007 and 2006, respectively. Foreign exchange rate transaction gains and losses are classified in “Other income (loss), net” in our Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at December 31, 2008 and 2007 relative to the U.S. dollar would result in changes of approximately $0.1 million and $1.0 million in the reported foreign currency gain or loss, respectively.

Interest Rates

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating rate and fixed rate obligations of corporations, municipalities, and local, state and national governmental entities and agencies. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are derived from operations. At December 31, 2008, our cash and investments balance totaled $88.7 million, of which $85.7 million is 100% liquid. The remaining investments totaling $3.0 million are invested in auction rate securities.

Our investments in marketable securities consist principally of debt instruments of state and local government agencies and U.S. corporate commercial paper. These investments are categorized as available-for-sale securities and recorded at fair market value, as defined by SFAS No. 157. At December 31, 2008, we hold $6.5 million of investments in auction rate securities, which have original maturities greater than one year, but which have auctions to reset the yield every 7 to 35 days. The fair values of these auction rate securities considered the credit worthiness of the counterparty, estimates of interest rates, expected holding periods, and the timing and value of expected future cash flows. Changes in the assumptions of our valuation could have a significant impact on the value of these securities, which may cause losses and affect our liquidity specifically for these securities potentially requiring us to record an impairment charge on these investments in the future. Certain auctions failed during 2008 and the underlying securities were not called by the issuer. During 2008, we recorded an other-than-temporary impairment charge of $3.5 million on one of these investments resulting in $3.0 million in total auction rate securities investments on the balance sheet at December 31, 2008. We reduced the carrying value to zero due to credit downgrades of the underlying issuer and the bond insurer as well as increasing publicly reported exposure to bankruptcy risk by the issuer. The remaining $3.0 million of auction rate securities held by us at December 31, 2008 were issued by state or regional educational loan authorities and are collateralized by federally insured student loans. These investments have high credit ratings, and we intend and have the ability to hold these securities until maturity or until called. However, due to liquidity concerns rather than creditworthiness, we have recorded an unrealized loss of $0.1 million as of December 31, 2008 for the temporary decline in the fair value of these investments. The unrealized loss is included as a separate component of stockholders' equity and in total comprehensive income. We will continue to evaluate the fair value of our investments in auction rate securities each reporting period for a potential other-than-temporary impairment.

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 2.3% for the year ended December 31, 2008 as compared to 3.3% for the year ended December 31, 2007. The fair value of cash equivalents and investments held at December 31, 2008 and 2007 was $49.3 million and $58.5 million, respectively. Based on the average investments outstanding during 2008 and 2007, increases or decreases of 25 basis points would result in increases or decreases to interest income of approximately $135 thousand and $226 thousand in 2008 and 2007, respectively, from the reported interest income.

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

Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS **Page**

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

As of the end of the Company's 2008 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2008 was effective.

Ernst & Young, the independent registered public accounting firm, that audited the Company's financial statements for the year ended December 31, 2008, has audited the Company's internal control over financial reporting as of December 31, 2008 and has issued an attestation report regarding the Company's internal control over financial reporting appearing on page 43, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2008.

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

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

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

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

We have audited Manhattan Associates, Inc. and subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Manhattan Associates, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Manhattan Associates, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2008 of Manhattan Associates, Inc. and subsidiaries and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2009

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

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

We have audited the accompanying consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* , effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Manhattan Associates, Inc. and subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2009

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

	Year Ended December 31,		
	2008	2007	2006
Revenue:			
Software license	**$ 65,313**	$ 73,031	$ 66,543
Services	**235,967**	226,153	194,521
Hardware and other	**35,921**	38,217	27,804
Total Revenue	**337,201**	337,401	288,868
Costs and Expenses:			
Cost of license	**5,961**	5,334	5,796
Cost of services	**116,707**	109,758	93,427
Cost of hardware and other	**29,270**	32,268	24,515
Research and development	**48,407**	46,594	41,468
Sales and marketing	**51,177**	53,406	45,888
General and administrative	**37,145**	33,366	29,143
Depreciation and amortization	**12,699**	13,617	13,247
Asset impairment charges	**5,205**	-	270
Restructuring and acquisition-related charges	**4,667**	-	1,503
Settlement charges	**-**	-	2,856
Total costs and expenses	**311,238**	294,343	258,113
Operating income	**25,963**	43,058	30,755
Interest income, net	**1,823**	3,390	3,443
Other income, net	**3,722**	1,218	195
Income before income taxes	**31,508**	47,666	34,393
Income tax provision	**8,710**	16,915	15,062
Net income	**$ 22,798**	$ 30,751	$ 19,331
Basic earnings per share	**$ 0.95**	$ 1.17	$ 0.71
Diluted earnings per share	**$ 0.94**	$ 1.13	$ 0.69
Weighted average number of shares:			
Basic	**24,053**	26,174	27,183
Diluted	**24,328**	27,329	27,971

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

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

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 85,739**	$ 44,675
Short term investments	**-**	17,904
Accounts receivable, net of allowance of $5,566 and $6,618 in 2008 and 2007, respectively	**63,896**	72,534
Deferred income taxes	**6,667**	6,602
Prepaid expenses	**5,410**	6,777
Other current assets	**1,569**	1,869
Total current assets	**$ 163,281**	$ 150,361
Property and equipment, net	**21,721**	24,421
Long-term investments	**2,967**	10,193
Acquisition-related intangible assets, net	**6,438**	9,691
Goodwill, net	**62,276**	62,285
Deferred income taxes	**10,932**	9,846
Other assets	**2,606**	4,863
Total assets	**$ 270,221**	$ 271,660
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 8,480**	$ 9,112
Accrued compensation and benefits	**17,429**	19,357
Accrued and other liabilities	**16,188**	10,040
Deferred revenue	**32,984**	31,817
Income taxes payable	**2,365**	8,156
Total current liabilities	**77,446**	78,482
Deferred rent - long-term	**8,387**	6,781
Other non-current liabilities	**4,549**	692
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2008 or 2007	**-**	-
Common stock, $.01 par value; 100,000,000 shares authorized; 23,581,109 and 24,899,919 shares issued and outstanding at December 31, 2008 and 2007, respectively	**234**	249
Additional paid-in capital	**-**	17,744
Retained earnings	**182,882**	165,189
Accumulated other comprehensive (loss) income	**(3,277)**	2,523
Total shareholders' equity	**179,839**	185,705
Total liabilities and shareholders' equity	**$ 270,221**	$ 271,660

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

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

	Year Ended December 31,		
	2008	**2007**	**2006**
Operating activities:			
Net income	**$ 22,798**	$ 30,751	$ 19,331
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**12,699**	13,617	13,247
Asset impairment charge	**5,205**	-	270
Stock compensation	**8,864**	6,199	6,762
Loss on disposal of equipment	**156**	12	22
Tax benefit of stock awards exercised/vested	**202**	1,835	4,546
Excess tax benefits from stock based compensation	**(100)**	(721)	(2,519)
Deferred income taxes	**(1,389)**	(2,759)	(574)
Unrealized foreign currency gain	**(694)**	(1,419)	(317)
Changes in operating assets and liabilities:			
Accounts receivable, net	**7,077**	(10,618)	(1,617)
Other assets	**2,691**	3,451	(1,884)
Accounts payable, accrued and other liabilities	**5,997**	(5,339)	3,814
Income taxes	**(1,324)**	1,528	367
Deferred revenue	**1,659**	1,737	2,672
Net cash provided by operating activities	**63,841**	38,274	44,120
Investing activities:			
Purchases of property and equipment	**(7,708)**	(9,401)	(9,641)
Purchases of available-for-sale investments	**(323,956)**	(688,172)	(831,932)
Maturities and sales of available-for-sale investments	**345,579**	772,689	793,799
Payments in connection with various acquisitions	**-**	-	(126)
Net cash provided by (used in) investing activities	**13,915**	75,116	(47,900)
Financing activities:			
Purchase of common stock	**(35,107)**	(99,931)	(16,029)
Proceeds from issuance of common stock from options exercised	**3,177**	10,910	16,156
Excess tax benefits from stock based compensation	**100**	721	2,519
Payment of capital lease obligations	**-**	-	(147)
Net cash (used in) provided by financing activities	**(31,830)**	(88,300)	2,499
Foreign currency impact on cash	**(4,862)**	1,136	311
Net change in cash and cash equivalents	**41,064**	26,226	(970)
Cash and cash equivalents at beginning of period	**44,675**	18,449	19,419
Cash and cash equivalents at end of period	**$ 85,739**	$ 44,675	$ 18,449
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ -**	$ -	$ 5
Cash paid for taxes	**$ 11,135**	$ 16,261	$ 10,371
Supplemental disclosures of cash flow information- noncash investing activity:			
Tenant improvements funded by landlord	**$ -**	$ 7,918	$ -

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

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

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Deferred	Total Shareholders'
	Shares	Amount	Capital	Earnings	Income (Loss)	Compensation	Equity
Balance, December 31, 2005	27,207,260	$ 272	$ 87,476	$ 116,990	$ 863	$ (203)	$ 205,398
Repurchase of common stock	(773,301)	(8)	(16,021)	-	-	-	(16,029)
Reclassification of deferred compensation	-	-	(203)	-	-	203	-
Stock option exercises	1,176,146	12	16,144	-	-	-	16,156
Tax effects of stock based compensation	-	-	4,546	-	-	-	4,546
Restricted stock expense	-	-	119	-	-	-	119
Stock option expense	-	-	6,643	-	-	-	6,643
Foreign currency translation adjustment	-	-	-	-	757	-	757
Unrealized gain on investments	-	-	-	-	219	-	219
Net income	-	-	-	19,331	-	-	19,331
Balance, December 31, 2006	27,610,105	276	98,704	136,321	1,839	-	237,140
Repurchase of common stock	(3,562,619)	(36)	(99,895)	-	-	-	(99,931)
Stock option exercises	580,433	6	10,904	-	-	-	10,910
Stock option expense	-	-	4,274	-	-	-	4,274
Restricted stock issuance/expense	272,000	3	1,922	-	-	-	1,925
Tax effects of stock based compensation	-	-	1,835	-	-	-	1,835
Foreign currency translation adjustment	-	-	-	-	678	-	678
Unrealized gain on investments	-	-	-		6	-	6
Adoption of FIN 48	-	-	-	(1,883)	-	-	(1,883)
Net income	-	-	-	30,751	-	-	30,751
Balance, December 31, 2007	24,899,919	249	17,744	165,189	2,523	-	185,705
Repurchase of common stock	**(1,710,441)**	**(17)**	**(29,985)**	**(5,105)**	**-**	**-**	**(35,107)**
Stock option exercises	**203,275**	**2**	**3,175**	**-**	**-**	**-**	**3,177**
Stock option expense	**-**	**-**	**5,458**	**-**	**-**	**-**	**5,458**
Restricted stock issuance/expense	**188,356**	**-**	**3,406**	**-**	**-**	**-**	**3,406**
Tax effects of stock based compensation	**-**	**-**	**202**	**-**	**-**	**-**	**202**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**(5,768)**	**-**	**(5,768)**
Unrealized gain on investments	**-**	**-**	**-**	**-**	**(32)**	**-**	**(32)**
Net income	**-**	**-**	**-**	**22,798**	**-**	**-**	**22,798**
Balance, December 31, 2008	**23,581,109**	**$ 234**	**$ -**	**$ 182,882**	**$ (3,277)**	**$ -**	**$ 179,839**

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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31,		
	2008	**2007**	**2006**
Net income	**$ 22,798**	$ 30,751	$ 19,331
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	**(5,768)**	678	757
Unrealized (loss) gain on investments	**(32)**	6	219
Other comprehensive (loss) income	**(5,800)**	684	976
Comprehensive income	**$ 16,998**	$ 31,435	$ 20,307

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

1. Organization and Summary of Significant Accounting Policies

Organization and Business

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

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

Principles of Consolidation and Foreign Currency Translation

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

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

Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short- and long-term investments and accounts receivable. The Company maintains cash and cash equivalents and short- and long-term investments with various financial institutions. Amounts held at certain financial institutions are above the federally insured limit. The Company's sales are primarily to companies located in the United States, Europe and Asia. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral. Accounts receivable are due principally from large U.S., European and Asia Pacific companies under stated contract terms. Accounts receivable, net as of December 31, 2008 for the Americas, EMEA and APAC companies were $52.1 million, $7.2 million and $4.6 million, respectively. Accounts receivable, net as of December 31, 2007 for the Americas, EMEA and APAC companies were $61.3 million, $7.7 million and $3.5 million, respectively.

The Company's top five customers in aggregate accounted for 11%, 13% and 16% of total revenue in the period the related sales were recorded for each of the years ended December 31, 2008, 2007 and 2006, respectively. No single customer accounted for more than 10% of revenue in the years ended December 31, 2008, 2007 and 2006 or for more than 10% of accounts receivable as of December 31, 2008 and 2007.

Investments

Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"), establishes a fair value hierarchy disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of asset or liability and their characteristics. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1—Quoted prices in active markets for identical instruments.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's investments in marketable securities consist principally of debt instruments of state and local government agencies and U.S. corporate commercial paper. These investments are categorized as available-for-sale securities and recorded at fair market value, as defined by SFAS No. 157. Investments with maturities of 90 days or less from the date of purchase are classified as cash equivalents; investments with maturities of greater than 90 days from the date of purchase but less than one year are generally classified as short-term investments; and investments with maturities of greater than one year from the date of purchase are generally classified as long-term investments. Unrealized holding gains and losses are reflected as a net amount in a separate component of shareholders' equity until realized. For the purposes of computing realized gains and losses, cost is determined on a specific identification basis.

The Company's long-term investments consist of corporate or U.S. government debt instruments with maturities between one year and five years. The Company also holds investments in auction rate securities, which have original maturities greater than one year, but which previously had auctions that reset the yield every 7 to 35 days. At December 31, 2008, our cash and investments balance totaled $88.7 million, of which $85.7 million is 100% liquid. The remaining investments totaling $3.0 million are invested in auction rate securities. During 2008, auctions for these securities failed to attract sufficient buyers, resulting in the Company continuing to hold these securities. Accordingly, the Company began classifying these securities as long-term investments in marketable securities in the consolidated balance sheet due to uncertainty surrounding the timing of a market recovery. In determining the fair values of auction rate securities, the Company considered the credit worthiness of the counterparty, estimates of interest rates, expected holding periods, and the timing and value of expected future cash flows. The Company uses quoted prices from active markets which are classified at level 1 as a highest level observable input in the disclosure hierarchy framework as defined by SFAS No. 157 for all other available-for-sale securities.

During 2008, the Company recorded an other-than-temporary impairment charge of $3.5 million on one of its auction rate security investments. The Company reduced the carrying value to zero due to a combination of credit downgrades of the underlying issuer and the bond insurer as well as increased publicly reported exposure to bankruptcy risk by the issuer and continued significant deterioration in the credit markets limiting the issuer's ability to re-finance the underlying bond. The $3.5 million charge is included in asset impairment charges in the consolidated statements of income. The remaining $3.0 million of auction rate securities held by the Company at December 31, 2008 were issued by state or regional educational loan authorities and are collateralized by federally insured student loans. These investments have high credit ratings, and the Company intends and has the ability to hold these securities until maturity or until called. However, due to liquidity concerns rather than creditworthiness, the Company has recorded an unrealized loss of $0.1 million as of December 31, 2008 for the temporary decline in the fair value of these investments. The unrealized loss is included as a separate component of stockholders' equity and in total comprehensive income. The Company will continue to evaluate the fair value of its investments in auction rate securities each reporting period for a potential other-than-temporary impairment.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis at December 31, 2008 (in thousands):

	Fair Value Measurements at December 31, 2008 Using			
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)	Total
Available-for-sale securities	$ 46,337	$ -	$ 2,967	$ 49,304
Total investments	$ 46,337	$ -	$ 2,967	$ 49,304

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

Following is a summary of the Company's future available-for-sale investment maturities as of December 31, 2008 (in thousands):

Less than 1 year	$ 46,337
1 to 5 years	-
5 years to 10 years	-
Over 10 years	2,967
Total	$ 49,304

Use of Estimates

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

Fair Value of Financial Instruments

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

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

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

The Company's international business is subject to risks typical of an international business, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, the future results could be materially adversely impacted by changes in these or other factors. The Company recognized a foreign exchange rate gain on intercompany balances of $3.9 million, $1.2 million and $0.2 million in 2008, 2007 and 2006, respectively. Foreign exchange rate transaction gains and losses are classified in "Other income (loss), net" on the Consolidated Statements of Income.

Revenue Recognition

The Company's revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, "professional services"), plus customer support and software enhancements, and sales of hardware and other revenues (other revenues consists of reimbursements of out of pocket expenses incurred in connection with the Company's professional services). All revenue is recognized net of any related sales taxes.

The Company recognizes license revenue under Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"), promulgated by the American Institute of Certified Public Accountants, specifically when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collection is probable. SOP 98-9 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 revenue-recognition criteria in SOP 97-2, other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement, are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

The accounting related to license revenue recognition in the software industry is complex and affected by interpretations of the rules which are subject to change. 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 customers deteriorate, the Company may be unable to determine that collectibility is probable, and the Company could be required to defer the recognition of revenue until the Company receives customer payments.

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

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

In accordance with the FASB's Emerging Issues Task Force Issue No. 01-14 ("EITF No. 01-14"), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," the Company recognizes amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been included in hardware and other revenue. The total amount of expense reimbursement recorded to revenue was $12.7 million, $13.0 million and $9.7 million for 2008, 2007 and 2006, respectively.

Deferred Revenue

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

Returns and Allowances

The Company has not experienced significant returns or warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 2008 or 2007.

The Company records an allowance for doubtful accounts based on the historical experience of write-offs and a detailed assessment of accounts receivable. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. The total amounts charged to operations were $4.9 million, $5.7 million and $5.4 million for 2008, 2007 and 2006, respectively. In estimating the allowance for doubtful accounts, management considers the age of the accounts receivable, the Company's historical write-offs, and the credit worthiness of the customer, among other factors. Should any of these factors change, the estimates made by management will also change accordingly, which could affect the level of the Company's future allowances. Uncollectible accounts are written off when it is determined that the specific balance is not collectible.

Property and Equipment

Property and equipment is recorded at cost and consists of furniture, computers, other office equipment, internal use software, and leasehold improvements recorded at cost. The Company depreciates the cost of furniture, computers, other office equipment and internal use software on a straight-line basis over their estimated useful lives (three to five years for computer equipment and software, five years for office equipment, seven years for furniture). Leasehold improvements are depreciated over the lesser of their useful lives or the term of the lease. Depreciation and amortization expense for property and equipment, including assets under a capital lease, for the years ended December 31, 2008, 2007 and 2006 was approximately $9.4 million, $9.0 million and $8.4 million, respectively, and was included in "Depreciation and amortization" in the Consolidated Statements of Income.

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

	December 31,	
	2008	**2007**
Computer equipment and software	**$ 47,285**	$ 47,744
Furniture and office equipment	**7,288**	7,784
Leasehold improvement	**14,208**	14,227
	68,781	69,755
Less accumulated depreciation and amortization	**(47,060)**	(45,334)
	$ 21,721	$ 24,421

Acquisition-Related Intangible Assets

Acquisition-related intangible assets are stated at historical cost and include acquired software and certain other intangible assets with definite lives. The acquired software is being amortized over the greater of the amount computed using (a) the ratio that current gross revenues bear to the total of current and anticipated future gross revenues for each product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. The weighted average amortization period for acquired software is 5.0 years. The other intangible assets are being amortized on a straight-line basis over a period of two to ten years with a weighted average amortization period of 5.8 years. The weighted average amortization period for all intangible assets is 5.6 years. Total amortization expense related to acquisition-related intangible assets was approximately $3.3 million, $4.7 million and $4.9 million for the years ended December 31, 2008, 2007 and 2006, respectively, and are included in depreciation and amortization expense in the accompanying Consolidated Statements of Income.

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

	December 31,	
	2008	**2007**
Cost:		
Acquired software	**$ 15,791**	$ 15,791
Other intangible assets with definite lives	**19,087**	19,087
	34,878	34,878
Accumulated amortization:		
Acquired software	**(14,460)**	(13,402)
Other intangible assets with definite lives	**(13,980)**	(11,785)
	(28,440)	(25,187)
Net book value:		
Acquired software	**$ 1,331**	$ 2,389
Other intangible assets with definite lives	**5,107**	7,302
	$ 6,438	$ 9,691

The Company expects amortization expense for the next five years to be as follows based on intangible assets as of December 31, 2008 (in thousands):

2009	$ 2,965
2010	2,287
2011	1,172
2012	7
2013	7
Thereafter	1
Total	$ 6,439

Goodwill

Goodwill represents the excess of purchase price over fair value of net identified tangible and intangible assets and liabilities acquired. The Company does not amortize goodwill, but instead tests goodwill for impairment on at least an annual basis. Goodwill was $62.3 million at the end of each year ended December 31, 2008 and 2007. Approximately $36.0 million of the gross Goodwill is deductible for income tax purposes.

During 2007, the Company completed the analysis of the post-acquisition limitations on the use of Evant's deferred tax assets. As a result, the Company recorded $8.1 million of deferred tax assets and reduced goodwill mainly for deductible research and development costs previously capitalized by Evant for tax purposes.

Software Development Costs

Research and development expenses are charged to expense as incurred. The Company determines the amount of development costs capitalizable under the provisions of SFAS No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Under SFAS No. 86, computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized. The Company has defined technological feasibility as the point in time at which the Company has a detailed program design or a working model of the related product, depending on the type of development efforts. For the years ended December 31, 2008, 2007 and 2006, the Company capitalized no internal research and development costs because the costs incurred between the attainment of technological feasibility for the related software product through the date when the product was available for general release to customers has been insignificant.

Impairment of Long-Lived and Intangible Assets

The Company reviews the values assigned to long-lived assets, including property and certain intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. In such reviews, undiscounted cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required. During 2008, 2007 and 2006, the Company did not recognize any impairment charges associated with its long-lived or intangible assets.

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

Impairment of Goodwill

The Company evaluates the carrying value of goodwill and other intangible assets annually as of December 31 and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether the goodwill or other intangible asset is impaired, the Company compares the fair value of the reporting unit to which the goodwill or other intangible asset is assigned to its carrying amount, including goodwill and the other intangible assets. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of goodwill or other intangible assets, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. The Company performed its periodic review of its goodwill and other intangible assets for impairment as of December 31, 2008, 2007 and 2006 and did not identify any asset impairment as a result of the review.

Guarantees and Indemnifications

The Company accounts for guarantees in accordance with Financial Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* The Company's sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, the Company agrees to indemnify, defend and hold harmless the customer in connection with patent, copyright or trade secret infringement claims made by third parties with respect to the customer's authorized use of the Company's products and services. The indemnity provisions generally provide for the Company's control of defense and settlement and cover costs and damages finally awarded against the customer, as well as the Company's modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. The sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by the Company's personnel or contractors in the course of performing services to customers. Under these agreements, the Company agrees to indemnify, defend and hold harmless the customer in connection with death, personal injury and property damage claims made by third parties with respect to actions of the Company's personnel or contractors. The indemnity provisions generally provide for the Company's control of defense and settlement and cover costs and damages finally awarded against the customer. The indemnity obligations contained in sales agreements generally have no specified expiration date and no specified monetary limitation on the amount of award covered. The Company has not previously incurred costs to settle claims or pay awards under these indemnification obligations. The Company accounts for these indemnity obligations in accordance with SFAS No. 5, *Accounting for Contingencies*, and records a liability for these obligations when a loss is probable and reasonably estimable. The Company has not recorded any liabilities for these agreements as of December 31, 2008 and 2007.

The Company warrants to its customers that its software products will perform in all material respects in accordance with the standard published specifications in effect at the time of delivery of the licensed products to the customer for 90 days after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, the Company warrants to its customers that services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, the Company will provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, the Company has not incurred significant recurring expense under product or service warranties. As a result, the Company believes the estimated fair value of these agreements is nominal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2008 and 2007.

Segment Information

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

Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $0.1 million, $0.3 million and $0.2 million in 2008, 2007 and 2006, respectively. Advertising costs are included in "Sales and marketing" in the Consolidated Statements of Income.

Basic and Diluted Net Income Per Share

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

Diluted net income per share is computed using net income divided by Weighted Shares, and the treasury stock method effect of common equivalent shares ("CESs") outstanding for each period presented. The following is a reconciliation of the shares used in the computation of net income per share for the years ended December 31, 2008, 2007 and 2006 (in thousands, except per share data):

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	Year Ended December 31,		
	2008	**2007**	**2006**
Net income	**$ 22,798**	$ 30,751	$ 19,331
Earnings per share:			
Basic	**$ 0.95**	$ 1.17	$ 0.71
Effect of CESs	**(0.01)**	(0.04)	(0.02)
Diluted	**$ 0.94**	$ 1.13	$ 0.69
Weighted average number of shares:			
Basic	**24,053**	26,174	27,183
Effect of CESs	**275**	1,155	788
Diluted	**24,328**	27,329	27,971

Options to purchase 4,177,687, 1,538,931 and 3,073,378 shares of common stock were outstanding at December 31, 2008, 2007 and 2006, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares during the respective years. See Note 2 for further information on those securities.

Accumulated Other Comprehensive Income

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

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

	December 31,	
	2008	**2007**
Unrealized gain (loss) on investments, net of taxes	**$ (45)**	$ (13)
Foreign currency translation adjustment	**(3,232)**	2,536
Total	**$ (3,277)**	$ 2,523

New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition-related items including expensing acquisition-related costs as incurred and expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company expects that SFAS No. 141(R) will have an impact on its accounting for future business combinations once adopted but the extent of the impact is dependent upon the number, size, and complexity of acquisitions that the Company makes in the future.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in FASB Statements No. 157, "Fair Value Measurements," and No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS No. 159 is effective for the entity's fiscal year that begins after November 15, 2007. The Company did not elect to measure at fair value any of its financial instruments under the provisions of SFAS No. 159, thus the adoption of this statement effective January 1, 2008 did not have an impact on the Company's consolidated financial statements.

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements," which establishes a framework for reporting fair value and expands disclosures required for fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. However, in February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," which delayed for one year the applicability of SFAS No. 157's fair-value measurements to non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis. The Company partially adopted SFAS No. 157 on January 1, 2008 related to all financial assets and liabilities and non-financial assets and liabilities recognized or disclosed at fair value on a recurring basis. The Company is currently assessing the potential impact this statement will have on the Consolidated Financial Statements once it is adopted for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis.

2. Stock-Based Compensation

Stock Based Compensation Plans

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

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

The Manhattan Associates, Inc. 1998 Stock Incentive Plan (the "1998 Plan") was adopted by the Board of Directors and approved by the shareholders in February 1998. The 1998 Plan provides for the grant of stock options. Optionees have the right to purchase a specified number of shares of common stock at a specified option price and subject to such terms and conditions as are specified in connection with the option grant. The 1998 Plan is administered by the Compensation Committee of the Board of Directors. The committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 1998 Plan generally and to interpret the provisions thereof. Options granted under the 1998 Plan cannot have a term exceeding ten years. Options typically have an annual graded vesting schedule over four years and vest based on service conditions. Following approval of the Manhattan Associates, Inc. 2007 Stock Incentive Plan (the "2007 Plan") discussed below, the Company may not make any additional awards under the 1998 Plan.

The 2007 Plan was effective on April 4, 2007 following approval of the Board of Directors and shareholders. The 2007 Plan provides for issuance of up to 2,300,000 shares of common stock (subject to certain adjustments in the event of a change in the capitalization of the Company). No more than 600,000 shares may be issued under the 2007 Plan as restricted stock awards. Awards granted under the 2007 Plan cannot have a term exceeding seven years. As of December 31, 2008, there were 1,171,776 shares available for issuance under the 2007 Plan. As of February 19, 2009, after the Company's annual award to its employees, there were 479,164 shares available, of which 142,658 were available for restricted stock grants.

Stock Option Awards

A summary of changes in outstanding options for the year ended December 31, 2008 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Average Intrinsic Value (in thousands)
Outstanding at January 1, 2008	6,157,307	$ 25.87		
Granted	665,936	25.37		
Exercised	(203,275)	15.63		
Forfeited and expired	(609,059)	27.49		
Outstanding at December 31, 2008	6,010,909	$ 26.00	4.6	$ 695
Vested or expected to vest at December 31, 2008	5,596,629	$ 26.00	4.5	$ 694
Exercisable at December 31, 2008	4,650,393	$ 25.94	4.3	$ 689

As of February 19, 2009, after the Company's annual award to its employees, there were 6,326,471 options outstanding with a weighted average exercise price of $25.18 per share and a weighted average remaining contractual life of 4.6 years.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the years ended December 31, 2008, 2007, and 2006:

	2008	2007	2006
Dividend yield	**0%**	0%	0%
Expected volatility	**35%**	38%	56%
Risk-free interest rate at the date of grant	**2.8%**	4.4%	4.8%
Expected life (in years)	**4.0**	4.3	4.9

Expected volatilities are based on a combination of historical volatility of the Company's stock and implied volatility of the Company's publicly traded stock options. Due to the limited trading volume of the Company's publicly traded options, the Company places a greater emphasis on historical volatility. The Company also uses historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. The risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a term approximating the expected term. Using these assumptions, the weighted average fair values of the stock options granted during the years ended December 31, 2008, 2007 and 2006 are $7.96, $11.16 and $11.26, respectively.

Options with graded vesting are valued as a single award. The total value of the award is expensed on a straight line basis over the vesting period with the amount of compensation cost recognized at any date at least equal to the portion of the grant date value of the award that is vested at that date. During the years ended December 31, 2008 and 2007, the Company issued 203,275 and 580,433 shares of common stock, respectively, resulting from the exercise of stock options. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007, and 2006 based on market value at the exercise dates was $1.6 million, $5.8 million, and $14.1 million, respectively. As of December 31, 2008, unrecognized compensation cost related to unvested stock option awards totaled $9.3 million and is expected to be recognized over a weighted average period of 1.3 years.

Restricted Stock Awards

A summary of changes in unvested shares of restricted stock for the year ended December 31, 2008 and 2007 are as follows:

	Number of Shares	Grant Date Fair Value
Outstanding at January 1, 2008	254,091	$ 29.51
Granted	213,433	25.40
Vested	(89,362)	(27.86)
Forfeited and expired	(25,077)	(27.73)
Outstanding at December 31, 2008	353,085	$ 27.57

The Company issued 213,433 shares and 279,733 shares of restricted stock during 2008 and 2007, respectively. There were no shares of restricted stock issued during 2006. The total fair value of restricted stock awards vested during the years ended December 31, 2008, 2007, and 2006 based on market value at the vesting dates were $2.1 million, $0.7 million and $0.1 million, respectively. As of December 31, 2008, unrecognized compensation cost related to unvested restricted stock awards totaled $7.0 million and is expected to be recognized over a weighted average period of 1.5 years. As of February 19, 2009, after the Company's annual award to its employees, there were 439,965 shares of restricted stock outstanding.

3. Income Taxes

The Company is subject to future federal and state income taxes and has recorded net deferred tax assets on the Consolidated Balance Sheets at December 31, 2008 and 2007. Deferred tax assets and liabilities are determined based on the difference between the financial accounting and the tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2008 and 2007 are as follows (in thousands):

	December 31,	
	2008	2007
Deferred tax assets:		
Accounts receivable	$ 2,063	$ 2,910
Accrued liabilities	3,008	2,800
Stock compensation expense	5,257	3,091
Capitalized costs	9,639	7,691
Accrued sales taxes	1,089	735
Deferred rent	3,319	2,845
Net operating losses	3,397	3,877
Valuation allowance	(6,191)	(4,331)
Other	243	48
	$ 21,824	$ 19,666
Deferred tax liabilities:		
Intangible assets	2,524	2,369
Depreciation	1,541	849
Other	160	-
	4,225	3,218
Net deferred tax assets	$ 17,599	$ 16,448

The components of income from domestic and foreign operations before income tax expense for the years ended December 31, 2008, 2007 and 2006 are as follows (in thousands):

	2008	2007	2006
Domestic	$ 23,942	$ 43,770	$ 33,417
Foreign	7,566	3,896	976
Total	$ 31,508	$ 47,666	$ 34,393

The components of the income tax provision for the years ended December 31, 2008, 2007 and 2006 are as follows (in thousands):

	2008	2007	2006
Current:			
Federal	$ 7,240	$ 16,034	$ 13,354
State	520	1,965	1,432
Foreign	2,565	961	1,051
	10,325	18,960	15,837
Deferred:			
Federal	(2,059)	(1,652)	(164)
State	113	(214)	(165)
Foreign	331	(179)	(446)
	(1,615)	(2,045)	(775)
Total	$ 8,710	$ 16,915	$ 15,062

The income tax benefits related to the exercise of stock options were allocated to additional paid-in capital. Such amounts were approximately $202 thousand, $1.8 million, and $4.6 million, for the years ended December 31, 2008, 2007 and 2006, respectively.

As a result of losses in foreign locations, the Company has net operating loss carry-forwards ("NOLs") of approximately $11.9 million available to offset future income. Approximately $3.8 million of the NOLs expire in 2010 to 2015, and the remainder does not expire. The Company has established a valuation allowance for these NOLs because the ability to utilize them is uncertain.

The Company currently has a tax holiday in India through March 2010. As a result of this holiday, the Company had income of approximately $3.8 million, $3.4 million, and $4.1 million for the years ended December 31, 2008, 2007 and 2006, respectively, that was not subject to tax. Separately, the Company is subject to India's Minimum Alternative Tax (MAT) and accordingly, incurred income tax expense of $283 thousand in 2008. The impact on diluted earnings per share if the income had been taxable would have been decreases of $0.03, $0.05, and $0.05 per share in 2008, 2007 and 2006, respectively.

Deferred taxes are not provided for temporary differences of approximately $17.7 million, $20.0 million, and $18.7 million as of December 31, 2008, 2007 and 2006, respectively, representing earnings of non-U.S. subsidiaries that are intended to be permanently reinvested. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. It is impractical to calculate the tax impact until that occurs.

The following is a summary of the items that cause recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 2008, 2007 and 2006:

	2008	**2007**	**2006**
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
Effect of:			
State income tax, net of federal benefit	**0.2**	2.5	3.4
Incentive stock options	**0.1**	-	2.8
Foreign operations	**(3.6)**	(2.2)	(0.6)
Tax exempt income	**(1.2)**	(2.1)	(2.7)
Tax contingencies	**(12.5)**	1.6	0.5
Other permanent differences	**1.3**	(2.0)	1.9
Foreign distributions	**2.0**	3.1	-
Change in valuation allowance	**6.3**	(0.4)	3.5
Income taxes	**27.6%**	35.5%	43.8%

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The following table is a summary of the changes in the Company's unrecognized tax benefits at the beginning and end of the period (in thousands):

	2008	**2007**
Unrecognized tax benefits at January 1,	**$ (5,195)**	$ (5,038)
Gross amount of increases and decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	**-**	(78)
Gross amount of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the current period	**(327)**	(478)
Amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities	**55**	399
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	**2,217**	-
Unrecognized tax benefits at December 31,	**$ (3,250)**	$ (5,195)

The Company's unrecognized tax benefits totaled $3.3 million, of which substantially all, if recognized, would affect the effective tax rate.

The Company recognizes potential accrued interest and penalties to unrecognized tax benefits within its global operations in income tax expense. The Company recognized approximately $1.4 million for the potential payment of interest and penalties at December 31, 2008, and included a benefit of $200 thousand in the 2008 income tax expense.

The Company conducts business globally and, as a result, files income tax returns in the United State Federal jurisdiction and in many state and foreign jurisdictions. The Company is generally no longer subject to U.S. Federal, state and local, or non-US income tax examinations for the years before 2005. Due to the expiration of statutes of limitations in multiple jurisdictions globally during 2009, the Company anticipates it is reasonably possible that unrecognized tax benefits may decrease by $2.2 million related primarily to subsidiary operations and jurisdictional taxable income amounts.

In the third quarter of 2008, the Internal Revenue Service (IRS) completed an examination of the Company's U.S. Federal income tax return for 2005. The examination resulted in no additional tax assessments and a $130 thousand refund of tax. No other significant audits are ongoing.

4. Shareholders' Equity

During 2008, 2007, and 2006, the Company purchased 1,705,614, 3,562,619 and 773,301 shares of the Company's common stock for approximately $35.0 million, $99.9 million and $16.0 million, respectively, through open market transactions as part of a publicly-announced buy-back program.

5. Commitments and Contingencies

Leases

Rents charged to expense were approximately $7.2 million, $6.7 million, and $7.0 million for the years ended December 31, 2008, 2007 and 2006, respectively. During the first quarter of 2007, the Company extended its Atlanta Headquarters' lease, which was set to expire in March 2008, to September 30, 2018. The landlord funded leasehold improvements of $7.9 million in conjunction with the new lease which was recorded as an increase in leasehold improvements and deferred rent. Additionally, the Company had a rent holiday from April to September 2008. The entire cash rent obligation is being amortized to expense on a straight line basis over the lease term. The Company assumed a facility lease through the Evant acquisition with rates in excess of market value. The Company recorded the fair value of this unfavorable lease obligation in deferred rent and is amortizing the amount over the remaining lease term. In December 2008, the Company entered into an agreement to sublease its office space in Massachusetts. Under the agreement, the Company will be receiving sublease payments of approximately $365 thousand and $346 thousand in 2009 and 2010, respectively.

Aggregate future minimum lease payments under the noncancellable operating leases as of December 31, 2008 are as follows (in thousands):

Year Ended December 31,	Operating Leases
2009	$ 7,859
2010	5,395
2011	5,176
2012	4,788
Thereafter	29,343
Total	$ 52,561

There are no future minimum lease payments under capital leases as of December 31, 2008.

Employment Agreements

The Company has entered into employment contracts with certain executives and other key employees. The agreements provide for total severance payments of up to approximately $2.7 million for termination of employment for any reason other than cause. Payments will be made in equal monthly installments over a period of not more than 18 months. No amounts have been accrued because the payments are not probable and cannot be reasonably estimated.

Legal and Other Matters

During the fourth quarter of 2006, we recorded settlement costs of $2.9 million related to a legal dispute over the implementation of our software in addition to another legal matter with a domestic customer regarding implementation of our warehouse management systems.

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

6. Acquisitions

Evant

On August 31, 2005, the Company acquired Evant, Inc. through a merger whereby Evant became a wholly-owned subsidiary of the Company. During 2007, the Company completed the analysis of the post-acquisition limitations on the use of Evant's deferred tax assets. As a result, the Company recorded $8.3 million of deferred tax assets and reduced goodwill mainly for deductible research and development costs previously capitalized by Evant for tax purposes.

7. Restructuring and acquisition-related charges

During the quarter ended December 31, 2008, the Company committed to and initiated plans to reduce our workforce by approximately 170 positions due to intermediate term market demand and to realign our capacity with demand forecasts. As a result of this initiative, the Company recorded a restructuring charge of approximately $4.7 million pretax ($3.0 million after-tax or $0.13 per fully diluted share) in the fourth quarter of 2008. The restructuring charge primarily consists of employee severance and outplacement services. The restructuring charge is classified in "Restructuring and acquisition-related charges" in the Company's Consolidated Statements of Income.

The following table summarizes the segment activity in the restructuring accrual for the year ended December 31, 2008:

	Americas	EMEA	APAC	Consolidated
		(in thousands)		
Restructuring charge	$ 4,369	$ 204	$ 94	$ 4,667
Cash payments	(2,645)	(204)	(31)	(2,880)
Restructuring accrual balance at December 31, 2008	$ 1,724	$ -	$ 63	$ 1,787

The balance at December 31, 2008 is included in "Accrued compensation and benefits" in the Company's Consolidated Balance Sheets. The remaining balance is expected to be paid during 2009.

During 2006, the Company recorded $1.5 million of charges which represents the remaining expense of $2.8 million paid for employee retention bonuses incurred in connection with the acquisition of Evant, Inc. in September of 2005.

8. Reporting Segments

The Company manages the business by geographic segment. The Company has identified three geographic reporting segments: the Americas, EMEA and APAC segment. All segments derive revenue from the sale and implementation of the

Company's supply chain execution and planning solutions, of which the individual products are similar in nature and help companies manage the effectiveness and efficiency of their supply chain. The Company uses the same accounting policies for each reporting segment. The chief executive officer and chief financial officer evaluate performance based on revenue and operating results for each region.

The Americas segment charges royalty fees to the other segments based on software licenses sold by those reporting segments. The royalties, which totaled $3.5 million, $2.8 million and $2.2 million in 2008, 2007 and 2006, respectively, are included in cost of revenue for each segment with a corresponding reduction in America's cost of revenue. The revenues represented below are from external customers only. The geographical-based costs consist of costs of professional services personnel, direct sales and marketing expenses, cost of infrastructure to support the employees and customer base, billing and financial systems and management and support team. There are certain corporate expenses included in the Americas region that are not charged to the other segments including research and development, certain marketing and general and administrative costs that support the global organization and the amortization of acquired developed technology. Included in the America's costs are all research and development costs including the costs associated with the Company's India operations.

The operating expenses for the Americas segment include $3.3 million, $4.7 million, and $4.9 million of amortization expense on intangible assets in 2008, 2007 and 2006, respectively.

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has included a summary of the financial information by reporting segment. The following table presents the revenues, expenses and operating income (loss) by reporting segment for the years ended December 31, 2008, 2007 and 2006 (in thousands):

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

	Year Ended December 31, 2007			
	Americas	EMEA	APAC	Total
Revenue:				
Software license	$ 61,708	$ 9,311	$ 2,012	$ 73,031
Services	187,019	25,617	13,517	226,153
Hardware and other	35,595	1,921	701	38,217
Total revenue	284,322	36,849	16,230	337,401
Costs and Expenses:				
Cost of revenue	115,227	21,057	11,076	147,360
Operating expenses	116,381	12,423	4,562	133,366
Depreciation and amortization	12,414	947	256	13,617
Total costs and expenses	244,022	34,427	15,894	294,343
Operating income	$ 40,300	$ 2,422	$ 336	$ 43,058

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

The following table presents the goodwill, long-lived assets and total assets by reporting segment for the years ended December 31, 2008 and 2007 (in thousands):

	As of December 31, 2008			
	Americas	EMEA	APAC	Total
Goodwill, net	$ 54,766	$ 5,547	$ 1,963	$ 62,276
Long lived assets	83,698	6,592	2,751	93,041
Total assets	254,653	9,544	6,024	270,221

	As of December 31, 2007			
	Americas	EMEA	APAC	Total
Goodwill, net	$ 54,767	$ 5,555	$ 1,963	$ 62,285
Long lived assets	91,663	6,969	2,628	101,260
Total assets	262,546	8,429	685	271,660

	As of December 31, 2006			
	Americas	EMEA	APAC	Total
Goodwill, net	$ 62,868	$ 5,530	$ 1,963	$ 70,361
Long lived assets	94,972	7,596	2,703	105,271
Total assets	296,918	11,737	6,238	314,893

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

	Year ended December 31,		
	2008	2007	2006
Professional services	**$ 159,005**	$ 159,130	$ 136,387
Customer support and software enhancements	**76,962**	67,023	58,134
Total services revenue	**$ 235,967**	$ 226,153	$ 194,521

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

	Year ended December 31,		
	2008	2007	2006
Warehouse	**$ 35,709**	$ 38,313	$ 37,655
Non-Warehouse	**29,604**	34,718	28,888
Total license revenue	**$ 65,313**	$ 73,031	$ 66,543

9. Employee Benefit Plan

The Company sponsors the Manhattan Associates 401(k) Plan and Trust (the “401(k) Plan”), a qualified profit sharing plan with a 401(k) feature covering substantially all employees of the Company. Under the 401(k) Plan’s deferred compensation arrangement, eligible employees who elect to participate in the 401(k) Plan may contribute up to 60% of eligible compensation up to $15,500, as defined, to the 401(k) Plan. On January 1, 2008, the Internal Revenue Service raised the eligible compensation limit to $230,000. The Company provides for a 50% matching contribution up to 6% of eligible compensation being contributed after the participant’s first year of employment. During the years ended December 31, 2008, 2007 and 2006, the Company made matching contributions to the 401(k) Plan of $2.3 million, $2.2 million, and $1.7 million, respectively.

10. Related Party Transactions

During the years ended December 31, 2007 and 2006 the Company purchased software and services for approximately $0.1 million each year from a company whose former President and Chief Executive Officer is a member of Manhattan’s Board of Directors. There was no purchase from this customer during 2008. As of December 31, 2008, there was no accounts payable outstanding.

During the years ended December 31, 2007 and 2006, the Company purchased hardware of approximately $23 thousand and $70 thousand, respectively, from Alien Technology, a party in which the Company made a $2 million investment during 2003. See Note 1 for further details on the investment. There was no purchase from this vendor during 2008. As of December 31, 2008, there was no accounts payable outstanding.

11. Quarterly Results of Operations (Unaudited)

Following is the quarterly results of operations of the Company for the year ended December 31, 2008 and 2007. The unaudited quarterly results have been prepared on substantially the same basis as the audited Consolidated Financial Statements.

	Quarter Ended							
	March 31, 2007	June 30, 2007	Sept 30, 2007	Dec 31, 2007	March 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008
	(In thousands, except per share data)							
Statement of Income Data:								
Revenue:								
Software license	$ 13,753	$ 23,398	$ 17,303	$ 18,577	**$ 18,312**	**$ 19,365**	**$ 13,802**	**$ 13,834**
Services	54,800	55,863	58,437	57,053	**59,837**	**62,289**	**60,023**	**53,818**
Hardware and other	9,637	10,368	8,849	9,363	**10,175**	**8,836**	**8,911**	**7,999**
Total revenue	78,190	89,629	84,589	84,993	**88,324**	**90,490**	**82,736**	**75,651**
Costs and expenses:								
Cost of license	1,143	1,303	1,599	1,289	**1,144**	**1,641**	**1,528**	**1,648**
Cost of services	25,999	27,284	28,348	28,127	**31,280**	**29,856**	**29,376**	**26,195**
Cost of hardware and other	8,361	8,864	7,286	7,757	**8,266**	**7,317**	**7,036**	**6,651**
Research and development	11,151	12,278	11,887	11,278	**12,654**	**11,711**	**12,546**	**11,496**
Sales and marketing	12,607	14,491	13,079	13,229	**13,572**	**14,676**	**11,579**	**11,350**
General and administrative	8,146	8,383	8,397	8,440	**9,071**	**8,867**	**9,099**	**10,108**
Depreciation and amortization	3,501	3,354	3,406	3,356	**3,248**	**3,158**	**3,125**	**3,168**
Asset impairment charges	-	-	-	-	**-**	**-**	**5,205**	**-**
Restructuring and acquisition-related charges	-	-	-	-	**-**	**-**	**-**	**4,667**
Total costs and expenses	70,908	75,957	74,002	73,476	**79,235**	**77,226**	**79,494**	**75,283**
Operating income	7,282	13,672	10,587	11,517	**9,089**	**13,264**	**3,242**	**368**
Other income, net	1,092	298	1,619	1,599	**2,301**	**650**	**927**	**1,667**
Income before income taxes	8,374	13,970	12,206	13,116	**11,390**	**13,914**	**4,169**	**2,035**
Income tax provision	2,973	4,959	4,321	4,662	**3,958**	**4,835**	**(140)**	**57**
Net income	$ 5,401	$ 9,011	$ 7,885	$ 8,454	**$ 7,432**	**$ 9,079**	**$ 4,309**	**$ 1,978**
Basic earnings per share	$ 0.20	$ 0.34	$ 0.31	$ 0.34	**$ 0.30**	**$ 0.37**	**$ 0.18**	**$ 0.08**
Diluted earnings per share	$ 0.19	$ 0.32	$ 0.29	$ 0.33	**$ 0.30**	**$ 0.37**	**$ 0.18**	**$ 0.08**
Shares used in computing basic earnings per share	27,361	26,555	25,739	25,066	**24,433**	**24,259**	**24,069**	**23,500**
Shares used in computing diluted earnings per share	28,528	27,761	26,879	25,983	**24,889**	**24,826**	**24,568**	**23,549**

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

None.

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

Evaluation of Disclosure Controls and Procedures

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

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

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

Management's Report on Internal Control over Financial Reporting

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2008 and the attestation report of Ernst & Young LLP on the effectiveness of the Company's internal control over financial reporting are contained on pages 42 through 44 of this report.

Change in Internal Control over Financial Reporting

During the fourth quarter of 2008, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions with regard to material weaknesses.

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

None.

PART III

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

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 30, 2009 under the captions "Election of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Ethics" and "Board Committees."

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 30, 2009 under the captions

“Director Compensation,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report.”

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

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 30, 2009 under the caption “Security Ownership of Certain Beneficial Owners and Management.” The information required by this item with respect to the Company’s securities authorized for issuance under equity compensation plans is included in Part II, Item 5 of this Annual Report on Form 10-K and is incorporated by reference herein.

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

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 30, 2009 under the captions “Related Party Transactions” and “Election of Directors.”

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

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 30, 2009 under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm.”

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. *Financial Statements*.
The response to this item is submitted as a separate section of this Form 10-K. See Item 8.

2. *Financial Statement Schedule.*
The following financial statement schedule is filed as a part of this report:

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

Classification:	Balance at Beginning of Period	Additions Charged to Operations	Net Deductions	Balance at End of Period
Allowance for Doubtful Accounts				
For the year ended:				
December 31, 2006	$ 4,892,000	$ 5,390,000	$5,381,000	$4,901,000
December 31, 2007	$ 4,901,000	$ 5,695,000	$3,978,000	$6,618,000
December 31, 2008	$ 6,618,000	$ 4,907,000	$5,959,000	$5,566,000
Deferred Tax Asset Valuation Allowance				
For the year ended:				
December 31, 2006	$ 3,470,000	$ 1,207,000	$ -	$4,677,000
December 31, 2007	$ 4,677,000	$ -	$ 346,000	$4,331,000
December 31, 2008	$ 4,331,000	$ 1,860,000	$ -	$6,191,000
Restructuring Charge				
For the year ended:				
December 31, 2008	$ -	$ 4,667,000	$2,880,000	$1,787,000

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

3. *Exhibits*.

See the response to Item 15(b) below.

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

Exhibit Number	Description
2.1	Agreement and Plan of Merger, by and among the Registrant, Madison Acquisition Corp., Evant, Inc. and Ted Schlein, as Shareholder Representative, dated August 10, 2005 (Incorporated by reference to Exhibit 2.1 to the Company’s Form 8-K (File No. 000-23999), filed on August 16, 2005).
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23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
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32.1	Certificate of Chief Executive Officer and Chief Financial Officer.

(c) *Other Financial Statements.* Not applicable.

SIGNATURES

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

MANHATTAN ASSOCIATES, INC.

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

Date: February 24, 2009

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

Signature	Title	Date
/s/ John J. Huntz, Jr. John J. Huntz, Jr.	Chairman of the Board	February 24, 2009
/s/ Peter F. Sinisgalli Peter F. Sinisgalli	Chief Executive Officer, President and Director (Principal Executive Officer)	February 24, 2009
/s/ Dennis B. Story Dennis B. Story	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 24, 2009
/s/ Brian J. Cassidy Brian J. Cassidy	Director	February 24, 2009
/s/ Paul R. Goodwin Paul R. Goodwin	Director	February 24, 2009
/s/ Thomas E. Noonan Thomas E. Noonan	Director	February 24, 2009
/s/ Deepak Raghavan Deepak Raghavan	Director	February 24, 2009
/s/ Pete Kight Pete Kight	Director	February 24, 2009
/s/ Dan J. Lautenbach Dan J. Lautenbach	Director	February 24, 2009

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EXHIBIT 21.1

MANHATTAN ASSOCIATES, INC. AND ITS SUBSIDIARIES

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

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Manhattan Associates, Inc.:

1. Registration Statement (Form S-8 No. 333-68968) pertaining to the Manhattan Associates, Inc. 1998 Stock Incentive Plan,

2. Registration Statement (Form S-8 No. 333-45802) pertaining to the Manhattan Associates, Inc. 1998 Stock Incentive Plan,

3. Registration Statement (Form S-8 No. 333-105913) pertaining to the Manhattan Associates, Inc. Stock Incentive Plan,

4. Registration Statement (Form S-8 No. 333-129272) pertaining to the Manhattan Associates, Inc. Stock Incentive Plan,

5. Registration Statement (Form S-8 No. 333-139598) pertaining to the Manhattan Associates, Inc. Stock Incentive Plan, and

6. Registration statement (Form S-8 No. 333-143611) pertaining to the Manhattan Associates, Inc. Stock Incentive Plan

of our reports dated February 23, 2009, with respect to the consolidated financial statements and schedule of Manhattan Associates, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Manhattan Associates, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2009

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

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

1. I have reviewed this annual report on Form 10-K of the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Dated this 24th day of February, 2009.

/s/ Peter F. Sinisgalli

Peter F. Sinisgalli, Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(d), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

1. I have reviewed this annual report on Form 10-K of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 24th day of February, 2009.

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

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal Procedures) of the United States Code and shall not be relied on by any person for any other purpose.

The undersigned, who are the Chief Executive Officer and Chief Financial Officer, respectively, of Manhattan Associates, Inc. (the "Company"), hereby each certify that, to the undersigned's knowledge:

1. the Annual Report on Form 10-K of the Company for the twelve month period ended December 31, 2008 (the "Report"), which accompanies this Certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 24th day of February, 2009.

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

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

In accordance with SEC Release No. 34-47986, this Exhibit is furnished to the SEC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Registrar and Transfer Agent

Computershare Trust Company, NA
P O Box 43078
Providence, RI 02940-3078
+1 800.568.3476

Inquiries regarding stock transfers, lost certificates or address changes should be directed to above address.

Auditors

Ernst & Young, LLP
Atlanta, Georgia

Legal Counsel

Kilpatrick Stockton LLP
Atlanta, Georgia

Nasdaq Symbol

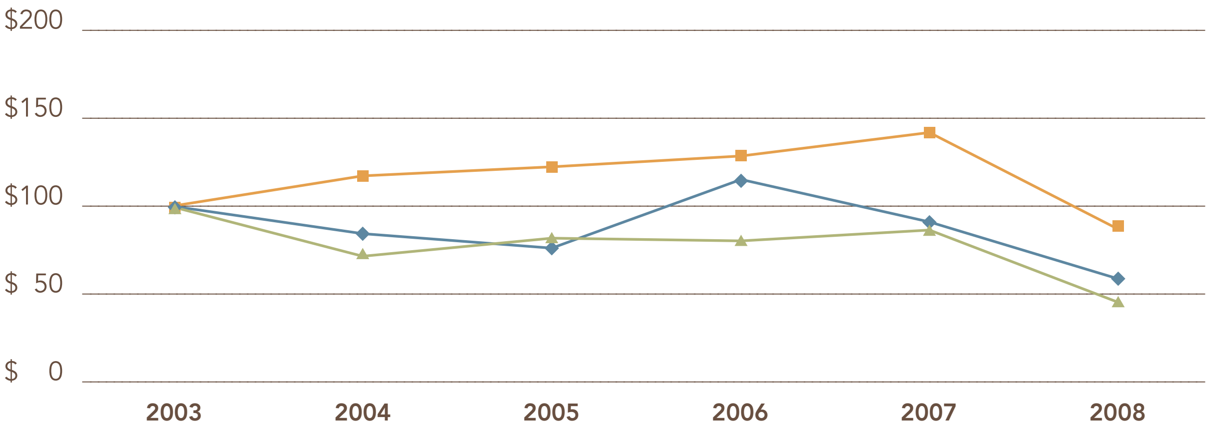
The Company's common stock is traded on the Nasdaq Global Select Market under the symbol MANH. Additional copies of this 2008 Form 10-K, filed with the Securities and Exchange Commission, may be obtained by shareholders online at www.manh.com or without charge by writing to Manhattan Associates Investor Relations at the Company's headquarters.

Stock Performance

The following line-graph compares the cumulative total shareholder return for Manhattan Associates, Inc. ("Manhattan") common stock for the period from December 31, 2003 through December 31, 2008 against the commensurate cumulative shareholder return achieved by The Nasdaq Stock Market ("NASDAQ Composite") and a peer group of five companies: JDA Software Group Inc., i2 Technologies Inc., Descartes Systems Group, Inc., Lawson Software, Inc., and Retalix Ltd. The graph assumes that $100 was invested on December 31, 2003 in the Manhattan common stock and in each of the comparison indices, and also assumes reinvestment of dividends. No cash dividends have been declared on shares of Manhattan common stock. The data for the graph was provided by Zacks Investment Research, Inc.

Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of $100
December 2008



Stock Performance Graph Data Points for fiscal year ended December 31:

	2003	2004	2005	2006	2007	2008
Manhattan	100.00	86.40	74.10	108.84	95.37	57.20
NASDAQ Composite	100.00	109.16	111.47	123.05	140.12	84.12
Peer Group	100.00	71.14	78.01	76.56	91.21	46.57

Together with our customers, suppliers and worldwide network of partners, Manhattan Associates is proud to deliver the stability, commitment and innovation to drive continuous supply chain advancements while lowering the total cost of ownership.

About Manhattan Associates, Inc.

Manhattan Associates® continues to deliver on its 19-year heritage of providing global supply chain excellence to more than 1,200 customers worldwide that consider supply chain optimization core to their strategic market leadership. The company's supply chain innovations include: Manhattan SCOPE™, a portfolio of software solutions and technology that leverages a Supply Chain Process Platform to help organizations optimize their supply chains from planning through execution; Manhattan ILS™, a portfolio of distribution management and transportation management solutions built on Microsoft® .NET technology; and Manhattan Carrier™, a suite of supply chain solutions specifically addressing the needs of the motor carrier industry. For more information, please visit www.manh.com.

Manhattan Associates is committed to developing supply chain solutions that foster environmental stewardship.

Manhattan Associates®

The Supply Chain People

Global Headquarters

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Atlanta, Georgia 30339
tel +1 770.955.7070
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Global +44 (0)1344 318000

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