MFA MORTGAGE INVESTMENTS
Form 424B5
May 28, 2008

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-146819

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee(1)**
Common Stock	$265,937,500	$10,451.34

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933. The total registration fee due for this offering is $10,451.34.

Subject to Completion.
Preliminary Prospectus Supplement dated May 27, 2008.

PROSPECTUS SUPPLEMENT
(To Prospectus Dated November 5, 2007)

18,000,000 Shares

Common Stock

We are offering for sale 18,000,000 shares of our common stock, par value $0.01 per share. Our common stock is listed on the New York Stock Exchange under the symbol MFA. On May 23, 2008, the last reported sale price of our common stock on the New York Stock Exchange was $7.08 per share.

Investing in our common stock involves certain risks. Before buying any shares, you should read the discussion of material risks of investing in our common stock under the caption Risk Factors beginning on page 5 of our annual report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated by reference into the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to an additional 2,700,000 shares from us within 30 days from the date of this prospectus supplement at the public offering price, less underwriting discounts and commissions payable by us. If the underwriters exercise the option in full, the total public offering price will be $, the total underwriting discounts and commissions will be $, and the total proceeds, before expenses, to us will be $.

The underwriters are offering the shares of our common stock as set forth under Underwriting. Delivery of the shares of common stock will be made on or about June , 2008.

Joint Book-Running Managers

Morgan Stanley **Deutsche Bank Securities** **UBS Investment Bank**

Credit Suisse **JMP Securities**

Cantor Fitzgerald & Co. **Friedman Billings Ramsey**

May , 2008

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated therein by reference is accurate only as of its respective date or dates or on the date or dates which are specified in these documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Prospectus Supplement

Prospectus

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (or the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (or the Exchange Act). When used, statements which are not historical in nature, including those containing words such as anticipate, estimate, expect, believe, plan, intend should, may and similar expressions, are intended to identify forward-looking st and, as such, may involve known and unknown risks, uncertainties and assumptions.

These forward-looking statements are subject to various risks and uncertainties, including, but not limited to, those relating to:

- changes in interest rates and the market value of our mortgage-backed securities (or MBS);
- changes in the prepayment rates on the mortgage loans securing our MBS;
- our ability to borrow to finance our assets;
- changes in government regulations affecting our business;
- our ability to maintain our qualification as a REIT for federal income tax purposes;
- our ability to maintain our exemption from registration under the Investment Company Act of 1940 (or the 1940 Act); and
- risks associated with investing in real estate assets, including changes in business conditions and the general economy.

These and other risks, uncertainties and factors, including those identified in our annual report on Form 10-K for the fiscal year ended December 31, 2007, could cause our actual results to differ materially from those projected in any forward-looking statements we make. All forward-looking statements speak only as of the date they are made. New risks and uncertainties arise over time and it is not possible to predict those factors or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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PROSPECTUS SUPPLEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference into the accompanying prospectus. We encourage you to read this prospectus supplement and the accompanying prospectus, as well as the information which is incorporated by reference into the accompanying prospectus, in their entireties. You should carefully consider the risks identified in our annual report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated by reference into the accompanying prospectus, before making an investment decision to purchase shares of our common stock. All references to we, our, us or the company in this prospectus supplement and the accompanying prospectus mean MFA Mortgage Investments, Inc. Unless otherwise specified, the information in this prospectus supplement assumes that the underwriters do not exercise their over-allotment option described herein under Underwriting.

The Company

Our Business

We are a self-advised real estate investment trust (or REIT) primarily engaged in the business of investing, on a leveraged basis, in hybrid and adjustable-rate MBS which are primarily secured by pools of hybrid and adjustable-rate mortgage loans (or ARMs) on single family residences. At March 31, 2008, we had total assets of approximately $8.552 billion. Of these assets, 99.7% consisted of MBS issued or guaranteed by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. government, such as Ginnie Mae (or, collectively, Agency MBS), non-Agency MBS rated AAA by at least one nationally recognized rating agency (or AAA rated MBS), MBS-related receivables and cash.

Investment Strategy

We are primarily engaged in the business of investing in Agency MBS and other high quality MBS. Our operating policies require that at least 50% of our investment portfolio consist of hybrid or adjustable-rate MBS that are either (i) Agency MBS or (ii) rated in one of the two highest rating categories by at least one nationally recognized rating agency. The remainder of our assets may consist of direct or indirect investments in: (i) other types of MBS and residential mortgage loans; (ii) other mortgage and real estate-related debt and equity; (iii) other yield instruments (corporate or government); and (iv) other types of assets approved by our board of directors (or the board) or a committee thereof. All of our Agency and AAA rated MBS are currently secured by first lien mortgage loans on one to four family properties.

The ARMs collateralizing our MBS are comprised of hybrid mortgage loans, which have interest rates that are fixed for a specified period (typically three to ten years) and, thereafter, generally adjust annually to an increment over a specified interest rate index, and, to a lesser extent, adjustable-rate mortgage loans, which have interest rates that generally adjust annually (although some may adjust more frequently) to an increment over a specified interest rate index. Interest rates on the mortgage loans collateralizing our MBS are based on specific index rates, such as the London Interbank Offered Rate (or LIBOR), the one-year constant maturity treasury (or CMT) rate, the Federal Reserve U.S. 12-month cumulative average one-year CMT or the 11th District Cost of Funds Index. In addition, the ARMs collateralizing our MBS typically have interim and lifetime caps on interest rate adjustments.

Because the coupons earned on hybrid and adjustable-rate MBS adjust over time as interest rates change (typically after a fixed-rate period), the market values of these assets are generally less sensitive to changes in interest rates than are fixed-rate MBS. In order to mitigate our interest rate risks, our strategy is to maintain a substantial majority of our portfolio in hybrid and adjustable-rate MBS. At March 31, 2008, hybrid and adjustable-rate MBS comprised 94.9% of our total assets and 100% of our total MBS portfolio. The ability of hybrid and adjustable-rate MBS to reset based on changes in interest rates helps to mitigate interest rate risk more effectively over a longer time period than over the short term; however, interest rate risk is not entirely eliminated.

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Financing Strategy

Our financing strategy is designed to increase the size of our MBS portfolio by borrowing against a substantial portion of the market value of the MBS in our portfolio. We typically utilize repurchase agreements to finance the acquisition of our MBS and, in certain cases, enter into interest rate swap agreements (or Swaps) to hedge the interest rate risk associated with these repurchase agreements. At March 31, 2008, we had $7.312 billion outstanding under repurchase agreements, a portion of which was hedged with Swaps having a notional amount of $4.226 billion. At March 31, 2008, our debt-to-equity ratio was approximately 7.0 to 1.

Repurchase agreements are financings (i.e., borrowings) under which we pledge our MBS as collateral to secure loans with repurchase agreement counterparties (i.e., lenders). The amount borrowed under a repurchase agreement is limited to a specified percentage of the estimated market value of the pledged collateral. The portion of the pledged collateral held by the lender is the margin requirement for that borrowing. Repurchase agreements take the form of a sale of the pledged collateral to a lender at an agreed upon price in return for such lender s simultaneous agreement to resell the same securities back to the borrower at a future date (i.e., the maturity of the borrowing) at a higher price. The difference between the sale price and repurchase price is the cost, or interest expense, of borrowing under a repurchase agreement. Our cost of borrowings under repurchase agreements generally corresponds to LIBOR plus or minus a margin. Under our repurchase agreements, we retain beneficial ownership of the pledged collateral, while the lender maintains custody of such collateral. At the maturity of a repurchase agreement, we are required to repay the loan and concurrently receive back our pledged collateral or, with the consent of the lender, we may renew such agreement at the then prevailing market interest rate. Under our repurchase agreements, a lender may require that we pledge additional assets to such lender (i.e., by initiating a margin call) in the event the estimated fair value of our existing pledged collateral declines below a specified percentage during the term of the borrowing. Our pledged collateral fluctuates in value due to, among other things, principal repayments and changes in market interest rates and spreads. By maintaining low leverage, we are better able to respond to potential increases in margin requirements. To date, we have satisfied all of our margin calls.

In order to reduce our exposure to counterparty-related risk, we generally seek to diversify our exposure by entering into repurchase agreements with at least four separate lenders with a maximum loan from any lender of no more than three times our stockholders equity. At March 31, 2008, we had master repurchase agreements with 18 separate counterparties and had amounts outstanding under repurchase transactions with 15 such counterparties, with a maximum net exposure (the difference between the amount loaned to us, including interest payable, and the fair value of the securities pledged by us as collateral, including accrued interest on such securities) to any single lender of $103.4 million. In addition, we also enter into Swaps with certain of our repurchase agreement counterparties and other institutions. At March 31, 2008, our aggregate maximum net exposure to any single counterparty for repurchase agreements and Swaps was $149.7 million.

We may enter into derivative financial instruments to hedge against increases in interest rates on a portion of our anticipated LIBOR-based repurchase agreements. At March 31, 2008, our derivative financial instruments consisted solely of Swaps, which are used to lock-in fixed interest rates, over the term of the Swap, related to a portion of our current and anticipated repurchase agreements. At March 31, 2008, we were a party to 123 fixed-pay Swaps with an aggregate notional amount of $4.226 billion. We do not anticipate entering into derivative financial instruments for speculative or trading purposes.

We indirectly own one multi-family apartment property, that we acquired in 2001, which is subject to a long-term fixed-rate mortgage loan. The mortgage collateralized by this property is non-recourse, subject to customary non-recourse exceptions, which generally means that the lender s final source of repayment in the event of default is foreclosure of the property. At March 31, 2008, the mortgage secured by this multi-family apartment property was approximately $9.4 million.

Advisory Business

We provide, through wholly-owned subsidiaries, investment advisory services to third-party institutions with respect to their MBS portfolio investments and, as of March 31, 2008, had approximately $267.8 million of assets under management for one institution. We may grow our third-party advisory business over time.

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Recent Developments

As of April 30, 2008, our book value per share of common stock was $6.42.

Due to market conditions impacting initial public offerings for mortgage companies, we have postponed the initial public offering for MFResidential Investments, Inc. (or MFResidential), a newly organized REIT, that, if completed, will be advised by us with an investment focus in investment grade non-Agency MBS.

On May 22, 2008, we declared a dividend of $0.53125 per share on our 8.50% Series A Cumulative Redeemable Preferred Stock (or Series A Preferred Stock) for the second quarter of 2008. The dividend will be paid on June 30, 2008 to preferred stockholders of record as of June 2, 2008.

On April 1, 2008, we declared a dividend of $0.18 per share on our common stock for the first quarter of 2008. This dividend was paid on April 30, 2008 to stockholders of record as of April 14, 2008.

Compliance with REIT Requirements and Investment Company Act of 1940

We have elected to be treated as a REIT for U.S. federal income tax purposes. In order to maintain our qualification as a REIT, we must comply with a number of requirements under U.S. federal income tax law that are discussed under Material U.S. Federal Income Tax Considerations in the accompanying prospectus. If we fail to maintain our qualification as a REIT, we would be subject to U.S. federal income tax, which could have an adverse impact on our business. In addition, we at all times intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes of, the 1940 Act. If we fail to maintain our exempt status under the 1940 Act, we would be unable to conduct our business as described in this prospectus supplement and the accompanying prospectus. See Risk Factors Loss of our Investment Company Act exemption would adversely affect us in our annual report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated by reference into the accompanying prospectus.

General Information

We were incorporated on July 24, 1997 under Maryland law. Our principal executive offices are located at 350 Park Avenue, 21st Floor, New York, New York 10022. Our telephone number is (212) 207-6400. Our common stock and Series A Preferred Stock are listed on the New York Stock Exchange (or NYSE) under the symbols MFA and MFA PrA, respectively. We maintain a website at *www.mfa-reit.com*. Information contained on our website is not, and should not be interpreted to be, part of this prospectus supplement or the accompanying prospectus.

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THE OFFERING

Common stock we are offering	18,000,000 shares
Common stock to be outstanding after this offering	169,767,979 shares(1)(2)
Use of proceeds after expenses	We intend to use the net proceeds from this offering to acquire additional high quality MBS, on a leveraged basis, consistent with our investment policy and for working capital, which may include, among other things, the repayment of our repurchase agreements.
NYSE symbol	MFA

(1) The number of shares of our common stock outstanding immediately after the closing of this offering is based on 151,767,979 shares of our common stock outstanding as of May 27, 2008.

(2) The number of shares of our common stock outstanding immediately after this offering excludes 632,000 shares of our common stock issuable upon the exercise of stock options outstanding as of May 27, 2008 under our 2004 Equity Compensation Plan.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock began trading on the New York Stock Exchange on April 10, 1998 under the symbol MFA. The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock and the cash dividends per share of our common stock.

	Sales Price Per Share		Cash Dividend
	High	Low	Per Share
2008			
Second Quarter (through May 23, 2008)	$ 7.41	$ 6.11	
First Quarter	11.07	5.00	$0.180
2007			
Fourth Quarter	$ 9.30	$ 7.61	$0.145
Third Quarter	8.65	5.55	0.100
Second Quarter	8.06	6.90	0.090
First Quarter	7.87	6.75	0.080
2006			
Fourth Quarter	$ 8.12	$ 7.20	$0.060
Third Quarter	7.49	6.53	0.050
Second Quarter	7.08	5.95	0.050
First Quarter	6.90	5.65	0.050

We pay cash dividends on a quarterly basis. We intend to continue to pay dividends on our common stock in an amount equal to at least 90% of our taxable income before deductions of dividends paid and excluding net capital gains in order to maintain our status as a REIT for federal income tax purposes. Dividends will be declared and paid at the discretion of the board and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as the board may deem relevant from time to time. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected for the reasons described under Risk Factors beginning on page 5 of our annual report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated by reference into the accompanying prospectus.

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USE OF PROCEEDS

We expect to receive approximately $ million in net proceeds from the sale of the shares of our common stock in this offering (approximately $ million if the underwriters over-allotment option is exercised in full), after deducting underwriting discounts and commissions and the estimated expenses of this offering payable by us.

We intend to use the net proceeds from this offering to acquire additional high-quality MBS, on a leveraged basis, consistent with our investment policy and for working capital, which may include, among other things, the repayment of our repurchase agreements.

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CAPITALIZATION

The following table presents our capitalization as of March 31, 2008:

on an actual basis; and

on an as adjusted basis giving effect to the sale of 18,000,000 shares of common stock in this offering at $ per share.

The information set forth in the following table should be read in conjunction with, and is qualified in its entirety by, the financial statements and the notes thereto and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the fiscal year ended December 31, 2007 and our quarterly report on Form 10-Q for the quarter ended March 31, 2008, which are incorporated by reference into the accompanying prospectus.

	As of March 31, 2008	
	Actual	As Adjusted for this Offering
	(unaudited)	
Stockholders Equity:		
Preferred stock, $.01 par value; series A 8.50% cumulative redeemable; 5,000 shares authorized; 3,840 shares issued and outstanding on an actual basis and as adjusted basis	$ 38	$
Common stock, $.01 par value; 370,000 shares authorized; 151,675 issued and outstanding on an actual basis and shares issued and outstanding on an as adjusted basis(1)	1,517	
Additional paid-in capital, in excess of par	1,338,842	
Accumulated deficit	(177,246)	
Accumulated other comprehensive loss	(111,456)	
Total Stockholders Equity	$ 1,051,695	$

(1) Excludes 92,644 shares of common stock issued after March 31, 2008 through our Discount Waiver, Direct Stock Purchase and Dividend Reinvestment Plan, raising aggregate net proceeds of approximately $635,000.

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SELECTED FINANCIAL DATA

The selected financial data set forth below is derived from our unaudited financial statements for the three months ended March 31, 2008 and 2007 and from our audited financial statements for the years ended December 31, 2007, 2006 and 2005. Our unaudited interim results, in the opinion of our management, reflect all adjustments (consisting solely of normal recurring adjustments) which are necessary to present fairly the results of our operations for the unaudited interim periods. Our unaudited interim results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2008. The following selected financial data should be read in conjunction with the more detailed information contained in our financial statements and the notes thereto and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the fiscal year ended December 31, 2007 and our quarterly report on Form 10-Q for the quarter ended March 31, 2008, which are incorporated by reference into the accompanying prospectus.

	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
	(amounts in thousands, except per share data)				
Operating data:					
Interest income and dividends on investment securities	$ 125,065	$ 84,347	$ 380,328	$ 216,871	$ 235,798
Interest income on short-term cash investments	3,031	448	4,493	2,321	2,921
Interest expense on repurchase agreements	(93,472)	(72,260)	(321,305)	(181,922)	(183,833)
Net interest income	34,624	12,535	63,516	37,270	54,886
Revenue from operations of real estate(1)	414	413	1,638	1,556	1,460
Net (loss)/gain on sale of investment securities(2)	(24,530)	3	(21,793)	(23,113)	(18,354)
Net loss on early termination of Swaps	(91,481)		(384)		
Other-than-temporary impairment on investment securities(2)	(851)				(20,720)
Other income	92	115	422	708	351
Operating and other expenses(1)	(4,211)	(3,216)	(13,446)	(11,185)	(10,829)
(Loss)/income from continuing operations	(85,943)	9,850	29,953	5,236	6,794
Discontinued operations, net(1)			257	3,522	(86)
Net (loss)/income before Series A Preferred Stock dividends	$ (85,943)	$ 9,850	$ 30,210	$ 8,758	$ 6,708
Series A Preferred Stock dividends	$ 2,040	$ 2,040	$ 8,160	$ 8,160	$ 8,160
Net (loss)/income available to common stockholders	$ (87,983)	$ 7,810	$ 22,050	$ 598	$ (1,452)

(Loss)/earnings per share from continuing operations basic and diluted	$ (0.61)	$ 0.10	$ 0.24	$ (0.03)	$ (0.02)
Earnings per share from discontinued operations basic and diluted	$	$	$	$ 0.04	$
(Loss)/earnings per share basic and diluted	$ (0.61)	$ 0.10	$ 0.24	$ 0.01	$ (0.02)
Dividends declared per share of common stock(3)	$	$	$ 0.415	$ 0.210	$ 0.405
Dividends declared per share of Series A Preferred Stock	$ 0.53125	$ 0.53125	$ 2.125	$ 2.125	$ 2.125

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	As of March 31,		As of December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
	(amounts in thousands, except per share data)				
Balance sheet data:					
Investment securities	8,115,988	6,387,585	$ 8,302,797	$ 6,340,668	$ 5,714,906
Cash and cash equivalents	339,767	53,697	234,410	47,200	64,301
Total assets	8,551,765	6,495,894	8,605,859	6,443,967	5,846,917
Repurchase agreements	7,311,767	5,763,357	7,526,014	5,722,711	5,099,532
Preferred stock, liquidation preference(4)	96,000	96,000	96,000	96,000	96,000
Total stockholders equity	1,051,695	694,655	927,263	678,558	

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

You should consider the following and other risk factors in evaluating our business or an investment in our common stock. The occurrence of adverse events described in the following risk factors or other adverse events not described in the following risk factors could have a material adverse effect on our business, results of operations, cash flow and financial condition, and could cause the trading price of our common stock to decline.

Our performance can be negatively impacted by global macroeconomic or other external influences which could have a material adverse effect on our business, results of operations, cash flow and financial condition. We are a technology company selling technology-based solutions with total pricing, including software and services, often, exceeding $1.0 million. Reductions in the

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capital budgets of our customers and prospective customers could have an adverse impact on our ability to sell our solutions. We believe that potential customer concerns over the slow economic recovery within the United States and/or other geographic regions in which we operate could cause delays in capital spending by our customers or delay the closing or our sales, which could have a material adverse impact on our business and our ability to compete and further intensify in our already intensely competitive markets.

Disruptions in the financial and credit markets and new economic downturns may adversely affect our business, results of operations, cash flow and financial condition. Demand for our products and services 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 services, and on our business, results of operations and financial condition. Disruptions in the financial markets, including the bankruptcy or restructuring of certain financial institutions, such as the events that began in the second half of 2008 from which the financial markets are now slowly recovering, may adversely impact the availability of credit already arranged and the availability and cost of credit in the future, which could result in the delay or cancellation of projects or capital programs on which our business depends.

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

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

- corporate information technology departments of current or potential customers capable of internally developing solutions;
- ERP vendors, including Oracle, SAP, and Infor, among others;
- supply chain execution vendors, including RedPrairie Holding, Inc., HighJump Software Inc., the Sterling Commerce division of IBM and CDC Software Corporation, among others;
- supply chain planning vendors, including JDA Software Group, Inc., and SAS Institute Inc., among others; and
- smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or supply chain planning solutions that apply in specific countries and/or globally.

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

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

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Our operating results are substantially dependent on one line of business. We continue to derive our revenues from sales of our supply chain solutions software and related services and hardware. Any factor adversely affecting the markets for supply chain solutions could have an adverse effect on our business, results of operations, cash flow, and financial condition. Accordingly, our future operating results will depend on the demand for our supply chain 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 we will be successful in marketing any new or enhanced products. If our competitors release new products that are superior to our products in performance or price, demand for our products may decline. A decline in demand for our products as a result of competition, technological change, or other factors would reduce our total revenues and harm our ability to maintain profitability.

Our operating results are difficult to predict and could cause our stock price to fall. Our quarterly revenue and operating results are difficult to predict and can fluctuate significantly from quarter to quarter. If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Our quarterly revenue is difficult to forecast for several reasons, including the following: global macro-economic disruptions; credit and equity market disruptions, which can significantly impact capital availability and spend timing; the varying sales cycle for our products and services from customer to customer, including multiple levels of authorization required by some customers; the varying demand for our products; customers budgeting and purchasing cycles; potential deferral of license revenue well after entering into a license agreement due to extended payment terms, including, although infrequent, payment terms in a contract extending beyond twelve months, significant software modifications, future software functionality deliverables not on a stand-alone basis, or other negotiated terms that preclude software revenue recognition under U.S. general accepted accounting principles; delays in our implementations at customer sites; timing of hiring new services employees and the rate at which these employees become productive; timing of introduction of new products; development and performance of our distribution channels; and timing of any acquisitions and related costs.

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

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

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

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

We may encounter long sales cycles, particularly with our larger customers, which could have an adverse effect on the amount, timing, and predictability of our revenue, adversely affecting our business, results of operations, cash flow, and financial condition. Our products have lengthy sales cycles, which typically extend from six to twelve months and may take up to several years. Potential and existing customers, particularly larger enterprise customers, often commit significant resources to an evaluation of available solutions and services and require us to expend substantial time and resources in connection with our sales

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efforts. The length of our sales cycles also varies depending on the type of customer to which we are selling, the product being sold, and customer requirements. We may incur substantial sales and marketing expenses and expend significant management effort during this time, regardless of whether we make a sale. Many of the key risks relating to sales processes are beyond our control, including: our customers budgetary and scheduling constraints; the timing of our customers budget cycles and approval processes; our customers willingness to replace their currently deployed software solutions; and general economic conditions.

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

Delays in implementing our products could adversely impact us. Due to the size and complexity of most of our software implementations, our implementation cycle can be lengthy and may result in delays. Our products may require modification or customization and must integrate with many existing computer systems and software programs of our customers. This can be time-consuming and expensive for customers and can result in implementation and deployment delays of our products. Additional delays could result if we fail to attract, train, and retain services personnel, or if our alliance companies fail to commit sufficient resources towards implementing our software. These delays and resulting customer dissatisfaction could limit our future sales opportunities, impact revenue, and harm our reputation.

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

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

Our failure to manage the growth of our operations may adversely affect our business, results of operations, cash flow, and financial condition. We plan to continue to increase the scope of our operations domestically and internationally. This growth may place a significant strain on our management systems and resources. We may further expand domestically or internationally through internal growth or through acquisitions of related companies and technologies. If we fail to maintain continuity in our executive officers; develop the management skills of our managers and supervisors; attract, retain, train, and motivate our employees; improve our operational, financial, and management controls; maintain adequate reporting systems and procedures and our management and information control systems, our business, results of operations, and cash flow could be negatively impacted.

Our international operations have many associated risks. We continue to strategically manage our presence in international markets, and these efforts require significant management attention and financial resources. We may not be able to successfully penetrate international markets, or, if we do, there can be no assurance that we will grow our business in these markets at the same rate as in North America. Because of these inherent complexities and challenges, lack of success is international markets could adversely affect our business, results of operations, cash flow, and financial condition.

We have international offices in Europe: the United Kingdom, the Netherlands, and France; and in Asia: China, Japan, Singapore, and India; and Australia. Until 2002, our international presence was limited to the United Kingdom and the Netherlands. Our expansion into other international markets largely began in 2002. We have committed resources to maintaining and further expanding, where appropriate, our sales offices and sales and support channels in key international markets. However, our efforts may

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not be successful. International sales are subject to many risks and difficulties, including those arising from the following: building and maintaining a competitive presence in new markets; staffing and managing foreign operations; managing international systems integrators; complying with a variety of foreign laws; producing localized versions of our products; import and export restrictions and tariffs; enforcing contracts and collecting accounts receivable; unexpected changes in regulatory requirements; reduced protection for intellectual property rights in some countries; potential adverse tax treatment; less stringent adherence to ethical and legal standards by prospective customers in some countries; language and cultural barriers; currency fluctuations; political and economic instability abroad; and seasonal fluctuations.

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

Fluctuations in our hardware sales may adversely affect us. A portion of our revenue in any period is from the resale of a variety of third-party hardware products to purchasers of our software. However, our customers may purchase these hardware products directly from manufacturers or distributors rather than from the Company. We view sales of hardware as non-strategic. We perform this service to our customers seeking a single source for their supply chain 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 unable to maintain or grow our hardware revenue, our business, results of operations, cash flow, and financial condition may be adversely affected.

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

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

Our liability to clients may be substantial if our systems fail. Our products are often critical to the operations of our customers businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Defending a lawsuit, regardless of its merit, could be costly and divert management s time and attention. Although we maintain general liability insurance and error and omissions coverage, these coverages 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 or large deductibles or co-insurance requirements on us, then our business, results of operations, cash flow, and financial condition could be adversely affected.

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

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

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

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

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

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

Our software may contain undetected errors or bugs, or may be breached by hackers, 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, or may be vulnerable to hackers. Despite testing, we cannot ensure that errors will not be found in new products or product enhancements after commercial release, or that malefactors will not breach these systems. Any errors or security breaches could cause substantial harm to our reputation, result in additional unplanned expenses to remedy any defects, delay the introduction of new products, result in the loss of existing or potential customers, or cause a loss in revenue. Further, such errors or breaches could subject us to claims from our customers for significant damages, and we cannot assure you that courts would enforce the provisions in our customer agreements that limit our liability for damages. In turn, our business, results of operations, cash flow, and financial condition could be materially adversely affected.

Our 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 personnel, 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.

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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 motivate them. Because of the complexity of the supply chain market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

Our growth is dependent upon the successful development of our direct and indirect sales channel mix. We believe that our future growth also will depend on further developing and maintaining a successful direct sales force and strategic relationships with systems integrators and other technology companies. We are currently investing, and plan to continue to invest, significant resources to further develop certain of our sales channels. Our investment could adversely affect our operating results if these efforts do not generate license and service revenue necessary to offset the 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, a disproportionate increase in indirect sales could reduce our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels typically do not generate consulting services revenue for us at the same levels as direct sales, as the third-party systems integrators generally provide these services. Similarly, indirect sales typically do not generate the same levels of direct contact between our human resources and those of our customer, and we may have more difficulty accurately forecasting sales, evaluating customer satisfaction, and recognizing emerging customer requirements. In addition, these systems integrators and third-party software providers may develop, acquire, or market products competitive with our products.

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

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

Our failure to adequately protect our proprietary rights may adversely affect us. Our success and ability to compete is dependent in part upon our proprietary technology. There are no assurances that we will be able to protect our proprietary rights against unauthorized disclosure or 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. In turn, our business, results of operations, cash flow, and financial condition could be materially adversely affected.

Our liability for intellectual property claims can be costly and result in the loss of significant rights. It is possible that third parties will claim that we have infringed their current or future products, inventions, or other intellectual property. We expect that supply chain 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. There are no assurances that these royalty or licensing agreements, if required, would be available on terms acceptable to us, if at all. We also may be required to indemnify our customers for damages they suffer as a result of such infringement. There are no assurances that legal action claiming patent infringement will not be commenced against us, or that we would prevail in litigation given the complex technical issues and inherent uncertainties in patent litigation. If a patent claim against us were successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign the product or feature to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non-infringing software. Any of these events could seriously harm our business, results of operations, cash flow, and financial condition.

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We are currently a defendant in a patent infringement action described in Item 3 Legal Proceedings.

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

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

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

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

We may also evaluate joint venture relationships with complementary businesses. Any joint venture we enter into would involve many of the same risks posed by acquisitions, particularly the following: risks associated with the diversion of resources; the inability to generate sufficient revenue; the management of relationships with third parties; and potential additional expenses.

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

Our stock price has been highly volatile. The trading price of our common stock has fluctuated significantly since our initial public offering in April 1998. In addition, the trading price of our common stock could be subject to wide fluctuations in response to various factors, including: global macro-economic contraction impacting demand for supply chain solutions; quarterly variations in operating results; announcements of technological innovations or new products by us or our competitors; developments with respect to patents or proprietary rights; changes in financial estimates by securities analysts; and mergers, acquisitions, and combinations involving our competitors or us.

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During 2011, we repurchased approximately $130.7 million of Manhattan Associates outstanding common stock under the share repurchase program approved by our Board of Directors throughout the year. In January 2012, our Board of Directors approved raising our remaining share repurchase authority to $50.0 million of Manhattan Associates outstanding common stock.

In addition, the stock market has recently experienced volatility that has particularly affected the market prices of equity securities of many technology companies. The volatility often has been unrelated or disproportionate to the operating performance of those 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, 2011, we do not have any unresolved SEC staff comments.

Item 2. ***Properties***

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

Item 3. ***Legal Proceedings***

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

Sky Technologies

In May 2011, Sky Technologies, Inc. (Sky) filed a patent infringement lawsuit against us and several other companies in the United States District Court for the District of Massachusetts. The lawsuit seeks unspecified damages and injunctive relief. We have filed our answer to the lawsuit denying that any of our products infringe any of Sky s patent claims and currently intend to defend the action vigorously. The trial is currently scheduled to begin in October 2012.

While we believe we have valid defenses to Sky s claims, patent litigation by its very nature is inherently unpredictable and we cannot make any predictions as to the outcome of this litigation. Although there can be no assurance that the Company will not ultimately incur liability to Sky in an amount that could be material to the Company, we believe that, if one or more of the Company s products are found to infringe Sky s patent, the finding would relate to a small portion of the Company s product portfolio. Therefore, we believe that any loss or liability that the Company may incur to Sky, either alone or when combined with the costs of the litigation, would not have a material adverse impact upon our business, our financial position, results of operations or cash flows.

Liability for our Software and Services

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 that the limitations of liability set forth in our contracts will be enforceable in all instances.

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Item 4. ***Mine Safety Disclosures***
Not applicable.

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	0000000000000 High Price	0000000000000 Low Price
2011		
First Quarter	**$ 32.74**	**$ 29.23**
Second Quarter	**37.18**	**33.08**
Third Quarter	**37.97**	**31.37**
Fourth Quarter	**46.48**	**31.65**
2010		
First Quarter	$ 27.46	$ 20.97
Second Quarter	30.92	25.59
Third Quarter	29.72	25.23
Fourth Quarter	31.99	28.56

On February 16, 2012, the last reported sales price of our common stock on the Nasdaq Global Select Market was $46.50 per share. The number of shareholders of record of our common stock as of February 16, 2012 was approximately 21.

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, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted-average exercise price of outstanding options and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,288,721	$ 24.79	3,915,942
Equity compensation plans not approved by security holders			
Total	2,288,721	$ 24.79	3,915,942

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

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Purchase of Equity Securities

The following table provides information regarding our common stock repurchases under our publicly-announced share repurchase program and shares withheld for taxes due upon vesting of restricted stock for the quarter ended December 31, 2011. All repurchases related to the share repurchase program were made on the open market.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 October 31, 2011	64,935	$ 40.64	60,979	$ 47,507,642
November 1 November 30, 2011	617,639	43.64	617,574	20,555,068
December 1 December 31, 2011	179,402	44.48	178,590	12,610,586
Total	861,976	$ 43.59	857,143	$ 12,610,586

(a) Includes 3,956 shares, 65 shares, and 812 shares withheld for taxes due upon vesting of restricted stock during October, November, and December, respectively.

(b) The average price paid per share for shares withheld for taxes due upon vesting of restricted stock was $37.09, $43.20, and $44.43 in October, November, and December, respectively.

During the year ended December 31, 2011, we repurchased a total of 3,607,267 shares at an average price per share of $36.24 under our publicly-announced share repurchase program. In January 2012, our Board of Directors approved raising our remaining share repurchase authority to $50.0 million of Manhattan Associates outstanding common stock.

Item 6. *Selected Financial Data*

You should read the following selected consolidated financial data in conjunction with our Consolidated Financial Statements and related Notes thereto and with Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2011, 2010, and 2009, and the balance sheet data as of December 31, 2011 and 2010, 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, 2008 and 2007 and the balance sheet data as of December 31, 2009, 2008, and 2007 are derived from audited financial statements not included herein. Historical results are not necessarily indicative of results to be expected in the future.

	Year Ended December 31,				
	2007	2008	2009	2010	2011
	(in thousands, except per share data)				
Statement of Income Data:					
Software license	$ 73,031	$ 65,313	$ 34,686	$ 54,450	**$ 54,241**
Total revenue	$ 337,401	$ 337,201	$ 246,667	$ 297,117	**$ 329,253**
Operating income	$ 43,058	$ 25,963	$ 21,142	$ 41,927	**$ 61,363**
Net income	$ 30,751	$ 22,798	$ 16,562	$ 28,061	**$ 44,907**
Earnings per diluted share	$ 1.13	$ 0.94	$ 0.73	$ 1.25	**$ 2.09**

	December 31, 2007	2008	2009	2010	2011
	(in thousands)				
Balance Sheet Data:					
Cash, cash equivalents and investments	$ 72,772	$ 88,706	$ 123,014	$ 126,869	**$ 99,114**
Total assets	$ 271,660	$ 270,221	$ 264,711	$ 280,464	**$ 259,600**
Shareholders equity	$ 185,705	$ 179,839	$ 183,365	$ 183,800	**$ 162,080**

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

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

Business Overview

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

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

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

- licenses of our supply chain software;
- professional services, including solutions planning and implementation, related consulting, customer training, and customer support services and software enhancements (collectively, services); and
- hardware sales and other revenue.

In 2011, we generated $329.3 million in total revenue, with a revenue mix of: license revenue 17%; services revenue 74%; and hardware and other revenue 9%.

We manage our business based on three geographic regions: North America and Latin America (Americas), Europe, Middle East, and Africa (EMEA), and Asia Pacific (APAC). Geographic revenue is based on the location of the sale. Our international revenue was approximately $90.7 million, $80.7 million, and $58.0 million for the years ended December 31, 2011, 2010, and 2009, respectively, which represents approximately 28%, 27%, and 24% of our total revenue for the years ended December 31, 2011, 2010, and 2009, respectively. International revenue includes all revenue derived from sales to customers outside the United States. At December 31, 2011, we employed approximately 2,135 employees worldwide, of which 1,040 employees are based in the Americas, 145 employees in EMEA, and 950 employees in APAC (including India). We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore, and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, the Middle East, South Africa, and Asia.

Global Economic Trends and Industry Factors

Global macro economic trends, technology spending, and supply chain management market growth are important barometers for our business. In 2011, approximately 72% of our total revenue was generated in the United States, 12% in EMEA and the balance in APAC, Canada, and Latin America. In addition, industry analysts estimate that approximately two-thirds of every supply chain software solutions dollar invested is spent in the United States; consequently, the health of the U.S. economy has a meaningful impact on our financial results.

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We sell technology-based solutions with total pricing, including software and services, in many cases exceeding $1.0 million. Our software often is a part of our customers and prospects much larger capital commitment by our customer associated with facilities expansion and business improvement. We believe that, given the lingering uncertainty in the global macro environment, the current sales cycles for large license deals of $1.0 million or greater in our target markets have been extended. The current business climate within the United States and geographic regions in which we operate continues to affect customers and prospects decisions regarding timing of strategic capital expenditures. Delays with respect to such decisions can have a material adverse impact on our business, and may further intensify competition in our already highly competitive markets.

In January 2012, the International Monetary Fund (IMF) provided a World Economic Outlook (WEO) update lowering its previous 2012 world economic growth forecast from September 2011. The update noted that,

Global output is projected to expand by 3 1/4 percent in 2012 a downward revision of about 3/4 percentage point relative to the September 2011 World Economic Outlook. This is largely because the euro area economy is now expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow because of the worsening external environment and a weakening of internal demand.

Advanced economies, which represent our primary revenue markets, are projected to expand by 1 1/2 percent on average during 2012 and 2013. As the WEO further noted, given the depth of the 2009 recession, these growth rates are expected to be too sluggish to make a major impact in high unemployment.

During 2011 and 2010, the overall trend has been an increase in large license deals for the Company, with recognized $1.0 million or larger software license deals totali