

A summary of our purchased and internally developed software as of December 31 is as follows (in thousands):

	2008	2007
Purchased software	\$ 20,801	\$ 19,169
Internally developed software	5,151	4,438
Less accumulated amortization	(18,966)	(14,993)
Net software	\$ 6,986	\$ 8,614

**INCOME TAXES.** Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued.

The financial statement effects of an uncertain income tax position are recognized when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Other tax contingencies are accrued for when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The current portion of uncertain income tax positions is included in "Income taxes and other" and the long-term portion is included in "Noncurrent income taxes payable" in the consolidated balance sheets.

Provisions are made for taxes on undistributed earnings of foreign subsidiaries and related companies.

**COMPREHENSIVE INCOME.** Comprehensive income includes any changes in the equity of an enterprise from transactions and other events and circumstances from non-owner sources. Our two components of other comprehensive income are foreign currency translation adjustment and unrealized gains and losses from investments. They are presented on our consolidated statements of stockholders' investment.

**STOCK-BASED COMPENSATION.** We account for share-based compensation in accordance with SFAS No. 123R, *Share Based Payment*. Under this standard, the fair value of each share-based payment award is established on the date of grant. For grants of restricted shares and restricted units, the fair value is established based on the market price on the date of the grant, discounted for post-vesting holding restrictions. The discounts have varied from 12 to 22 percent and are calculated using the Black-Scholes option pricing model. Increased stock price volatility is the primary factor that has caused the change in the discount applied.

For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based awards is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate, and expected dividends.

## NOTE 2: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. We adopted SFAS No. 157 on January 1, 2008, for financial assets and liabilities. SFAS No. 157 did not have any impact on our financial statements. See Note 5 of Notes to the Consolidated Financial Statements for additional discussion.

In February 2008, the FASB issued Staff Position 157-2 which is a partial deferral of the effective date of SFAS No. 157 as it relates to non-financial assets and liabilities. With respect to non-financial assets and liabilities, SFAS No. 157 is effective for us starting in fiscal 2009. We have not determined the impact, if any, the adoption of this statement will have on our consolidated financial statements as it pertains to non-financial assets and liabilities.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 gives us the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. We adopted SFAS No. 159 on January 1, 2008. We have elected not to report any financial assets or liabilities at fair value under SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. We adopted SFAS No. 141R as of January 1, 2009. We expect SFAS No. 141R may have an impact on our consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, terms, and size of the acquisitions we consummate after the effective date.

### NOTE 3: AVAILABLE-FOR-SALE SECURITIES

Our investments consist of investment-grade marketable debt securities. These investments are classified as short-term based on their highly liquid nature and because these securities represent the investment of cash that is available for current operations. All are classified as available-for-sale and recorded at fair value. The carrying value of available-for-sale securities approximates fair market value. As of December 31, 2008 and 2007, we had \$2.6 million and \$115.8 million in available-for-sale securities. Unrealized holding gains and losses are recorded, net of any tax effect, as a separate component of accumulated other comprehensive income. Unrealized gains and losses on available-for-sale securities were not material as of December 31, 2008 and 2007. The gross realized gains and losses on sales of available-for-sale securities were not material for the years ended December 31, 2008, 2007, and 2006.

The fair value of available-for-sale debt securities at December 31, 2008, by contractual maturity, is shown below (in thousands):

	Cost basis	Estimated fair value
Due in one year or less	\$ 2,610	\$ 2,644
Total	\$ 2,610	\$ 2,644

### NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

The change in the carrying amount of goodwill for the year ended December 31, 2008, is as follows (in thousands):

Balance December 31, 2007	\$ 278,739
Goodwill associated with acquisitions	47,038
Foreign currency impact	(1,073)
Balance December 31, 2008	\$ 324,704

During 2008, we added \$37.5 million of goodwill through our acquisition of Transera and \$9.9 million in the form of an earn-out payment related to a previous acquisition. Additions to goodwill were partially offset by a \$0.4 million purchase accounting adjustment to reflect the fair value of intangible assets acquired in 2007.

In accordance with SFAS No. 142, we annually complete an impairment test on goodwill. This impairment test did not result in any impairment losses.

A summary of our other intangible assets, which include primarily non-competition agreements and customer relationships, as of December 31 is as follows (in thousands):

	2008	2007
Gross	\$ 35,869	\$ 29,211
Accumulated amortization	(20,969)	(14,741)
Net	\$ 14,900	\$ 14,470