

INTERGRAPH CORP  
Form PREM14A  
September 22, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission  
Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**INTERGRAPH CORPORATION**  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Common stock, par value \$0.10 per share, of Intergraph Corporation (the Intergraph common stock )

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

29,430,789 shares of Intergraph common stock (including restricted shares and restricted share units) and 1,098,311 options to purchase Intergraph common stock.

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

The transaction value was determined based upon the sum of (a) \$44.00 per share of 29,430,789 shares of Intergraph common stock (including restricted shares and restricted share units); and (b) \$44.00 minus weighted average exercise price of \$15.8678 per share of outstanding options to purchase 1,098,311 shares of Intergraph common stock.

(4) Proposed maximum aggregate value of transaction:

\$1,325,052,621.71

(5) Total fee paid:

\$141,866.23

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**INTERGRAPH CORPORATION**  
**P.O. Box 240000**  
**Huntsville, Alabama 35824**

, 2006

Dear Stockholder:

On August 31, 2006, the board of directors of Intergraph Corporation ( Intergraph, we, us or our ) approved, and Intergraph entered into, a merger agreement with Cobalt Holding Company and its wholly-owned subsidiary Cobalt Merger Corp. Cobalt Holding Company is currently owned primarily by private equity funds sponsored by Hellman & Friedman LLC and Texas Pacific Group. Under the terms of the merger agreement, Cobalt Merger Corp. will be merged with and into us, with Intergraph continuing as the surviving corporation. If the merger is completed, you will be entitled to receive \$44.00 in cash, without interest, for each share of Intergraph common stock that you own.

You will be asked, at a special meeting of our stockholders to be held on \_\_\_\_\_, 2006, at \_\_\_\_\_ .m., local time, to vote on a proposal to adopt the merger agreement so that the merger can occur. After careful consideration, our board of directors has approved the merger agreement and determined that the merger and the merger agreement are advisable and in the best interests of Intergraph and our stockholders. **Our board of directors recommends that you vote FOR the adoption of the merger agreement.**

The special meeting will be held [**in the Building 15b Auditorium at Intergraph s executive offices located at 170 Graphics Drive, Madison, Alabama 35758**]. Notice of the special meeting and the related proxy statement is enclosed.

The accompanying proxy statement gives you detailed information about the special meeting and the merger and includes a copy of the merger agreement attached thereto as Annex A. The receipt of cash in exchange for shares of Intergraph common stock pursuant to the merger will constitute a taxable transaction to U.S. persons for U.S. federal income tax purposes. We encourage you to read the proxy statement and the merger agreement carefully. You may also obtain additional information about Intergraph from documents filed with the Securities and Exchange Commission.

**Your vote is very important, regardless of the number of shares you own. We cannot complete the merger unless holders of a majority of all outstanding shares of Intergraph common stock entitled to vote on the matter vote to adopt the merger agreement. If you fail to vote on the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement.**

**Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy in the accompanying reply envelope, or submit your proxy by telephone or the Internet.**

Our board of directors and management appreciate your continuing support of Intergraph, and we urge you to support this transaction.

Sincerely,

Sidney L. McDonald  
*Chairman of the Board*

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.**

The proxy statement is dated \_\_\_\_\_, 2006, and is first being mailed to stockholders on or about \_\_\_\_\_, 2006.

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**INTERGRAPH CORPORATION  
P.O. Box 240000  
Huntsville, Alabama 35824**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held On \_\_\_\_\_, 2006**

Dear Stockholder:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Intergraph Corporation, a Delaware corporation (which we refer to as Intergraph, we, us or our ), will be held on \_\_\_\_\_, \_\_\_\_\_, 2006, at \_\_\_\_\_ .m., local time, [**in the Building 15b Auditorium at Intergraph s executive offices located at 170 Graphics Drive, Madison, Alabama 35758**], for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of August 31, 2006, by and among Intergraph, Cobalt Holding Company, a Delaware corporation, and Cobalt Merger Corp., a Delaware corporation and a wholly-owned subsidiary of Cobalt Holding Company, as the merger agreement may be amended from time to time;
2. To approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement; and
3. To transact such other business as may properly come before the special meeting and any and all adjourned or postponed sessions thereof.

The record date for the determination of stockholders entitled to notice of and to vote at the special meeting is \_\_\_\_\_, 2006. Accordingly, only stockholders of record as of the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournment or postponement of the special meeting.

We urge you to read the accompanying proxy statement carefully as it sets forth details of the proposed merger and other important information related to the merger.

Your vote is important, regardless of the number of shares of Intergraph common stock you own. The adoption of the merger agreement requires the affirmative approval of the holders of a majority of the outstanding shares of our common stock entitled to vote thereon. The adjournment proposal requires the affirmative vote of a majority of the shares of our common stock present at the special meeting and entitled to vote thereon. Even if you plan to attend the special meeting in person, we request that you complete, date, sign and return the enclosed proxy, or submit your proxy by telephone or the Internet, prior to the special meeting and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you fail to return your proxy card or fail to submit your proxy by telephone or the Internet, your shares will not be counted for purposes of determining whether a quorum is present at the meeting and will have the same effect as a vote against the adoption of the merger agreement, but will not affect the outcome of the vote regarding the adjournment proposal.

Please note that space limitations may make it necessary to limit attendance at the special meeting to stockholders. If you attend, please note that you may be asked to present valid picture identification. Street name holders will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the special meeting.

Stockholders of Intergraph who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of Intergraph common stock if they deliver a demand for appraisal before the vote is taken on the merger agreement and comply with all requirements of Delaware law, which are summarized in the accompanying proxy statement.

**YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY IN THE ACCOMPANYING REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET.**

By Order of the Board of Directors,

David Vance Lucas  
*Secretary*

Huntsville, Alabama  
, 2006

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References to Intergraph, we, our or us in this proxy statement refer to Intergraph Corporation and its subsidiaries unless otherwise indicated by context.

### **SUMMARY TERM SHEET**

*This Summary Term Sheet, together with the Questions and Answers About the Special Meeting beginning on page 7, summarizes selected information in the proxy statement and may not contain all the information important to you. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers you for a more complete understanding of the matters being considered at the special meeting. In addition, this proxy statement incorporates by reference important business and financial information about Intergraph. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in Where You Can Find More Information beginning on page 64.*

### **The Merger and the Merger Agreement**

*The Parties to the Merger (see page 12).* Intergraph, a Delaware corporation, is a leading global supplier of spatial information management software. Cobalt Holding Company, a Delaware corporation, which we refer to as Cobalt Holding, was formed solely for the purpose of effecting the merger with Intergraph and the transactions related to the merger. Cobalt Holding has not engaged in any business except in furtherance of this purpose. Cobalt Merger Corp., a Delaware corporation and a wholly-owned subsidiary of Cobalt Holding, which we refer to as Merger Sub, was formed solely for the purpose of effecting the merger. Merger Sub has not engaged in any business except in furtherance of this purpose. At the time of the merger, Cobalt Holding will be owned primarily by private equity funds sponsored by Hellman & Friedman LLC, Texas Pacific Group and JMI Equity, which we sometimes refer to as the sponsor group.

*The Merger.* You are being asked to vote to adopt an agreement and plan of merger, which we refer to as the merger agreement, pursuant to which Merger Sub will merge with and into Intergraph, which we refer to as the merger, on the terms and subject to the conditions in the merger agreement. Intergraph will be the surviving corporation in the merger, which we refer to as the surviving corporation, and will continue to do business as Intergraph following the merger. As a result of the merger, Intergraph will cease to be a publicly traded company and will become a wholly-owned subsidiary of Cobalt Holding. See *The Merger Agreement* beginning on page 42.

*Merger Consideration.* If the merger is completed, you will be entitled to receive \$44.00 in cash, without interest, for each share of Intergraph common stock that you own. You will not own shares in the surviving corporation. See *The Merger Agreement Merger Consideration* beginning on page 42.

*Treatment of Outstanding Options, Restricted Shares and Restricted Share Units.* Except as otherwise agreed by a holder and Cobalt Holding:

all outstanding options to acquire Intergraph common stock under Intergraph's equity incentive plans will become fully vested and immediately exercisable upon consummation of the merger, and each option will be cancelled and converted into the right to receive a cash payment equal to the number of shares of Intergraph common stock underlying the option multiplied by the amount by which \$44.00 exceeds the option exercise price, without interest and less any applicable withholding taxes; and

restrictions applicable to all shares of restricted stock and restricted share units will lapse and those shares or units will be cancelled and converted into the right to receive a cash payment equal to the number of outstanding restricted shares or the number of shares of Intergraph common stock previously subject to the

restricted share units multiplied by \$44.00 (together with the value of any deemed dividend equivalents accrued but unpaid with respect to restricted share units), without interest and less any applicable withholding taxes.

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See The Merger Agreement Treatment of Options and Other Awards beginning on page 42.

*Conditions to the Merger (see page 50).* The consummation of the merger depends on the satisfaction or waiver of a number of conditions, including the following:

the merger agreement must have been adopted by the affirmative vote of the holders of a majority of the outstanding shares of our common stock;

no statute, rule, executive order, regulation, order or injunction which prevents or prohibits the merger shall be in effect;

the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, and applicable foreign antitrust laws must have expired or been terminated;

the respective representations and warranties of Intergraph, Cobalt Holding and Merger Sub in the merger agreement must be true and correct as of the closing date in the manner described under the caption The Merger Agreement Conditions to the Merger beginning on page 50; and

Intergraph, Cobalt Holding and Merger Sub must have performed and complied in all material respects with all covenants and agreements that each is required to perform or comply with under the merger agreement.

*Restrictions on Solicitations of Other Offers (see page 51).*

The merger agreement provides that we are generally not permitted to:

solicit, initiate, propose or knowingly encourage the submission of an acquisition proposal for us or engage in any negotiations or discussions with respect thereto, or otherwise participate, engage or knowingly assist in, or knowingly facilitate an acquisition proposal; or

approve or recommend any acquisition proposal for us or enter into any letter of intent, memorandum of understanding, agreement, option agreement or other similar agreement providing for or relating to any acquisition proposal for us or withdraw or modify, in a manner adverse to Cobalt Holding or Merger Sub, the approval or recommendation of our board of directors of the merger agreement or the merger or announce that it has resolved to take that action or publicly propose to do any of the foregoing.

Notwithstanding these restrictions, under certain circumstances, our board of directors may respond to an unsolicited proposal for an alternative acquisition or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal, so long as we comply with certain terms of the merger agreement described under The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal and Third Party Tender Offers beginning on page 53.

*Termination of the Merger Agreement (see page 53).*

The merger agreement may be terminated at any time prior to the consummation of the merger, whether before or after stockholder approval has been obtained:

by mutual written consent of Intergraph and Cobalt Holding;

by either Intergraph or Cobalt Holding, if:

the merger is not consummated on or before March 31, 2007, except that this right to terminate will not be available to any party whose action or failure to fulfill any obligation under the merger agreement or failure to act in good faith has been the principal cause of, or resulted in, the failure of the merger to be consummated by that date;

a court of competent jurisdiction or other governmental entity has issued a final, non-appealable order, decree or ruling or taken any other action, or there exists any statute, rule or regulation, in

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each case preventing or otherwise prohibiting the consummation of the merger or that otherwise has the effect of making the merger illegal, and the party seeking to terminate the merger agreement has used all reasonable efforts to prevent the entry of and to remove the order, decree, ruling, action, or statute, rule or regulation to the extent of its control or influence; or

our stockholders fail to adopt the merger agreement at a duly held meeting; or

by Cobalt Holding, if:

our board of directors withdraws or modifies, or publicly proposes to withdraw or modify, in a manner adverse to Cobalt Holding, the approval or recommendation of our board of directors of the merger agreement or the merger or announces that it has resolved to take that action;

our board of directors recommends to our stockholders or approves any acquisition proposal or resolves to effect the foregoing;

our board of directors fails to include in this proxy statement its recommendation that our stockholders approve the merger agreement and the merger;

our board of directors fails to recommend against a tender or exchange offer related to an acquisition proposal in any publicly disclosed position taken pursuant to the United States Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act; or

there has been a breach of, or inaccuracy in, any representation, warranty, covenant or agreement of Intergraph under the merger agreement which would result in the failure of certain conditions to closing and where the breach or inaccuracy is reasonably incapable of being cured, or is not cured, within 20 business days after Intergraph receives notice of the breach or inaccuracy and neither Cobalt Holding nor Merger Sub is in material breach of its representations, warranties, covenants and obligations under the merger agreement so as to cause the failure of certain conditions to closing; or

by Intergraph if:

Intergraph concurrently enters into a definitive agreement with respect to a superior proposal; provided that we have paid, or simultaneously with doing so, pay to Cobalt Holding the termination fee as described below;

there has been a breach of, or inaccuracy in, any representation, warranty, covenant or agreement of Cobalt Holding or Merger Sub under the merger agreement which would result in the failure of certain conditions to closing and where the breach or inaccuracy is reasonably incapable of being cured, or is not cured, within 20 business days after Cobalt Holding receives notice of the breach or inaccuracy and we are not in material breach of our representations, warranties, covenants and obligations under the merger agreement so as to cause the failure of certain conditions to closing; or

the conditions to closing have been satisfied (other than those conditions that by their terms are to be satisfied at closing, and no state of facts or circumstances exists that would cause the conditions to not be satisfied, and nothing has occurred and no conditions exist that would cause those conditions not to be satisfied if the closing were to occur on the last day of the marketing period as further described below) and Cobalt Holding has failed to consummate the merger by the last day of the marketing period.

*Termination Fees (see page 54).* If the merger agreement is terminated under certain circumstances:

Intergraph will be obligated to reimburse Cobalt Holding s out-of-pocket fees and expenses, up to a limit of \$7,000,000;

Intergraph will be obligated to pay a termination fee of \$33,140,000 (less, in some circumstances, any out-of-pocket fees and expenses previously reimbursed as described above); or

Cobalt Holding will be obligated to pay us a termination fee of \$53,020,000. Investment funds affiliated with each of Hellman & Friedman LLC, Texas Pacific Group and JMI Equity have agreed

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severally to guarantee the obligation of Cobalt Holding to pay this termination fee, subject to a cap. The cap for each investment fund is equal to the investment fund's pro rata share of \$53,020,000, which share is proportionate to its equity commitment to Cobalt Holding as compared to the equity commitment of the other guarantors. The \$53,020,000 termination fee payable to Intergraph is our exclusive remedy unless, in general, Cobalt Holding is otherwise in willful and material breach of the merger agreement, in which case we may pursue a damages claim. The maximum aggregate liability of Cobalt Holding and its affiliates, including the investment funds affiliated with each of Hellman & Friedman LLC, Texas Pacific Group and JMI Equity arising from any breach of the merger agreement is in any event capped at \$99,420,000. See *The Merger Guarantees; Remedies* beginning on page 35.

## **The Special Meeting**

See *Questions and Answers About the Special Meeting* beginning on page 7 and *The Special Meeting* beginning on page 13.

## **Other Important Considerations**

*Board Recommendation.* After careful consideration, the independent members of our board of directors unanimously determined that the merger agreement and the merger are advisable, fair to and in the best interests of Intergraph and our stockholders and unanimously recommend that our stockholders vote FOR the adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies. For a discussion of the factors our board of directors considered in deciding to recommend the adoption of the merger agreement, see *The Merger Reasons for the Merger; Recommendation of Our Board of Directors* beginning on page 23.

*Share Ownership of Directors and Executive Officers.* As of \_\_\_\_\_, 2006, the record date for the special meeting, the directors and executive officers of Intergraph held and were entitled to vote, in the aggregate, \_\_\_\_\_ shares of Intergraph common stock, representing approximately \_\_\_\_\_ % of the outstanding shares of the Intergraph common stock. See *The Special Meeting Voting Rights; Quorum; Vote Required for Approval* beginning on page 13.

*Interests of Intergraph's Directors and Executive Officers in the Merger.* In reaching its decision concerning the merger agreement, our board of directors extensively consulted with our management team and legal and financial advisors. Members of management generally participated in meetings of our board of directors; however, R. Halsey Wise, our president and chief executive officer, abstained from the vote regarding the merger agreement due to his potential continuing interest in the surviving corporation. In considering the recommendation of our board of directors with respect to the merger, you should be aware that some of Intergraph's directors and executive officers (including Mr. Wise) who participated in meetings of our board of directors have interests in the merger that may be different from, or in addition to, the interests of our stockholders generally. For example, the merger agreement provides that, at the effective time of the merger, each option to purchase shares of our common stock, including those options held by our directors and executive officers, will accelerate and become fully vested and will generally be cashed out in an amount equal to the excess of \$44.00 over the option exercise price, and all shares of restricted stock and restricted share units, including those held by our directors and executive officers, will become free of restrictions and will be cashed out at \$44.00 per share (together with the value of any deemed dividend equivalents accrued but unpaid with respect to restricted share units). Certain of our executive officers may be entitled to severance or retention payments under certain circumstances following the merger pursuant to existing employment agreements with us. Certain of our executive officers may also be permitted to invest in Cobalt Holding by the payment of cash and/or contribution of their Intergraph equity securities to the surviving corporation. The surviving corporation



may grant new stock options in the surviving corporation to certain of our executive officers, who may also enter into new employment agreements with the surviving corporation and/or become directors of the surviving corporation. These and other interests or potential interests of our directors and executive officers are more fully described under [The Merger](#) [Interests](#)

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of Intergraph's Directors and Executive Officers in the Merger beginning on page 36. Our board of directors was aware of these interests in making its decisions.

*Opinion of Goldman, Sachs & Co.* In connection with the proposed merger, Goldman, Sachs & Co., which we refer to as Goldman Sachs, delivered its opinion to our board of directors that, as of August 31, 2006, and based upon and subject to the factors and assumptions set forth therein, the \$44.00 per share in cash to be received by the holders of shares of Intergraph common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The full text of the written opinion of Goldman Sachs, dated August 31, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. **Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Intergraph's common stock should vote with respect to the transaction.** Pursuant to an engagement letter between Intergraph and Goldman Sachs, we have agreed to pay Goldman Sachs a transaction fee of 0.85% of the aggregate consideration paid in the transaction, all of which is payable upon consummation of the merger. See *The Merger Opinion of Goldman, Sachs & Co.* beginning on page 25.

*Sources of Financing.* The merger agreement does not contain any condition relating to the receipt of financing by Cobalt Holding; provided, however, that Cobalt Holding is not required to consummate the merger until the completion of the marketing period described under *The Merger Agreement Marketing Period*. In connection with the merger, Cobalt Holding will cause \$1,325.6 million to be paid out to our stockholders and holders of other equity interests in Intergraph, with the remaining funds to be used to pay customary fees and expenses in connection with the proposed merger, the financing arrangements and the related transactions. Funding of the equity and debt financing is subject to the satisfaction of the conditions set forth in the commitment letters pursuant to which the financing will be provided. Cobalt Holding has agreed to use its reasonable best efforts to arrange the debt financing on the terms and conditions set forth in the debt commitment letter. The payments to our stockholders and of customary fees and expenses are expected to be funded by a combination of the following:

an aggregate of \$441.1 million in equity contributions by affiliates of Hellman & Friedman LLC, Texas Pacific Group and JMI Equity;

new senior secured credit facilities in the amount of \$464.5 million, consisting of a \$389.5 million senior secured term loan and a \$75.0 million senior secured revolving credit facility (not all of which is expected to be drawn at the closing);

\$276.5 million aggregate principal amount of senior subordinated notes or, alternatively, a senior subordinated bridge loan facility in the amount of \$276.5 million;

a new \$60.0 million senior secured payment-in-kind loan facility; and

cash and cash equivalents held by Intergraph and our subsidiaries at closing.

See *The Merger Financing of the Merger* beginning on page 34.

*Regulatory Approvals (see page 33).* Under the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission, which we refer to as the FTC, the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice, which we refer to as the DOJ, and the applicable waiting period has expired or has been terminated. Intergraph and Cobalt

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Holding each filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on September 15, 2006. If Intergraph and Cobalt Holding do not receive a request for additional information, the waiting period will expire at 11:59 p.m. on October 16, 2006, if not terminated earlier. The merger is also subject to the expiration of waiting periods or receipt of clearance opinions in connection with foreign merger control filings in Austria,

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Germany and Norway, which were filed with the applicable antitrust authorities on September 8, 2006, September 8, 2006 and September 15, 2006, respectively.

*Tax Consequences.* The merger will be a taxable transaction for U.S. federal income tax purposes. Your receipt of cash in exchange for your shares of Intergraph common stock pursuant to the merger generally will cause you to recognize gain or loss measured by the difference, if any, between the cash you receive pursuant to the merger (determined before the deduction of any applicable withholding taxes) and your adjusted tax basis in your shares of Intergraph common stock. If you are a non-U.S. holder (as defined below) of Intergraph common stock, the merger generally will not be a taxable transaction to you under U.S. federal income tax law unless you have certain connections to the United States. Under U.S. federal income tax law, you will be subject to information reporting on cash received pursuant to the merger unless an exemption applies. Backup withholding may also apply with respect to cash you receive pursuant to the merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number and otherwise comply with the applicable requirements of the backup withholding rules. You should consult your own tax advisor for a full understanding of how the merger will affect your particular tax consequences, including federal, state, local and/or foreign taxes and, if applicable, the tax consequences of the receipt of cash in connection with the cancellation of your options to purchase shares of Intergraph common stock, your shares of restricted stock and/or your restricted share units. See *The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders* beginning on page 38.

*Appraisal Rights.* Under Delaware law, holders of Intergraph common stock who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares, as determined by the Delaware Court of Chancery, if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount you would receive could be more than, the same as or less than the amount a stockholder would be entitled to receive under the terms of the merger agreement. Any holder of Intergraph common stock intending to exercise the holder's appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See *The Special Meeting Rights of Stockholders Who Object to the Merger and Appraisal Rights* beginning on pages 14 and 58, respectively, and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex C.

*Market Price of Intergraph Common Stock (see page 60).* The closing sale price of Intergraph common stock on the Nasdaq Global Select Market, which we refer to as the NASDAQ, on August 30, 2006, the last trading date before the date of the merger agreement, was \$37.30 per share. The \$44.00 per share to be paid for each share of Intergraph common stock pursuant to the merger represents a premium of approximately 22% over Intergraph's average closing share price for the 20 trading days prior to the date of the merger agreement.

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting. These questions and answers do not address all questions that may be important to you as an Intergraph stockholder. You should still carefully read the Summary Term Sheet and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.*

**Q. When and where is the special meeting?**

A. The special meeting of stockholders of Intergraph will be held on , , 2006, at .m., local time, **[in the Building 15b Auditorium at Intergraph's executive offices located at 170 Graphics Drive, Madison, Alabama 35758]**.

**Q. What matters will be voted on at the special meeting?**

A. You will be asked to consider and vote on the following proposals:

to adopt the merger agreement;

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement; and

to transact such other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

**Q. How does Intergraph's board of directors recommend that I vote on the proposals?**

A. The independent members of the board of directors unanimously recommend that you vote:

FOR the proposal to adopt the merger agreement; and

FOR the adjournment proposal.

**Q. Who is entitled to vote at the special meeting?**

A. All holders of Intergraph common stock as of the close of business on , 2006, the record date for the special meeting, are entitled to vote at the special meeting. As of the record date, there were approximately shares of Intergraph common stock outstanding. Approximately holders of record held these shares. Every holder of Intergraph common stock is entitled to one vote for each share the stockholder held as of the record date.

Please note that space limitations may make it necessary to limit attendance at the special meeting to stockholders. If you attend, please note that you may be asked to present valid picture identification. Street name holders will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices are not permitted at the special meeting.

**Q. What vote is required for Intergraph's stockholders to adopt the merger agreement?**

A. An affirmative vote of the holders of a majority of all outstanding shares of Intergraph common stock entitled to vote on the matter is required to adopt the merger agreement.

**Q. What vote is required for Intergraph's stockholders to approve the proposal to adjourn the special meeting, if necessary, to solicit additional proxies?**

A. The proposal to adjourn the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of the holders of a majority of the shares of Intergraph common stock present or represented by proxy at the meeting and entitled to vote on the matter.

**Q. Who is soliciting my vote?**

A. This proxy solicitation is being made and paid for by Intergraph. In addition, we have retained Georgeson Inc. to assist in the solicitation. We will pay Georgeson Inc. approximately \$15,000 plus out-of-pocket expenses for its assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or by other means of communication. These individuals will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward

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proxy solicitation materials to the beneficial owners of shares of Intergraph common stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

**Q. What do I need to do now?**

- A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares in your own name as the stockholder of record, please complete, sign, date and return the enclosed proxy card; submit a proxy using the telephone number printed on your proxy card; or submit a proxy using the Internet proxy submission instructions printed on your proxy card. You can also attend the special meeting and vote, or change your prior vote, in person. **Do NOT enclose or return your stock certificate(s) with your proxy.** If you hold your shares in street name through a broker, bank or other nominee, then you received this proxy statement from the nominee, along with the nominee's proxy card which includes voting instructions and instructions on how to change your vote.

**Q. How do I vote? How can I revoke my vote?**

- A. You may cause your shares to be voted by signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope, or as described below if you hold your shares in street name. If you return your signed proxy card, but do not mark the boxes showing how you wish your shares to be voted, your shares will be voted FOR the proposal to adopt the merger agreement and FOR the adjournment proposal. You have the right to revoke your proxy at any time before the vote taken at the special meeting:

if you hold your shares in your name as a stockholder of record, by notifying us in writing at One Madison Industrial Park, Huntsville, Alabama 35894, Attention: Investor Relations;

if you hold your shares in your name as a stockholder of record, by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

if you hold your shares in your name as a stockholder of record, by submitting a later-dated proxy card; or

if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

**Q. Can I submit a proxy by telephone or electronically?**

- A. If you hold your shares in your name as a stockholder of record, you may submit a proxy by telephone or electronically through the Internet by following the instructions included with your proxy card.

If your shares are held by your broker, bank or other nominee, often referred to as held in street name, please check your proxy card or contact your broker, bank or other nominee to determine whether you will be able to provide voting instructions by telephone or electronically.

**Q. If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?**

- A. Your broker, bank or other nominee will only be permitted to vote your shares if you instruct your broker, bank or other nominee how to vote. You should follow the procedures provided by your broker, bank or other nominee regarding the voting of your shares. If you do not instruct your broker, bank or other nominee to vote your shares,

your shares will not be voted and the effect will be the same as a vote against the adoption of the merger agreement and will not have an effect on the proposal to adjourn the special meeting.

**Q. What do I do if I receive more than one proxy or set of voting instructions?**

- A. If you hold shares both as a record holder and in street name, or if your shares are otherwise registered differently, you may receive more than one proxy and/or set of voting instructions relating to the special meeting. **These should each be returned separately in order to ensure that all of your shares are voted.**



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**Q. How are votes counted?**

- A. For the proposal to adopt the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to adopt the merger agreement, but will count for the purpose of determining whether a quorum is present. If you abstain, it will have the same effect as if you vote against the adoption of the merger agreement. In addition, if your shares are held in the name of a broker, bank or other nominee, your broker, bank or other nominee will not be entitled to vote your shares in the absence of specific instructions. These non-voted shares, or broker non-votes, will be counted for purposes of determining a quorum, but will have the same effect as a vote against the adoption of the merger agreement.

For the proposal to adjourn the special meeting, if necessary, to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. Abstentions and broker non-votes will count for the purpose of determining whether a quorum is present, but broker non-votes will not count as shares present and entitled to vote on the proposal to adjourn the meeting. As a result, abstentions will have the same effect as a vote against the proposal to adjourn the meeting and broker non-votes will have no effect on the vote to adjourn the meeting, which requires the vote of the holders of a majority of the shares of Intergraph common stock present or represented by proxy at the meeting and entitled to vote on the matter.

If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

**Q: Who will count the votes?**

- A: A representative of our transfer agent, Computershare Investor Services, LLC, will count the votes and act as an inspector of election. Questions concerning stock certificates or other matters pertaining to your shares may be directed to Computershare Investor Services, LLC at (312) 360-5116.

**Q. When is the merger expected to be completed? What is the marketing period ?**

- A. We are working toward completing the merger as soon as possible, and we anticipate that it will be completed in the fourth quarter of 2006. However, in order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived. In addition, Cobalt Holding is not obligated to complete the merger until the expiration of a 20-consecutive calendar day marketing period that it may use to complete the debt financing for the merger. The marketing period begins to run after we have provided Cobalt Holding with certain financial information required to be provided by us under the merger agreement, obtained the stockholder approval and satisfied other specified conditions under the merger agreement, but will begin no earlier than November 11, 2006. If the marketing period would not end on or before December 19, 2006, the marketing period will commence no earlier than January 2, 2007. See The Merger Agreement Marketing Period and The Merger Agreement Conditions to the Merger beginning on pages 49 and 50, respectively.

**Q. Should I send in my stock certificates now?**

- A. No. After the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your Intergraph common stock certificates for the merger consideration.

If your shares are held in street name by your broker, bank or other nominee, you will receive instructions from your broker, bank or other nominee as to how to effect the surrender of your street name shares in exchange for the merger consideration. **Please do not send your certificates in now.**

**Q. How can I obtain additional information about Intergraph?**

- A. We will provide a copy of our Annual Report to stockholders and/or our Annual Report on Form 10-K for the year ended December 31, 2005, excluding certain of its exhibits, and other filings, including our reports on Form 10-Q, which have been filed with the Securities and Exchange Commission, which we refer to as the SEC, without charge to any stockholder who makes an oral or written request to the Office of Investor Relations, Intergraph Corporation, One Madison Industrial Park, Huntsville, Alabama, 35894,

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telephone: (256) 730-2720. Our Annual Report on Form 10-K and other SEC filings also may be accessed on the Internet at <http://www.sec.gov> or on the Investor Relations page of Intergraph's website at <http://www.intergraph.com>. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement and is not incorporated by reference. For a more detailed description of how to obtain additional information about Intergraph, please refer to "Where You Can Find More Information" beginning on page 64.

**Q. Who can help answer my questions?**

- A. If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact: Georgeson Inc., 17 State Street, 10th Floor, New York, New York 10004. Banks and brokers call (212) 440-9800. All others call toll-free (866) 628-6079. If your broker, bank or other nominee holds your shares, you can also call your nominee for additional information.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of Intergraph, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings Summary Term Sheet, The Merger, and in statements containing the words believes, plans, expects, anticipates, intends, estimates or other similar expressions. For each of these statements we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of Intergraph. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise. In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, including a termination that under circumstances could require us to pay a \$33.14 million termination fee to Cobalt Holding;

the outcome of any legal proceedings that have been or may be instituted against us and others relating to the merger agreement;

the failure of the merger to close for any reason, including the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger, including the expiration of the waiting period under the HSR Act, or the failure to obtain the necessary debt financing arrangements set forth in commitment letters received in connection with the merger, and the risk that any failure of the merger to close may adversely affect our business and the price of our common stock;

the potential adverse effect on our business, properties and operations of any covenants we agreed to in the merger agreement;

risks that the proposed transaction diverts management's attention and disrupts current plans and operations, and potential difficulties in employee retention as a result of the merger;

the effect of the announcement of the merger and actions taken in anticipation of the merger on our business relationships, operating results and business generally;

the amount of the costs, fees, expenses and charges related to the merger; and

other risks detailed in our current filings with the SEC, including our most recent filings on Forms 8-K, 10-Q and 10-K. See Where You Can Find More Information beginning on page 64.

Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect our views only as of the date of this proxy statement. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

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**THE PARTIES TO THE MERGER**

**Intergraph**

Intergraph Corporation is a Delaware corporation and is headquartered in Huntsville, Alabama. Our principal executive offices are located at One Madison Industrial Park, Huntsville, Alabama 35894 and our telephone number is (256) 730-2000. We are a leading global supplier of spatial information management software. Our core mission is to enable businesses and governments to make better and faster operational decisions and, through software and services, help our customers organize vast amounts of complex data into understandable visual representations. Our technology enables customers to create intelligent maps, manage assets and infrastructure, build and better manage plants and ships, and dispatch, command, and control emergency services to those in need. Founded in 1969, Intergraph was a pioneer of computer graphics in the commercial and government sectors and has delivered numerous innovations in interactive graphics solutions. Intergraph's divisions offer software, professional services, and maintenance solutions to satisfy engineering, design, modeling, analysis, mapping, and information technology needs. Products and services are sold through industry-focused direct and indirect sales channels worldwide. A significant portion of our revenues are generated outside the U.S., primarily in Europe and Asia Pacific.

For a more detailed description of the business and properties of Intergraph, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which is incorporated by reference herein, or visit our website at [www.intergraph.com](http://www.intergraph.com). Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement and is not incorporated by reference. Intergraph is publicly traded on the NASDAQ under the symbol INGR. See [Where You Can Find More Information](#).

**Cobalt Holding**

Cobalt Holding Company, which we refer to as Cobalt Holding, is a Delaware corporation that was formed solely for the purpose of acquiring Intergraph. Cobalt Holding has not engaged in any business except as contemplated by the merger agreement. The principal office addresses of Cobalt Holding are c/o Hellman & Friedman, One Maritime Plaza, 12th Floor, San Francisco, California 94111, telephone: (415) 788-5111, and c/o Texas Pacific Group, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102, telephone: (415) 743-1500. At the time of the merger, Cobalt Holding will be owned primarily by private equity funds affiliated with Hellman & Friedman LLC, JMI Equity and Texas Pacific Group. Each of Hellman & Friedman LLC, Texas Pacific Group and JMI Equity is engaged in the business of making private equity and related investments.

**Merger Sub**

Cobalt Merger Corp., which we refer to as Merger Sub, is a Delaware corporation that was formed solely for the purpose of completing the proposed merger. Upon the consummation of the proposed merger, Cobalt Merger Corp. will cease to exist and Intergraph will continue as the surviving corporation. Cobalt Merger Corp. is wholly-owned by Cobalt Holding and has not engaged in any business except as contemplated by the merger agreement. The principal office addresses of Merger Sub are c/o Hellman & Friedman, One Maritime Plaza, 12th Floor, San Francisco, California 94111, telephone: (415) 788-5111, and c/o Texas Pacific Group, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102, telephone: (415) 743-1500.

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**THE SPECIAL MEETING**

This proxy statement is furnished in connection with the solicitation of proxies by our board of directors in connection with the special meeting of our stockholders relating to the merger.

**Date, Time and Place of the Special Meeting**

The special meeting is scheduled to be held as follows:

Date:           , 2006

Time:           .m., local time

Place: **[Building 15b Auditorium  
170 Graphics Drive, Madison, Alabama 35758]**

**Proposals to be Considered at the Special Meeting**

At the special meeting, you will be asked to vote on a proposal to adopt the merger agreement and to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement. If our stockholders fail to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached as Annex A to this proxy statement, and we encourage you to read it carefully and in its entirety.

**Record Date**

We have fixed the close of business on           , 2006 as the record date for the special meeting, and only holders of record of Intergraph common stock on the record date are entitled to vote at the special meeting. On the record date, there were            shares of Intergraph common stock outstanding and entitled to vote.

**Voting Rights; Quorum; Vote Required for Approval**

Each share of Intergraph common stock entitles the holder to one vote on all matters properly coming before the special meeting. The presence, in person or representation by proxy of stockholders entitled to cast a majority of the votes of all issued and outstanding shares entitled to vote, shall constitute a quorum for the purpose of considering the proposals. Shares of Intergraph common stock represented at the special meeting but not voted, including shares of Intergraph common stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. In the event that a quorum is not present at the special meeting, it is expected that the meeting will be adjourned to solicit additional proxies.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Intergraph common stock entitled to vote on the matter. For the proposal to adopt the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to adopt the merger agreement, but will count for the purpose of determining whether a quorum is present. **If you abstain, it will have the same effect as if you vote against the adoption of the merger agreement.** In addition, if your shares are held in the name of a broker, bank or other nominee, your broker, bank or other nominee will not be

entitled to vote your shares in the absence of specific instructions. **These non-voted shares, or broker non-votes, will be counted for purposes of determining a quorum, but will have the same effect as a vote against the adoption of the merger agreement.** Your broker, bank or nominee will vote your shares only if you provide instructions on how to vote by following the instructions provided to you by your broker, bank or nominee.

The proposal to adjourn the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of the holders of a majority of the outstanding shares of Intergraph common stock present or represented by proxy at the special meeting and entitled to vote on the matter. For the proposal to adjourn the



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special meeting, if necessary, to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. Abstentions and broker non-votes will count for the purpose of determining whether a quorum is present, but broker non-votes will not count as shares present and entitled to vote on the proposal to adjourn the meeting. **As a result, abstentions will have the same effect as a vote against the proposal to adjourn the meeting and broker non-votes will have no effect on the vote to adjourn the special meeting, which requires the vote of the holders of a majority of the shares of Intergraph common stock present or represented by proxy at the meeting and entitled to vote on the matter.**

As of \_\_\_\_\_, 2006, the record date, the directors and executive officers of Intergraph held and were entitled to vote, in the aggregate, \_\_\_\_\_ shares of Intergraph common stock, representing approximately % of the outstanding Intergraph common stock. If our directors and executive officers vote their shares in favor of adopting the merger agreement, % of the outstanding shares of Intergraph common stock will have voted for the proposal to adopt the merger agreement. This means that additional holders of approximately \_\_\_\_\_, or %, of all shares entitled to vote at the special meeting would need to vote for the proposal to adopt the merger agreement in order for it to be adopted.

## **Submission and Revocation of Proxies**

Stockholders of record may submit proxies by mail. Stockholders who wish to submit a proxy by mail should mark, date, sign and return the proxy card in the envelope furnished. If you hold your shares in your name as a stockholder of record, you may submit a proxy by telephone or electronically through the Internet by following the instructions included with your proxy card. Stockholders who hold shares beneficially through a nominee (such as a bank or broker) may be able to submit a proxy by mail, or by telephone or the Internet if those services are offered by the nominee.

Proxies received at any time before the special meeting, and not revoked or superseded before being voted, will be voted at the special meeting. Where a specification is indicated by the proxy, it will be voted in accordance with the specification. If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

You have the right to revoke your proxy at any time before the vote taken at the special meeting:

if you hold your shares in your name as a stockholder of record, by notifying us in writing at One Madison Industrial Park, Huntsville, Alabama 35894, Attention: Investor Relations;

if you hold your shares in your name as a stockholder of record, by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

if you hold your shares in your name as a stockholder of record, by submitting a later-dated proxy card; or

if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

**Please do not send in your stock certificates with your proxy card.** When the merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the merger consideration in exchange for your stock certificates.

**Rights of Stockholders Who Object to the Merger**

Stockholders of Intergraph are entitled to appraisal rights under Delaware law in connection with the merger. This means that you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement.

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To exercise your appraisal rights, you must submit a written demand for appraisal to Intergraph before the vote is taken on the merger agreement and you must not vote in favor of the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See Appraisal Rights beginning on page 59 and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex C.

## **Solicitation of Proxies**

This proxy solicitation is being made and paid for by Intergraph on behalf of our board of directors. In addition, we have retained Georgeson Inc. to assist in the solicitation. We will pay Georgeson Inc. approximately \$15,000 plus out-of-pocket expenses for their assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These individuals will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of Intergraph common stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses. In addition, we will indemnify Georgeson Inc. against any losses arising out of that firm's proxy soliciting services on our behalf.

## **Other Business**

We are not currently aware of any business to be acted upon at the special meeting other than the matters discussed in this proxy statement. Under our by-laws, business transacted at the special meeting is limited to the purposes stated in the notice of the special meeting, which is provided at the beginning of this proxy statement. If other matters do properly come before the special meeting, or at any adjournment or postponement of the special meeting, we intend that shares of Intergraph common stock represented by properly submitted proxies will be voted in accordance with the recommendations of our board of directors.

## **Questions and Additional Information**

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor, Georgeson Inc., toll-free at (866) 628-6079 (banks and brokerage firms call collect at (212) 440-9800), or contact Intergraph in writing at our principal executive offices at One Madison Industrial Park, Huntsville, Alabama 35894, Attention: Investor Relations, or by telephone at (256) 730-2720.

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**THE MERGER**

*This discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.*

**Background of the Merger**

Our board of directors periodically reviews and assesses strategic alternatives available to us to enhance stockholder value. In the spring of 2005, Intergraph reorganized its operations from four business units to two, which we refer to as Security, Government & Infrastructure, or SG&I, and Process, Power & Marine, or PP&M, and began to restructure and streamline its global operations. The restructuring actions were expected to be completed by the second quarter of 2006. During the summer and fall of 2005, certain parties expressed potential interest in discussing a potential transaction with Intergraph. None of these progressed beyond the preliminary stage or resulted in any specific proposals. In the fall of 2005, our board of directors considered whether a more formal review of our potential strategic alternatives to enhance stockholder value was appropriate. Following discussion, the board of directors requested our management to invite Goldman Sachs to make a presentation to the board of directors at its next regularly scheduled meeting regarding potential strategic alternatives available to us.

On January 25, 2006, at a regularly scheduled meeting of the board of directors, our management reviewed with the board of directors Intergraph's results of operations, including an update regarding Intergraph's organizational realignment and restructuring efforts, Intergraph's 2006 budget, and our management's perspective regarding potential strategic alternatives to enhance stockholder value. Representatives of Goldman Sachs were then invited to join the meeting to discuss their preliminary analyses of our potential strategic alternatives. Goldman Sachs reviewed the possibility of pursuing potential strategic alternatives relating to the continuation of Intergraph's strategic plan and business transformation efforts, a recapitalization (including a potential share repurchase), growth through one or more strategic acquisitions to complement our SG&I and/or PP&M business units, and the potential sale of all or part of Intergraph, and discussed the supporting rationales, merits and challenges associated with each potential alternative. With respect to the sale of Intergraph alternative, Goldman Sachs discussed, and our board of directors considered, several potential processes and their respective benefits and risks, including a targeted competitive process. Goldman Sachs also reviewed the number and identity of parties whom Intergraph might consider including in a targeted competitive process and the expected levels of interest.

A representative of Bass, Berry & Sims PLC, our outside corporate counsel, which we refer to as Bass, Berry & Sims, was also present at this meeting and reviewed the fiduciary duties of directors in the context of considering strategic alternatives relating to Intergraph. After further discussions between members of the board of directors and our management, the board of directors determined that it would explore potential strategic alternatives as discussed at the meeting, including the potential sale of Intergraph through a targeted competitive process, and authorized management to negotiate the retention of Goldman Sachs to assist the board of directors in exploring potential strategic alternatives.

On February 27, 2006, the board of directors met and received an update from our management regarding Intergraph's exploration of our strategic alternatives. Following this meeting, we executed an engagement letter retaining Goldman Sachs as our financial advisor.

Thereafter, and continuing into April 2006, acting on behalf of Intergraph, Goldman Sachs contacted 11 potential strategic parties to assess their interest in a potential business combination transaction with Intergraph. These

potentially interested parties were selected primarily on the basis of their expected financial resources and level of interest in a transaction with Intergraph, including any previous expressions of interest to Intergraph. Given the belief that a strategic transaction was more likely in view of potential synergies, cost savings and other factors, based in part on the advice of Goldman Sachs and concerns regarding confidentiality of the process, the board of directors determined not to contact financial sponsors at this stage of the process. Acting on behalf of Intergraph, Goldman Sachs distributed introductory information materials and a form of confidentiality agreement to prospective strategic parties who expressed interest in Intergraph. We subsequently

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executed confidentiality agreements with six prospective strategic parties through April 2006. Also, our management, with the assistance of Goldman Sachs, continued to refine their analyses of other potential strategic alternatives.

Between March 15, 2006 and April 12, 2006, nine of the 11 strategic parties contacted by Goldman Sachs declined to proceed further with the process. Several of these parties noted the complexity of Intergraph's business, tax costs associated with any subsequent disposition of businesses or non-core assets and the relative size of Intergraph's SG&I and PP&M business units.

At an April 19, 2006 meeting of our board of directors, our board of directors reviewed with our management Intergraph's recent financial and operational performance, Intergraph's progress in its organizational realignment and restructuring efforts, and other matters. Thereafter, Goldman Sachs joined the meeting and reviewed for the board of directors the work that our management, with the assistance of its legal and financial advisors, had undertaken in connection with the exploration of our potential strategic alternatives. With respect to the potential sale of Intergraph alternative, representatives of Goldman Sachs updated the board of directors on the contacts made by Goldman Sachs to potential strategic parties, noting that nine of the potential strategic parties stated that they were not interested in exploring further a transaction with Intergraph and that none of the potential strategic parties expressed any meaningful degree of interest in a transaction with Intergraph. Goldman Sachs also discussed a list of financial sponsors that could be asked to bid for Intergraph and assessed their desire and ability to acquire Intergraph, as well as other potential strategic alternatives available to Intergraph. Following a discussion regarding next steps, the independent directors went into executive session, at which time members of our management left the meeting. During the executive session, the independent directors discussed the potential inclusion of financial sponsors in the process, the potential interests of our management in a transaction involving a financial sponsor and the maintenance of the confidentiality of the process. Following discussion, the board of directors approved the inclusion of potentially interested financial sponsors in the process and directed our management and legal and financial advisors to continue to explore potential strategic alternatives available to us. The independent directors also instructed our management not to discuss their personal financial interests in a potential transaction with a financial sponsor without prior board of directors' approval.

Over the course of the following week, acting on behalf of Intergraph, Goldman Sachs contacted potential financial sponsor acquirors to assess their interest in acquiring Intergraph. Acting on behalf of Intergraph, Goldman Sachs distributed a form of confidentiality agreement to prospective financial sponsors who expressed interest in Intergraph. We subsequently executed confidentiality agreements with nine prospective financial sponsor acquirors, as well as two additional prospective strategic parties who expressed interest in teaming with a financial sponsor, and distributed introductory materials to each such party. On April 24, 2006, the remaining two potential strategic parties contacted earlier in the process informed Goldman Sachs that they would not participate further in the process.

On May 4, 2006, Intergraph received three preliminary indications of interest from financial sponsors or teams, including an indication of interest from Hellman & Friedman LLC and Texas Pacific Group. The Hellman & Friedman LLC/Texas Pacific Group indication of interest included a range of merger consideration of \$47 to \$52 per share. The other two indications of interest included merger consideration of \$50 per share from a financial sponsor we will refer to as Party X, and a range of \$49 to \$51 per share from a financial sponsor we will refer to as Party Y, respectively. Additionally, two financial sponsors indicated interest in certain of Intergraph's assets but did not submit an indication of interest regarding Intergraph as a whole.

On May 8, 2006, our board of directors met to receive an update regarding the ongoing exploration of our strategic alternatives. Our management updated the board of directors regarding the process of evaluating our potential strategic alternatives process. Representatives of Goldman Sachs updated the board of directors with respect to the process, including the potential sale of Intergraph process. Goldman Sachs described the three written preliminary non-binding indications of interest in an acquisition of Intergraph from financial sponsors, and stated that one potential strategic

party was reconsidering participation in the process. The board of directors discussed next steps in the process, and the independent directors then met in executive session. Following discussion during the executive session, the independent directors resolved to authorize the

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continuing participants in the sale of Intergraph process to conduct additional due diligence and authorized the continued exploration of our other potential strategic alternatives.

Over the course of May and June 2006, the continuing potential acquirors conducted their due diligence of Intergraph with the assistance of management and our legal and financial advisors. In late May 2006, our management made presentations to each of the continuing potential acquirors.

Our board of directors met on June 13, 2006 to receive an update regarding the ongoing exploration of our strategic alternatives. Representatives of our management reviewed Intergraph's financial performance and other business matters and provided an update regarding the process of evaluating our potential strategic alternatives. Goldman Sachs reviewed and discussed with the board of directors its ongoing financial analyses of our strategic alternatives. Representatives of Goldman Sachs also reported to the board of directors on the progress of the potential sale of Intergraph process, including the identity of the continuing potential acquirors (none of which were stand-alone strategic parties) and their due diligence efforts. Goldman Sachs also discussed interest expressed in certain of Intergraph's assets. Party X had expressed an interest in partnering with a strategic party to explore its interest in the potential acquisition of one of Intergraph's business units, and this strategic party was permitted to enter the process. Following discussion, the independent directors met in executive session. Bass, Berry & Sims reviewed the board of directors' fiduciary duties, discussed the terms of a draft merger agreement, and responded to questions.

On June 23, 2006, Hellman & Friedman LLC/Texas Pacific Group informed Goldman Sachs that they would not participate further in the process due to valuation concerns as their analysis of their diligence review did not support their initial indicated range of \$47 to \$52 per share.

On June 26, 2006, Bass, Berry & Sims distributed a draft merger agreement, a draft of which was previously reviewed by the board of directors, to Party X and Party Y. Thereafter, a bid procedures letter was distributed that requested proposals for an acquisition of Intergraph, accompanied by equity and debt financing commitments, sponsor guarantees and comments on the draft merger agreement, be submitted by July 6, 2006. On June 28, 2006, a previously contacted financial sponsor, whom we will refer to as Party Z, submitted a joint indication of interest with a strategic party desiring to enter the process for the entire company at a range of \$40 to \$43 per share.

On June 30, 2006, the board of directors met to discuss Intergraph's forecasted results of operations for the second quarter and the status of the process for exploring Intergraph's potential strategic alternatives. Our management updated the board of directors regarding Intergraph's results of operations and discussed a potential pre-announcement of better than expected second quarter results. Goldman Sachs updated the board of directors regarding Intergraph's potential strategic alternatives, including the potential sale process. Goldman Sachs described the three interested participants or groups, which consisted of Party X (interested in the entire company or in partnership with a strategic party with a potential interest in one of Intergraph's business units), Party Y (interested in purchasing the entire company), and Party Z (teamed with a strategic party desiring to enter the process interested in the entire company). The board of directors discussed these matters and Hellman & Friedman LLC/Texas Pacific Group's withdrawal from the process. The board of directors and its legal and financial advisors also discussed the timeline for the process.

On July 5, 2006, Party Z increased its indication of interest from a range of \$40 to \$43 to a range of \$43 to \$50 per share. Intergraph received no other revised indications of interest or comments regarding the draft merger agreement prior to the July 6, 2006 deadline included in the bid procedures letter, although Party Y submitted a markup of the draft merger agreement the following day and the others indicated their intent not to submit a markup at that time.

At a meeting of our board of directors on July 11, 2006, our management reviewed the draft press release announcing upwardly revised guidance for the second quarter and 2006 with the board of directors and discussed the factors driving Intergraph's results. Thereafter, our management and Goldman Sachs updated the board of directors regarding



the process of evaluating our potential strategic alternatives, including a discussion regarding each of the three continuing participants in the potential sale of Intergraph process. The board of directors also discussed the potential impact of various factors on the process, including fluctuations in

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Intergraph's share price and various market indices, and considered how such matters could affect potential bid levels. The board of directors also reviewed with management their projections for future company performance and the assumptions and factors underlying the projections. Goldman Sachs reviewed potential strategic alternatives and potential valuations relating to each alternative. The alternatives considered included continuing Intergraph's strategic plan and business transformation efforts as a stand alone public company, returning capital to stockholders, including through a more leveraged capital structure, potential strategic acquisitions to complement Intergraph's SG&I and/or PP&M business units, and the potential sale of all or part of Intergraph. The independent directors met in executive session with Goldman Sachs and Bass, Berry & Sims and discussed the relative merits and potential risks associated with the various potential alternatives. During the executive session, the board of directors asked questions of Goldman Sachs regarding the process, and Bass, Berry & Sims reviewed the fiduciary duties of directors in the context of considering potential strategic alternatives.

Following the meeting, Intergraph issued a press release announcing upwardly revised expectations for the second quarter and 2006 results of operations. On behalf of Intergraph, Bass, Berry & Sims circulated a revised draft merger agreement responding to comments received during the process. Intergraph received draft equity and debt commitment letters from Party Y. Goldman Sachs informed participants that second round indications of interest were due July 17, 2006. As of that date, of the three remaining participants, Party Z indicated that it valued Intergraph in the mid-\$30s per share (down from a previously indicated range of \$43 to \$50 per share) and declined to submit a revised indication of interest. The two remaining participants did not submit an indication of interest by July 17, 2006.

The board of directors met on the evening of July 17, 2006 to receive an update regarding Intergraph's potential strategic alternatives, including the potential sale process. Goldman Sachs updated the board of directors regarding each of the three participants in the potential sale process and informed the board of directors that no written indications of interest had been received. Goldman Sachs also discussed that Party Z had orally indicated its valuation in the mid-\$30s per share and stated its intention not to submit a bid.

On July 18, 2006, the board of directors met to receive an update regarding the process of evaluating our potential strategic alternatives. Goldman Sachs informed the board of directors that no written indications of interest had been received. Party X had indicated that it continued to evaluate the business, but that it was unlikely to submit an indication of interest at its previously communicated level of \$50 per share. Goldman Sachs also informed the board of directors that the other remaining participant, Party Y, orally indicated that it intended to submit an indication of interest, but that it would be conditioned upon Intergraph's acquisition of an unaffiliated strategic company due to Party Y's concerns regarding the size of Intergraph's business units. The board of directors discussed the potential sale process, as well as potential business combination discussions with the referenced strategic party. The independent directors met in executive session with Goldman Sachs and Bass, Berry & Sims to discuss the proposed next steps. Following discussion during the executive session, the independent directors approved preliminary acquisition discussions with the referenced strategic party which, ultimately, did not progress due to valuation concerns.

On July 19, 2006, the board of directors met to review the status of the potential sale of Intergraph process and other potential strategic alternatives. Our management and Goldman Sachs reviewed the feedback received from the participants in the potential sale process, other potential strategic alternatives and a planned meeting of the board of directors on July 26, 2006 to review further Intergraph's potential strategic alternatives. The independent directors met in executive session with Goldman Sachs and Bass, Berry & Sims to discuss the status of the strategic alternatives process and next steps, including parties that should be contacted. Bass, Berry & Sims again reviewed the board of directors' fiduciary duties in the context of considering potential strategic alternatives. Later that day, one of the two remaining participants, Party Y, submitted a written indication of interest reflecting a range from \$41 to \$44 per share (down from \$49 to \$51 per share), but it was conditioned upon the participant's concurrent acquisition of the referenced strategic party. On July 19, 2006, Goldman Sachs, on behalf of Intergraph, subsequently contacted Hellman & Friedman LLC/Texas Pacific Group and a strategic party to inquire about their respective interest in

re-entering the process. Hellman & Friedman LLC subsequently orally indicated to Goldman Sachs that their preliminary

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valuation of Intergraph reflected a range of \$41 to \$43 per share and that they were willing to re-enter the process if their expenses of doing so were reimbursed by us in certain circumstances.

On July 25, 2006, Party X submitted a revised indication of interest reflecting a range of \$40 to \$42.50 per share (down from previously indicated merger consideration of \$50 per share).

On July 26, 2006, our management reviewed with the board of directors Intergraph's results of operations for the second quarter, expectations for the third quarter and 2006, and other matters affecting Intergraph. Our management also updated the board of directors regarding its analyses of the potential sale process and other potential strategic alternatives. Thereafter, Goldman Sachs joined the meeting to review potential strategic alternatives and to update the board of directors on the potential sale process, including the indication of interest received the day before from Party X, and its contacts with Hellman & Friedman LLC/Texas Pacific Group and a strategic party regarding their willingness to re-enter the potential sale process. Goldman Sachs also reviewed its analyses of Intergraph's potential strategic alternatives, including continuing Intergraph's strategic plan and business transformation efforts, revising Intergraph's capital structure through a recapitalization (including a potential share repurchase), pursuing a strategic acquisition to complement Intergraph's SG&I or PP&M business units, respectively, divesting one or more of Intergraph's businesses and/or non-core assets, and the potential sale of Intergraph. Following the Goldman Sachs presentation and discussion, the independent directors met in executive session with Goldman Sachs and Bass, Berry & Sims to discuss further potential strategic alternatives and the values potentially attributable to each of the alternatives discussed. The independent directors reached a consensus that, at that time, the potential sale process, if available on terms and conditions acceptable to the board of directors, was the best alternative reasonably available to Intergraph and its stockholders. Thereafter, Goldman Sachs was excused from the meeting and Bass, Berry & Sims reviewed the board of directors' fiduciary duties. The independent directors also agreed to the request of Hellman & Friedman LLC/Texas Pacific Group for reimbursement of their due diligence expenses under certain circumstances should Hellman & Friedman LLC/Texas Pacific Group re-enter the process. On July 26, 2006, Hellman & Friedman LLC/Texas Pacific Group submitted a written indication of interest reflecting a range of \$41 to \$43 per share and agreeing to re-enter the process, subject to our agreement to reimburse up to \$3 million of their due diligence expenses if we entered into an agreement on or prior to August 31, 2006 providing for a sale or other business combination with another party and certain other conditions were satisfied. We agreed in writing to the expense reimbursement provision the following day. A draft merger agreement was provided to Hellman & Friedman LLC/Texas Pacific Group on August 1, 2006.

From July 27, 2006 through August 28, 2006, the remaining participants continued to conduct their due diligence and to meet with our management. On August 7, 2006, the strategic party contacted by Goldman Sachs on July 19, 2006 regarding its interest in re-entering Intergraph's sale process advised that it would not be participating in the process due to the complexity of Intergraph's business. Also, on that date, JMI Equity was permitted to enter the process with Hellman & Friedman LLC/Texas Pacific Group. In mid-August, Party Y indicated that it was no longer interested in pursuing a transaction with Intergraph. Party X and Hellman & Friedman LLC/Texas Pacific Group submitted their comments to the draft merger agreement on August 18 and August 21, 2006, respectively. During the week of August 21, 2006, Party X and Hellman & Friedman LLC/Texas Pacific Group described to Mr. Wise, Mr. French and a representative from Goldman Sachs its plans for Intergraph and typical compensation philosophy.

On August 25, 2006, the board of directors met to receive an update regarding the process for exploring strategic alternatives. Following an update from our management, Goldman Sachs reviewed the potential sale process, including the background, level of activity, proposed structure and valuation indicated by Hellman & Friedman LLC/Texas Pacific Group and the other continuing financial sponsor participant, Party X. Representatives of Bass, Berry & Sims reviewed with the board of directors the legal terms of the two proposals, including terms relating to the conditionality of each of the acquiror groups' obligation to consummate the merger. The proposal by Party X required Intergraph to engage in pre-closing restructuring activities to facilitate the operation and separate financing of two

separate businesses by Party X immediately following the consummation of the transaction and provided that Intergraph could not require the transaction to close for a period of five months following the execution of the merger agreement, primarily in order to coordinate the restructuring with the closing. The board considered the potential operational and financing risk

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associated with the pre-closing restructuring activities necessary to facilitate Party X's proposal, terms relating to the conditionality and timing of Party X's obligation to consummate the merger, and other factors. Goldman Sachs also updated the board of directors regarding the interest expressed orally by a strategic party that had previously participated in the process with a financial sponsor, Party Z, to consider the acquisition of certain of Intergraph's assets. The strategic party orally advised Goldman Sachs earlier in the day that it intended to submit a proposal no later than August 29, 2006, setting forth a proposal to acquire Intergraph, a timeline for completion and related financing. The board of directors discussed the strategic party's relationship with and likely interest in Intergraph, the potential benefits and risks associated with pursuing the proposal, the likely delay to the process associated with pursuing the proposal and its potential impact on Intergraph's ability to pursue successfully a transaction with either of the two remaining financial sponsor participants. The board of directors also discussed the interest of both financial sponsor participants in retaining management. Mr. Wise confirmed that there had been no discussions between management and either financial sponsor participant regarding individual compensation or retention terms and discussed management's willingness generally to work with either participant following the consummation of a transaction. Thereafter, the board of directors reviewed the timeline for next steps in the sale process and the independent directors met in executive session with Goldman Sachs and Bass, Berry & Sims. In executive session, the independent directors discussed the terms of the draft contracts and matters relating to management's potential interests in a transaction with an acquiring financial sponsor.

From August 26, 2006 through August 29, 2006, on behalf of Intergraph, Bass, Berry & Sims negotiated with respective counsels to the two potential financial sponsor acquirors to narrow the outstanding legal issues. On the evening of August 29, 2006, Hellman & Friedman LLC/Texas Pacific Group and Party X submitted their respective proposals for the acquisition of Intergraph, together with debt and equity financing commitments, sponsor guarantees and comments on the draft merger agreement. Intergraph also received a written indication of interest subject to various conditions from the strategic party referenced in the immediately preceding paragraph.

Our board of directors met on August 30, 2006 to consider the proposals submitted by the two continuing financial sponsor participants and the indication of interest from the referenced strategic party. Representatives of Goldman Sachs reviewed and discussed with the board of directors the terms of the strategic party's proposal. The strategic party indicated merger consideration of \$41 per share, subject to various conditions including due diligence. The board of directors also considered that this indication of interest was not supported by committed financing and the timeline for its execution was delayed compared to the other two proposals. Goldman Sachs also discussed the financial terms of the acquisition proposals made by Hellman & Friedman LLC/Texas Pacific Group and Party X, including the amount of the proposed equity and debt financing and the resulting transaction leverage. The board of directors also considered the pre-closing restructuring activities that were required to facilitate Party X's proposal, but were not required by the Hellman & Friedman LLC/Texas Pacific Group proposal. Hellman & Friedman LLC/Texas Pacific Group offered merger consideration of \$43.50 per share, while Party X offered merger consideration of \$41 per share. Representatives of Bass, Berry & Sims reviewed with the board of directors the legal terms of each of these proposals, including terms relating to the conditionality of the potential acquiror's obligation to consummate the merger, the expected timing of their closing and the remedies available to each party for a breach of the merger agreement. Following discussion, the independent directors met in executive session with Bass, Berry & Sims and Goldman Sachs. During the executive session, the independent directors discussed the bids and related contract provisions. The independent directors unanimously agreed that Intergraph, with the assistance of its legal and financial advisors, should continue the sale of Intergraph process and seek the best available terms and conditions for the board of directors to consider. The directors agreed that Intergraph should focus its efforts on Hellman & Friedman LLC/Texas Pacific Group. The independent directors also discussed our management's potential interest in a transaction with a financial sponsor and discussed the benefits and risks with various approaches. Following discussion, the independent directors approved Mr. Wise's request that Intergraph pay the expense of a single law firm to represent our senior management regarding potential employment by a financial sponsor following a transaction.



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After the August 30, 2006 board of directors meeting, Goldman Sachs, on behalf of Intergraph, communicated to each of the potential financial sponsor acquiror groups that our board of directors was seeking improved terms and requested that each participant deliver its final and best proposal prior to a board of directors meeting scheduled for the morning of August 31, 2006. Bass, Berry & Sims held discussions and negotiated terms of the merger agreement and other acquisition documents with counsel for each of the potential financial sponsor acquirors. Following discussions with Goldman Sachs, Party X increased its offered merger consideration to \$42.50 per share and then to \$43.50 per share. Hellman & Friedman LLC/Texas Pacific Group increased its offered merger consideration to \$43.80 per share. Thereafter, Party X made its final bid and increased the merger consideration offered to \$44 per share, which bid, pursuant to its terms, expired at 10:00 p.m., New York City time, on August 31, 2006. On the morning of August 31, 2006, before the meeting of our board of directors discussed below, Hellman & Friedman LLC/Texas Pacific Group orally informed Goldman Sachs that they were increasing their proposal to \$44 per share, which was confirmed in writing that morning as their final proposal. This proposal indicated by its terms that it would expire at 4:30 p.m., New York City time, on August 31, 2006.

On the morning of August 31, 2006, our board of directors met to discuss our strategic alternatives and the proposals submitted by the potential financial sponsor acquirors. Representatives of Bass, Berry & Sims again discussed with the board of directors the fiduciary duties of directors in connection with evaluating strategic alternatives, including extraordinary transactions such as the proposed merger. Mr. Wise provided a summary of the process and bids received from the participants since the August 30, 2006 board of directors meeting. Mr. Wise reviewed the board of directors' prior consideration of other strategic alternatives, updated the board of directors regarding Intergraph's expected results of operations and confirmed that executive management was not aware of any material subsequent changes relevant to the board of directors' consideration of Intergraph's other strategic alternatives. Representatives of Goldman Sachs reported to the board of directors regarding the negotiations that took place with Hellman & Friedman LLC/Texas Pacific Group since the board of directors' meeting on August 30, 2006. Goldman Sachs reviewed the financial and other terms of the Hellman & Friedman LLC/Texas Pacific Group proposal and responded to questions. Representatives of Bass, Berry & Sims then reviewed with the board of directors the legal terms of the Hellman & Friedman LLC/Texas Pacific Group proposal and responded to questions from the board of directors regarding the legal terms of the offer. Thereafter, representatives of Goldman Sachs reported to the board of directors regarding the negotiations that took place with Party X since the board of directors' meeting on August 30, 2006. Goldman Sachs reviewed the financial and other terms of its proposal and responded to questions. Representatives of Bass, Berry & Sims then reviewed with the board of directors the legal terms of its proposal and responded to questions from the board of directors regarding the legal terms of the offer. Following discussion, the board of directors requested that Goldman Sachs render an opinion as to whether the financial consideration to be received by our stockholders in the proposed merger with entities sponsored by Hellman & Friedman LLC/Texas Pacific Group was fair from a financial point of view to our stockholders. Goldman Sachs delivered to the board of directors an oral opinion, which was subsequently confirmed by delivery of a written opinion dated August 31, 2006, that, as of such date and based upon and subject to the factors and assumptions set forth in its written opinion, the \$44 per share in cash to be received by the holders of our common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The full text of the written opinion of Goldman Sachs, which set forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinions, is attached as Annex B to this proxy statement.

Following this discussion, notwithstanding that Mr. Wise had confirmed that neither he nor other members of management had any agreement or understanding with either potential acquiror group, the independent directors met separately in executive session with Bass, Berry & Sims and Goldman Sachs to discuss the strategic alternatives available to Intergraph wherein the directors reached a consensus that the sale of Intergraph was the best alternative reasonably available to Intergraph and its stockholders and that the Hellman & Friedman LLC/Texas Pacific Group proposal was advisable and in the best interests of Intergraph and its stockholders. Following the executive session of the independent directors, the full board of directors reconvened, and Mr. Wise expressed management's view



regarding the Hellman & Friedman LLC/Texas Pacific Group proposal.

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Bass, Berry & Sims reviewed the terms of the proposed resolutions relating to the proposed merger and responded to questions. Thereafter, the independent members of our board of directors unanimously approved the merger agreement with entities sponsored by Hellman & Friedman LLC/Texas Pacific Group, the merger and the other transactions contemplated by the merger agreement, authorized Intergraph to enter into the merger agreement and resolved to recommend that our stockholders vote to adopt the merger agreement. Mr. Wise abstained from the vote due to his potential continuing interest in the surviving corporation.

The merger agreement was executed by Intergraph, Cobalt Holding, and Cobalt Merger Corp. on August 31, 2006 after the close of trading on the NASDAQ. Intergraph, Hellman & Friedman LLC and Texas Pacific Group then issued a joint press release announcing the merger.

## **Reasons for the Merger; Recommendation of Our Board of Directors**

In reaching its decision to approve the merger agreement and to recommend that our stockholders adopt the merger agreement, our board of directors consulted with management, Goldman Sachs and Intergraph's outside legal counsel. Our board of directors considered a number of factors, including, without limitation, the following potentially positive factors in support of the merger:

the current and historical market prices of the Intergraph common stock, and the fact that the \$44.00 per share to be paid for each share of Intergraph common stock pursuant to the merger represents a premium of 22% to the average closing price for the 20 trading days ended August 30, 2006, the last trading day before Intergraph announced the execution of the merger agreement;

its belief that the merger was more favorable to our stockholders than any other alternative reasonably available to Intergraph and our stockholders. The board of directors considered possible alternatives to the sale of Intergraph, including continuing to operate Intergraph on a stand-alone basis (including the execution risks related to achieving our strategic plan), pursuing potential acquisitions, engaging in a recapitalization (including additional share repurchases) or divesting a division or other significant assets, and the risks and uncertain returns associated with the alternatives, each of which the board of directors determined not to pursue when compared to the opportunity of our stockholders to realize the merger consideration in cash for their investment in connection with the merger;

the sale process conducted by Intergraph, with the assistance of Goldman Sachs and our legal advisors over a period of seven months, which involved engaging in discussions with approximately 31 parties to determine their potential interest in a business combination transaction with Intergraph, entering into confidentiality agreements with 18 parties and the receipt of two definitive proposals to acquire Intergraph; in addition, Intergraph received two non-binding indications of interest that were subject to conditionality and at no greater value per share than the definitive proposals;

the final price proposed by the sponsor group equaled the highest price that Intergraph had received for the acquisition of Intergraph, and the belief by our board of directors, after consultation with its advisors, that the non-financial terms of the merger agreement and the transaction proposed by Hellman & Friedman LLC/Texas Pacific Group were, in the aggregate, more favorable to Intergraph than the non-financial terms of the proposal by the other financial sponsor, including as to execution risk, timing, and conditionality;

the presentation of Goldman Sachs and its opinion, dated August 31, 2006, to the board of directors of Intergraph, to the effect that, as of August 31, 2006 and based upon and subject to the factors and assumptions set forth in the opinion, the \$44.00 per share in cash to be received by the holders of shares of Intergraph

common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders (see The Merger Opinion of Goldman, Sachs & Co. and Annex B to this proxy statement);

the terms of the merger agreement, including without limitation:

the limited number and nature of the conditions to the obligations of Cobalt Holding and Merger Sub to consummate the merger and the limited risk of non-satisfaction of the conditions, including that

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for purposes of the merger agreement a material adverse effect on Intergraph does not include events, circumstances, developments or changes resulting from the numerous circumstances or events described under The Merger Agreement Representations and Warranties;

the ability of our board of directors, under certain circumstances, to change its recommendation that our stockholders vote in favor of the adoption of the merger agreement;

the provisions of the merger agreement that allow us, under certain circumstances, to furnish information to and conduct negotiations with respect to proposals by third parties;

the ability of our board of directors, under certain circumstances and upon the payment to Cobalt Holdings of a termination fee of \$33.14 million, to terminate the merger agreement to accept a financially superior proposal;

the conclusion of the board of directors that both the \$33.14 million termination fee (and the circumstances when the fee is payable) and the requirement to reimburse Cobalt Holding for certain expenses, up to a limit of \$7 million and without duplication of the termination fee, in the event that the merger agreement is terminated because our stockholders fail to adopt the merger agreement or as a result of a breach of the merger agreement by us, were reasonable in light of the benefits of the merger, the sale process conducted by Intergraph, with the assistance of Goldman Sachs, and in the context of termination fees that were payable in other comparable transactions;

the absence of a financing condition to the consummation of the merger and the obligation of Cobalt Holding to pay Intergraph a \$53.02 million termination fee, without the need to prove damages, if Cobalt Holding and Merger Sub fail to effect the closing because of a failure to receive the proceeds of one or more of the debt financings contemplated by the debt financing commitments and all other conditions to closing are met; and

our ability to seek up to an aggregate of \$99.42 million in damages from Cobalt Holding and Merger Sub in certain circumstances in which Cobalt Holding or Merger Sub willfully and materially breach the merger agreement;

the favorable debt commitment letter obtained by Cobalt Holding, including the absence of market outs and Cobalt Holding's obligation to use reasonable best efforts to arrange and consummate the debt financing; and

the availability of appraisal rights to holders of our common stock who comply with all of the required procedures under Delaware law, which allows the holders to seek appraisal of the fair value of their shares (see Appraisal Rights and Annex C).

The board of directors also considered and balanced against the potentially positive factors the following potentially negative factors concerning the merger:

the risk that the merger might not be completed, including the risk that the merger will not occur if the financing contemplated by the debt commitment letter is not obtained;

the fact that our stockholders will not participate in any future earnings or growth of Intergraph and will not benefit from any future appreciation in value of Intergraph;

the actual and potential interests of Intergraph's executive officers and directors in the merger (see The Merger Interests of Intergraph's Directors and Executive Officers in the Merger );

the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding other proposals and the requirement that Intergraph pay Cobalt Holding a \$33.14 million termination fee in order for the board of directors to accept a superior proposal;

the requirement that we reimburse Cobalt Holding for up to \$7 million of its expenses incurred in connection with the proposed merger if the merger agreement is terminated under certain circumstances;

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the merger consideration consists of cash, and gains will therefore be taxable to our stockholders for U.S. federal income tax purposes;

the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger; and

the possibility of employee disruption associated with the merger.

During its consideration of the transaction with Cobalt Holding and Merger Sub described above, our board of directors was also aware that some of our directors and executive officers may have interests in the merger that may be different than or in addition to those of our stockholders generally, described under The Merger Interests of Directors and Executive Officers in the Merger.

After taking into account all of the factors set forth above, as well as others, the board of directors, with Mr. Wise abstaining due to his potential continuing interest in the surviving corporation (since Cobalt Holding has indicated that it anticipates that Mr. Wise will continue as chief executive officer of the surviving corporation after the merger (see The Merger Interests of Intergraph's Directors and Executive Officers in the Merger )), determined that the potentially positive factors outweighed the potentially negative factors and that the merger agreement and the merger are advisable and fair and in the best interests of Intergraph and our stockholders. **The independent members of the board of directors have unanimously approved the merger agreement and the merger and recommend that Intergraph's stockholders vote FOR the adoption of the merger agreement at the special meeting.**

This discussion of the information and factors considered and given weight by our board of directors is not intended to be exhaustive but is believed to address the material information and factors considered by our board of directors. In view of the number and variety of these factors, our board of directors did not find it practicable to make specific assessments of, or otherwise assign relative weights to, the specific factors and analyses considered in reaching its determination. The determination to approve the merger agreement and the transactions contemplated thereby, including the merger, was made after consideration of all of the factors and analyses as a whole. In addition, individual members of our board of directors may have given different weights to different factors.

**Opinion of Goldman, Sachs & Co.**

Goldman Sachs rendered its opinion to Intergraph's board of directors that, as of August 31, 2006 and based upon and subject to the factors and assumptions set forth therein, the \$44.00 per share in cash to be received by the holders of shares of Intergraph common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated August 31, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of Intergraph's board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Intergraph common stock should vote with respect to the transaction.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

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annual reports to stockholders and Annual Reports on Form 10-K of Intergraph for the five fiscal years ended December 31, 2005;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Intergraph;

certain other communications from Intergraph to Intergraph's stockholders;

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the summary appraisal reports with respect to certain properties owned by Intergraph (collectively, the Real Estate Appraisals ); and

certain internal financial analyses and forecasts for Intergraph prepared by its management.

Goldman Sachs also held discussions with members of the senior management of Intergraph regarding their assessment of the past and current business operations, financial condition and future prospects of Intergraph. In addition, Goldman Sachs reviewed the reported price and trading activity for Intergraph common stock, compared certain financial and stock market information for Intergraph with similar information for certain other companies, the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the software, defense and government information technology industries specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, the opinion stated that Goldman Sachs assumed with the consent of the board that the internal financial analyses and forecasts for Intergraph prepared by the management of Intergraph were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Intergraph. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Intergraph or any of its subsidiaries and, except for the Real Estate Appraisals, Goldman Sachs was not furnished with any evaluation or appraisal of the assets or liabilities of Intergraph or any of its subsidiaries. Goldman Sachs' opinion does not address the underlying business decision of Intergraph to engage in the transaction or the relative merits of the transaction as compared to any alternative transaction that might be available to Intergraph. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, the date thereof.

The following is a summary of the material financial analyses delivered by Goldman Sachs to Intergraph's board of directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before August 30, 2006 and is not necessarily indicative of current market conditions.

*Historical Stock Trading Analysis.* Goldman Sachs reviewed the historical trading prices and volumes for Intergraph common stock for the three-year period ended August 30, 2006. In addition, Goldman Sachs analyzed the consideration to be received by holders of Intergraph common stock pursuant to the merger agreement in relation to various market prices of the Intergraph common stock as more fully set forth below.

This analysis indicated that the price per share to be paid to Intergraph stockholders pursuant to the merger agreement represented:

a premium of 18.0% based on the August 30, 2006 market price of \$37.30 per share;



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a premium of 43.7% based on the July 11, 2006 market price of \$30.62 per share prior to disclosure by Intergraph upwardly revising second quarter guidance later that day;

a premium of 20.8% based on the one-week average market price as of August 30, 2006 of \$36.42 per share;

a premium of 22.7% based on the four-week average market price as of August 30, 2006 of \$35.86 per share;

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a premium of 29.3% based on the three-month average market price as of August 30, 2006 of \$34.03 per share;  
a premium of 16.7% based on the six-month average market price as of August 30, 2006 of \$37.71 per share;  
a premium of 6.0% based on the one-year average market price as of August 30, 2006 of \$41.52 per share;  
a discount of 14.5% based on the 52-week high market price as of August 30, 2006 of \$51.47 per share; and  
a premium of 45.5% based on the 52-week low market price as of August 30, 2006 of \$30.25 per share.

*Selected Companies Analysis.* Goldman Sachs reviewed and compared certain financial information for Intergraph to corresponding financial information, ratios and public market multiples for the following comparable companies in the security, government & infrastructure and the power, process & marine design software industries:

**Security, Government & Infrastructure (SG&I)**

Verint Systems Inc.

CACI International, Inc.

ManTech International Corporation

SRA International, Inc.

NICE-Systems Ltd.

**Process, Power & Marine (PP&M)**

Autodesk, Inc.

Aspen Technology, Inc.

Dassault Systemes

Mentor Graphics Corp.

Although none of the selected companies is directly comparable to Intergraph, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Intergraph.

Goldman Sachs also calculated and compared various financial multiples and ratios. The multiples and ratios of Intergraph were based on information provided by Intergraph's management and obtained from Wall Street research and excluded restructuring charges and after-tax intellectual property litigation income. The multiples and ratios for each of the selected companies were based on information obtained from International Brokers Estimate System, or IBES, estimates. With respect to the selected companies, Goldman Sachs calculated:

estimated price to earnings multiples for 2006 and 2007; and

estimated price to earnings growth ( PEG ) ratios for 2006 and 2007.

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The results of these analyses are summarized as follows:

	<b>2006E P/E Multiple</b>	<b>2007E P/E Multiple</b>	<b>2006E PEG Ratio</b>	<b>2007E PEG Ratio</b>
<b>SG&amp;I Comparables</b>				
SG&I Company Comparable Range	18.5x - 25.8x	16.6x - 21.4x	1.1x -1.9x	0.9x - 1.7x
SG&I Median	23.6x	19.4x	1.3x	1.2x
<b>PP&amp;M Comparables</b>				
PP&M Comparable Company Range	21.0x - 30.8x	17.3x - 24.0x	1.0x -3.6x	0.8x - 2.8x
PP&M Median	24.0x	20.2x	1.3x	1.2x

For Intergraph, Goldman Sachs calculated estimated price to earnings multiples and PEG ratios for each of Intergraph's market price as of August 30, 2006 and the \$44.00 merger consideration. The results of these analyses are summarized as follows:

	<b>2006E P/E Multiple</b>	<b>2007E P/E Multiple</b>	<b>2006E PEG Ratio</b>	<b>2007E PEG Ratio</b>
<b>Intergraph at:</b>				
\$44.00 Bid Price	29.3x	24.1x	2.0x	1.6x
\$37.30 Market Price	24.8x	20.4x	1.7x	1.4x

Goldman Sachs considered for each of the selected companies and Intergraph at the market price as of August 30, 2006 and at the \$44.00 merger consideration, estimated multiples for each of sales, earnings before interest, taxes, depreciation and amortization ( EBITDA ) and price to earnings for 2006 and 2007. The results of these analyses are summarized as follows:

	<b>2006E Sales Multiple</b>	<b>2007E Sales Multiple</b>	<b>2006E EBITDA Multiple</b>	<b>2007E EBITDA Multiple</b>	<b>2006E P/E Multiple</b>	<b>2007E P/E Multiple</b>
<b>SG&amp;I Comparables</b>						
SG&I Comparable Company Range	0.9x - 2.4x	08.x - 2.0x	9.9x -14.7x	8.8x - 12.1x	18.5x - 25.8x	16.6x - 21.4x
SG&I Comparable Company Median	1.2x	1.1x	11.5x	9.8x	23.6x	19.4x
<b>PP&amp;M Comparables</b>						
PP&M Comparable Company Range	2.1x - 4.5x	2.0x - 3.9x	14.1x -17.8x	12.1x - 14.5x	21.0x - 30.8x	17.3x - 24.0x
PP&M Comparable Company Median	3.9x	3.5x	15.8x	13.3x	24.0x	20.2x
<b>Intergraph at \$44.00 Merger</b>	1.8x	1.6x	12.2x	11.0x	29.3x	24.1x

**Consideration****Intergraph at \$37.30****Market Price****as of August 30, 2006**

1.4x

1.3x

9.9x

8.9x

24.8x

20.4x

*Discounted Cash Flow Analysis.* Goldman Sachs performed an illustrative discounted cash flow analysis on Intergraph using the June 30, 2006 balance sheet and Intergraph's management forecasts. Goldman Sachs calculated indications of net present value of unlevered free cash flows for Intergraph for the years 2006 through 2010 using discount rates ranging from 12.0% to 14.0%. Goldman Sachs calculated illustrative terminal values in the year 2010 based on perpetuity growth rates ranging from 3.50% to 5.50%. These illustrative terminal values were then added to the present value of future cash flows, net cash and the assumed value of non-core assets to derive illustrative implied enterprise values at the same perpetuity growth rates of 3.50% to 5.50%. The illustrative enterprise values were discounted to calculate implied indications of present values using discount rates ranging from 12.0% to 14.0%. Goldman Sachs calculated implied prices per share of the Intergraph common stock using Intergraph management's forecasts and illustrative enterprise value indications and assuming 29.4 million basic shares of Intergraph common stock outstanding and dilution from the exercise of 1.1 million in-the-money options with a weighted-average strike price of \$15.82. The implied per share value indications for Intergraph ranged from \$34.05 to \$45.19 per share.

*Sum of the Parts Analysis.* Goldman Sachs performed an illustrative sum of the parts analysis on Intergraph by analyzing separate parts of its operations and its non-core assets. For each of Intergraph's PP&M operations, SG&I operations, and non-core assets, Goldman Sachs calculated low, mid and high implied

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enterprise values based on management's 2006 estimated EBITDA before restructuring charges. Implied equity value was calculated by adding the implied enterprise values for PP&M, SG&I and the non-core assets along with excess net cash (assuming \$50 million operating cash required for each of PP&M and SG&I). Goldman Sachs then derived low, mid and high implied equity values per share (assuming 29.4 million basic shares of Intergraph common stock outstanding and dilution from the exercise of 1.1 million in-the-money options with a weighted-average strike price of \$15.82). Goldman Sachs also calculated the implied equity values assuming the sale of each of these parts in taxable transactions.

The following table presents the results of this analysis:

	Implied Valuation at June 30, 2006*			Implied Valuation at June 30, 2006 Assuming Parts Sold in Taxable Transactions		
	Low	Mid	High	Low	Mid	High
Implied Equity Per Share Premium to \$37.30 Share Price as of August 30, 2006	\$ 36.66  (1.7)%	\$ 42.40  13.4%	\$ 47.74  28.5%	\$ 27.75  (26.0)%	\$ 31.56  (15.6)%	\$ 35.37  (5.2)%

\* Implied valuation calculation discounted non-core assets, except Bentley Systems, Inc., back to June 30, 2006 at 14.8% cost of equity.

*Leveraged Buyout Analysis.* Goldman Sachs performed an illustrative leveraged buyout analysis using Intergraph's management forecasts before restructuring charges and assumed annual cost savings estimated by management associated with the transition to private company status. Goldman Sachs assumed, for purposes of this analysis, a purchase price of \$44.00 per share and base leverage of 6.0x management's estimated 2006 EBITDA. Goldman Sachs also assumed a range of estimated EBITDA exit multiples of 9.0x to 11.0x for the assumed exit year of 2011, which reflect illustrative implied prices at which a hypothetical financial buyer might sell Intergraph. This analysis resulted in illustrative equity returns to a hypothetical financial buyer ranging from 20.6% to 26.3%.

Using the same forecasts, Goldman Sachs also performed a sensitivity analysis on the illustrative leveraged buyout analysis. Goldman Sachs performed its sensitivity analysis on the illustrative buyout analysis assuming an exit year of 2011, and leverage multiples of 6.0x to 7.0x based on management's estimated 2006 EBITDA. Based on the 6.0x to 7.0x range of leverage levels derived from 2006 estimated EBITDA multiples and a range of 2011 EBITDA exit multiples of 9.0x to 11.0x, the sensitivity analysis indicated illustrative equity returns to a hypothetical financial buyer ranging from 20.6% to 29.7% based on the acquisition price of \$44.00 per share of Intergraph common stock.

*Present Value of Future Stock Price.* Goldman Sachs analyzed the present value of hypothetical future stock prices of Intergraph common stock based on management's internal forecasts. Goldman Sachs derived an implied enterprise value for Intergraph by combining pro forma equity market capitalization with estimated net debt for each of the years 2006 to 2010. Goldman Sachs calculated the present value of the implied share prices using the implied enterprise value and assuming 29.4 million basic shares of Intergraph common stock outstanding and dilution from the exercise of 1.1 million in-the-money options with a weighted-average strike price of \$15.82. Goldman Sachs then calculated an implied future share price for years 2006 through 2010 based on price to earnings multiples ranging from 21.0x to 23.0x. Goldman Sachs discounted the implied future share prices to reflect total returns by assumed costs of equity ranging from 13.8% to 15.8%.

The following table presents the results of this analysis based on each year's EBITDA as estimated by management:

	<b>2006E</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>
Present Value Range of Future Share Prices	\$ 35.44 - \$38.82	\$ 38.97 - \$43.43	\$ 38.41 - \$43.56	\$ 37.78 - \$43.60	\$ 36.89 - \$43.32

*Selected Transactions Analysis.* Goldman Sachs analyzed certain information relating to the following selected transactions, among others, in the software industry over \$300 million since January 1, 2004 and the

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defense and government information technology industry since January 1, 2000 (in each case the acquirer is listed first and the target is listed second):

**Software Industry**

IBM/Internet Security Systems Inc.

IBM/FileNet Corp.

IBM/MRO Software Inc.

Infor Global Solutions AG/SSA Global Technologies, Inc.

AttachmateWRQ/NetIQ Corporation

Silver Lake Partners/SERENA Software, Inc.

Golden Gate Capital/GEAC Computer Corporation, Ltd.

The Carlyle Group/SS&C Technologies, Inc.

Investor Group/SunGard Data Systems

Symantec Corporation/VERITAS Software Corp.

**Defense and Government Information Technology Industry**

Investor Group/West Corp.

West Group/Intrado Inc.

General Dynamics Corporation/Anteon International Corp.

L-3 Communications Holding, Inc./Titan Corporation

BAE Systems North America/United Defense Industries, Inc.

BAE Systems North America Inc/DigitalNet Holdings, Inc.

General Dynamics Corporation/Veridian Corporation

For each of the selected transactions, Goldman Sachs analyzed the premia of the transaction price to the target's average trading price over the average one-week and four-week periods prior to announcement of the transaction.

The following table presents the results of this analysis:

**One-Week Average      Four-Week Average**



Software Industry Premium Range	1.4% - 25.7%	10.3% - 37.3%
Defense and Government Information Technology Premium Range	3.2% - 33.2%	11.0% - 43.1%

Goldman Sachs also analyzed the multiples of enterprise value to EBITDA for the latest 12 months of financial information available for the following transactions:

**Software Industry**

IBM Corp/FileNet Corp.

IBM/MRO Software Inc.

Infor Global Solutions AG/SSA Global Technologies, Inc.

Golden Gate Capital/GEAC Computer Corporation, Ltd.

The Carlyle Group/SS&C Technologies Inc

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Investor Group/SunGard Data Systems

Symantec Corporation/VERITAS Software Corp.

**Defense and Government Information Technology Industry**

Investor Group/West Corp.

West Corp/Intrado Inc.

L-3 Communications Holding, Inc./Titan Corporation

BAE Systems North America/United Defense Industries, Inc.

BAE Systems North America Inc/DigitalNet Holdings, Inc.

General Dynamics Corporation/Veridian Corporation

Goldman Sachs noted an enterprise value/last 12-month EBITDA multiple range of 8.2x to 19.7x for the software industry transactions and a multiple range of 10.1x to 18.8x for the defense and government information technology industry transactions.

Goldman Sachs analyzed certain information relating to the following selected financial sponsor transactions in the technology industry since January 1, 2005 with deal values above \$500 million:

Infor Global Solutions AG/SSA Global Technologies, Inc.

AttachmateWRQ/NetIQ Corporation

Silver Lake Partners/SERENA Software, Inc.

Golden Gate Capital/GEAC Computer Corporation, Ltd.

The Carlyle Group/SS&C Technologies Inc

Investor Group/SunGard Data Systems

Golden Gate/Aspect Communications Corp

For each of the selected transactions, Goldman Sachs analyzed the premia of the transaction price to the target's average trading price over the four-week period prior to announcement of the transaction and multiples of enterprise value to EBITDA for the latest 12 months of financial information available. Goldman Sachs noted a range in premia from 10.3% to 37.3% and a range in multiples from 9.5x to 14.7x.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving

at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Intergraph or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to Intergraph's board of directors as to the fairness from a financial point of view of the \$44.00 per share in cash to be received by the holders of shares of Intergraph common stock pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Intergraph, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecasted.

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The merger consideration was determined through arm's-length negotiations between Intergraph and Cobalt Holding Company and was approved by Intergraph's board of directors. Goldman Sachs provided advice to Intergraph during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to Intergraph or its board of directors or that any specific amount of consideration constituted the only appropriate consideration for the transaction.

As described above, Goldman Sachs' opinion to Intergraph's board of directors was one of many factors taken into consideration by Intergraph's board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs acted as financial advisor to Intergraph in connection with, and participated in certain of the negotiations leading to, the transaction contemplated by the merger agreement. In addition, Goldman Sachs has provided certain investment banking services to Intergraph from time to time, including having acted as dealer manager of Intergraph's repurchase of 10,000,000 shares of Intergraph common stock in the fourth quarter of 2003 and as counterparty in connection with Intergraph's accelerated share repurchases of 3,797,949 shares and 5,407,000 shares of Intergraph common stock in July 2004 and March 2005, respectively. Goldman Sachs has provided, and currently provides, certain investment banking services to each of Cobalt Holding's financial sponsors and their respective affiliates and portfolio companies, including having acted as financial advisor to Hotwire Inc., a former portfolio company of Texas Pacific Group, in connection with its sale to IAC/Interactive Corp. in July 2004, as a lead manager in connection with a bank loan (aggregate principal amount \$160,000,000) for Mitchell International, Inc., a portfolio company of Hellman & Friedman LLC and JMI Equity, in August 2004 and October 2005, as lender in connection with a bank loan (aggregate principal amount \$2,000,000,000) for Texas Genco Holdings Inc., a former portfolio company of Texas Pacific Group, in December 2004, as underwriter in connection with a public offering of certain debt securities (aggregate principal amount \$3,800,000,000) of Spirit Group Ltd., a former portfolio company of Texas Pacific Group, in December 2004 and as financial advisor to Artisan Partners Limited Partnership, a portfolio company of Hellman & Friedman LLC, in connection with its recapitalization in June 2006. Goldman Sachs may provide investment banking services to Intergraph and its affiliates and each of Cobalt Holding's financial sponsors and their respective affiliates and portfolio companies in the future. In connection with the above-described investment banking services Goldman Sachs received, and may receive in the future, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide services to Intergraph and its respective affiliates and each of Cobalt Holding's financial sponsors and their respective affiliates and portfolio companies, actively trade the debt and equity securities (or related derivative securities) of Intergraph and affiliates and portfolio companies of each of Cobalt Holding's financial sponsors for their own account and for the accounts of their customers and at any time hold long and short positions of these securities. Affiliates of Goldman Sachs have co-invested with affiliates of Texas Pacific Group from time to time and may co-invest with affiliates of each of Cobalt Holding's financial sponsors in the future, and these affiliates of Goldman Sachs have invested in limited partnership units of affiliates of each of Texas Pacific Group and Hellman & Friedman LLC and may invest in the future in limited partnership units of affiliates of each of Cobalt Holding's financial sponsors.

The Intergraph board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction. Pursuant to a letter agreement, dated February 27, 2006, Intergraph engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, Intergraph has agreed to pay Goldman Sachs a transaction fee of 0.85% of the aggregate

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consideration paid in the transaction, all of which is payable upon consummation of the transaction. In addition, Intergraph has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

## **Consideration**

At the effective time of the merger, Merger Sub will be merged with and into Intergraph. In connection with the merger:

each share of Intergraph common stock issued and outstanding immediately prior to the effective time of the merger (other than shares held in our treasury or owned by Cobalt Holding or Merger Sub or shares as to which a stockholder validly exercises and perfects appraisal rights in compliance with Delaware law) will automatically be cancelled and converted into the right to receive \$44.00 in cash, without interest;

all unvested stock options will vest and all unexercised options will be cancelled and converted into the right to receive a cash payment equal to the number of outstanding options multiplied by the amount (if any) by which \$44.00 exceeds the option exercise price (except with regards to any option as may be otherwise agreed by the holder of the option and Cobalt Holding); and

restrictions applicable to all shares of restricted stock and restricted share units will lapse and those shares or units will be cancelled and converted into the right to receive a cash payment equal to the number of outstanding restricted shares multiplied by \$44.00 (and, with respect to restricted share units, the value of any deemed dividend equivalents accrued but unpaid with respect to the restricted share units) (except with regards to any restricted stock or restricted stock units as may be otherwise agreed by the holder of the restricted stock or restricted stock unit and Cobalt Holding).

## **Delisting and Deregistration of Intergraph Common Stock**

If the merger is completed, the Intergraph common stock will be delisted from the NASDAQ and deregistered under the Exchange Act, and we will no longer file periodic reports with the SEC on account of the Intergraph common stock.

## **Regulatory Approvals**

Under the HSR Act and the rules promulgated thereunder by the FTC, the merger cannot be completed until Intergraph and Cobalt Holding each file a notification and report form under the HSR Act and the applicable waiting period has expired or been terminated. Intergraph and Cobalt Holding each filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on September 15, 2006. If Intergraph and Cobalt Holding do not receive a request for additional information, the waiting period will expire at 11:59 p.m. on October 16, 2006, if not terminated earlier. At any time before or after consummation of the merger, notwithstanding the termination of the waiting period under the HSR Act, the Antitrust Division or the FTC could take action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of Intergraph or Cobalt Holding. At any time before or after the consummation of the merger, and notwithstanding the termination of the waiting period under the HSR Act, any state could take action under the antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of Intergraph or Cobalt Holding. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

The merger is also subject to the expiration of waiting periods or receipt of clearance opinions in connection with foreign merger control filings in Austria, Germany and Norway, which were filed with the applicable antitrust authorities on September 8, 2006, September 8, 2006 and September 15, 2006, respectively.

While there can be no assurance that the merger will not be challenged by a governmental authority or private party on antitrust grounds, Intergraph believes that the merger can be effected in compliance with

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federal, state and foreign antitrust laws. The term "antitrust laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

## **Financing of the Merger**

In connection with the merger, Cobalt Holding will cause \$1,325.6 million to be paid out to our stockholders and holders of other equity interests in Intergraph, with the remaining funds to be used to pay customary fees and expenses in connection with the proposed merger, the financing arrangements and the related transactions. These payments are expected to be funded by a combination of the following:

an aggregate of \$441.1 million in equity contributions by affiliates of Hellman & Friedman LLC, Texas Pacific Group and JMI Equity;

new senior secured credit facilities in the amount of \$464.5 million, comprised of a \$389.5 million senior secured term loan facility and a \$75.0 million senior secured revolving credit facility (not all of which is expected to be drawn at the closing);

\$276.5 million aggregate principal amount of senior subordinated notes or, alternatively, a senior subordinated bridge loan facility in the amount of \$276.5 million;

a new \$60.0 million senior secured payment-in-kind (PIK) loan facility; and

cash and cash equivalents held by Intergraph and our subsidiaries at closing.

## ***Equity Financing***

Cobalt Holding has received an equity commitment letter from private equity funds affiliated with Hellman & Friedman LLC, Texas Pacific Group and JMI Equity, pursuant to which the funds have committed to contribute an aggregate of \$441.0 million in cash to Cobalt Holding in connection with the proposed merger. The parties to the commitment letters have the right to assign all of their committed amounts to affiliated funds. However, any assignment of a commitment to any other party requires the prior written consent of the Hellman & Friedman LLC and Texas Pacific Group and, in the event assignment could delay or impede closing or would cause a breach of a representation in the merger agreement regarding foreign ownership interests in Cobalt Holding, also requires the prior written consent of Cobalt Holding. The obligation to fund these equity commitments is subject to the satisfaction or waiver by Cobalt Holding (in the manner agreed by Hellman & Friedman LLC and Texas Pacific Group) of the conditions precedent to Cobalt Holding's and Merger Subsidiaries' obligation to complete the merger.

## ***Debt Financing***

### **Debt Commitment Letter**

Cobalt Holding has received a fully executed debt commitment letter, dated as of August 31, 2006, from Morgan Stanley & Co. Incorporated ( "MS&Co" ), Morgan Stanley Senior Funding, Inc. ( "MSSF" ), Wachovia Bank, National Association ( "Wachovia Bank" ), Wachovia Investment Holdings, LLC ( "Wachovia Investments" ), and Wachovia Capital Markets, LLC ( "Wachovia Securities" ). Under the debt commitment letter, subject to the conditions set forth in the debt commitment letter:



MSSF and Wachovia Bank have each severally, but not jointly, committed to provide (each individually committing to provide 50% of the entire aggregate principal amount) to Cobalt Holding or one of its subsidiaries up to \$464.5 million of senior secured credit facilities, comprised of a \$389.5 million senior secured term loan facility and a \$75.0 million senior secured revolving credit facility (not all of which is expected to be drawn at the closing) for the purpose of financing the merger, repaying or refinancing certain existing indebtedness of Intergraph and our subsidiaries, paying fees and expenses incurred in connection with the merger and the other transactions contemplated thereby, including the financing, providing ongoing working capital and for other general corporate purposes of the surviving corporation and its subsidiaries.

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MSSF and Wachovia Investments have each severally, but not jointly, committed to provide (each individually committing up to provide 50% of the entire aggregate principal amount) to Cobalt Holding or one or more of its subsidiaries a senior subordinated unsecured bridge facility of up to \$276.5 million and a senior secured PIK loan facility of up to \$60 million, for the purpose of financing the merger, repaying or refinancing certain existing indebtedness of Intergraph and our subsidiaries and paying fees and expenses incurred in connection with the merger and the other transactions contemplated thereby.

The debt commitments expire on March 31, 2007. The documentation governing the senior secured credit facilities, the bridge loan facility and the PIK loan facility has not been finalized and, accordingly, the actual terms of the facilities may differ from those described in this proxy statement.

Pursuant to the merger agreement, Cobalt Holding is obligated to use its reasonable best efforts to obtain the debt financing set forth in the debt commitment letter at or prior to the closing of the merger. In the event that any portion of the debt financing becomes unavailable on the terms contemplated in the debt commitment letter, Cobalt Holding must use its reasonable best efforts to arrange alternative financing from alternative sources on terms not materially less favorable to Cobalt Holding in the aggregate and in no event less favorable in terms of pricing and economic terms (as determined in the good faith reasonable judgment of Cobalt Holding), as promptly as practicable but no later than the last day of the marketing period, as defined in the merger agreement (see *The Merger Agreement Marketing Period* ).

### **Conditions Precedent to the Debt Commitments**

The availability of the senior secured credit facilities, the bridge loan facility and the PIK loan facility is subject to, among other things, there not having occurred since December 31, 2005 any change or condition that would constitute a *Company Material Adverse Effect* as defined in the merger agreement (see *The Merger Agreement Representations and Warranties* ); the accuracy in all material respects at the closing date of specified representations of Intergraph in the merger agreement; consummation of the merger in accordance with the merger agreement (and no provision being waived or amended in a manner materially adverse to the lenders without the consent of MS&Co and Wachovia Securities); the negotiation, execution and delivery of definitive documentation; the delivery of audited, unaudited and pro forma financial statements; with respect to the PIK loan facility, the contribution of the assets that will secure the PIK loan facility to a newly formed subsidiary of ours that will be a borrower under the PIK loan facility; and, with respect to the bridge loan facility, a 15 day minimum marketing period after receipt of a customary offering document to market a senior subordinated notes offering.

### **Guarantees; Remedies**

In connection with the merger agreement, affiliated funds of each of Hellman & Friedman LLC, Texas Pacific Group and JMI Equity have agreed to guarantee the due and punctual performance and discharge of certain of the payment obligations of Cobalt Holding and Merger Sub under the merger agreement (including payment of the \$53,020,000 Cobalt Holding termination fee), up to a maximum amount equal to their respective pro rata share of \$99,420,000 (calculated according to the applicable fund's equity commitment to Cobalt Holding). If the Cobalt Holding termination fee is paid, and Cobalt Holding and Merger Sub are not otherwise in willful material breach of the merger agreement (other than a breach arising from the failure by Cobalt Holding to obtain the debt financing), then Intergraph's termination of the merger agreement and receipt of payment of the \$53,020,000 Cobalt Holding termination fee shall be the sole and exclusive remedy against Cobalt Holding, Merger Sub, Hellman & Friedman LLC, Texas Pacific Group and JMI Equity and any of their respective representatives, affiliates, directors, officers, employees, partners, managers, members, or stockholders or any loss or damage suffered as a result of the breach of the merger agreement or any representation, warranty, covenant or agreement contained therein by Cobalt Holding or

Merger Sub or the failure of the merger to be consummated. The merger agreement also provides that Intergraph shall not be entitled to an injunction or injunctions to prevent breaches of the merger agreement by Cobalt Holding or Merger Sub or to enforce specifically the terms and provisions of the merger agreement, and that our remedies are limited to the payment obligations of Cobalt Holding described in more detail below under The Merger Agreement Termination Fees. Each guarantee will remain in full force and effect until the earlier of:

the effective time of the merger,

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the termination of the merger agreement under certain circumstances in which Cobalt Holding and Merger Sub would not be obligated to pay the termination fee and

the first anniversary of the date of the termination of the guarantee if the merger agreement is terminated under circumstances giving rise to a payment obligation of Cobalt Holdings or Merger Sub, if Intergraph has not made a claim under the guarantee related to that obligation prior to the one year anniversary date.

**Interests of Intergraph's Directors and Executive Officers in the Merger**

In considering the recommendations of the board of directors, Intergraph's stockholders should be aware that certain of Intergraph's directors and executive officers have interests in the transaction that may be different from, and/or in addition to, the interests of Intergraph's stockholders generally. Our board of directors was aware of these potential conflicts of interest in reaching their decisions to approve the merger agreement and to recommend that our stockholders vote in favor of adopting the merger agreement. Except as set forth below, our directors and officers have, to our knowledge, no material interest that differs from your interests generally.

***Treatment of Equity Awards***

Upon the consummation of the merger, all of our equity compensation awards (including our awards held by directors and executive officers) will be subject, except as otherwise agreed by a holder or participant and Cobalt Holding, to the treatment described under "The Merger Agreement - Treatment of Options and Other Awards." All of the related cash payments will be subject to applicable withholding taxes.

The table below sets forth, as of September 12, 2006, for each of our directors and executive officers (before any deduction for applicable withholding taxes): the aggregate number of stock options held by each director and executive officer, including those that will vest upon the consummation of the merger; the cash payment that will be made in respect of the foregoing stock options upon the consummation of the merger (based on the weighted average exercise price of the options); the aggregate number of restricted shares and restricted share units held by each director and executive officer that have restrictions that will lapse upon consummation of the merger; and the aggregate cash payment that will be made in respect of the foregoing restricted shares and restricted share units upon the consummation of the merger.

Name	Stock Options		Restricted Shares and Restricted Share Units	
	Number	Cash Payment	Number	Cash Payment
<b>Directors</b>				
Sidney L. McDonald	10,500	\$ 336,240	2,300	\$ 101,200
R. Halsey Wise(1)	150,000	\$ 3,315,000	135,000	\$ 5,940,000
Michael D. Bills	3,000	\$ 60,390	4,918	\$ 216,392
Richard W. Cardin	4,500	\$ 108,540	2,300	\$ 101,200
Linda L. Green	6,000	\$ 164,940	2,300	\$ 101,200
Lawrence R. Greenwood	7,500	\$ 231,333	2,300	\$ 101,200
Thomas J. Lee	10,500	\$ 336,240	2,300	\$ 101,200
Kevin M. Twome				