

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 ?