

I2 TECHNOLOGIES INC
Form PRE 14A
March 23, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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 Rule 14a-12

i2 Technologies, Inc.

(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.

Edgar Filing: I2 TECHNOLOGIES INC - Form PRE 14A

- 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:
 - (2) Aggregate number of securities to which transaction applies:
 - (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):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:

Fee paid previously with preliminary materials.

- 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:

i2 TECHNOLOGIES, INC.

One i2 Place

11701 Luna Road

Dallas, Texas 75234

[April] [], 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of i2 Technologies, Inc., which will be held at the Center of Excellence at One i2 Place, 11701 Luna Road, Dallas, Texas 75234 on Wednesday, May 31, 2006 at 10:00 a.m. (Central Time).

Details of the business to be conducted at this meeting are given in the attached Notice of Annual Meeting of Stockholders and proxy statement.

After careful consideration, our Board of Directors has approved the proposals set forth in the proxy statement and recommends that you vote for such proposals.

In our efforts to reduce costs and be more efficient in our investor relations, we offer electronic voting and delivery of stockholder materials via the Internet. As a stockholder, you can help us save costs by voting electronically or by giving your consent for electronic delivery of stockholder materials. You may also vote your shares by telephone or by signing, dating and returning the enclosed proxy promptly in the accompanying reply envelope. Representation of your shares at the meeting is very important. Accordingly, whether or not you plan to attend the meeting, we urge you to submit your proxy promptly by one of the methods offered. If you later wish to change your proxy vote, you may do so by revoking your proxy or voting in person at the meeting.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Michael E. McGrath

Chief Executive Officer, President and Director

YOUR VOTE IS IMPORTANT

In order to assure your representation at this meeting, you are requested to vote your shares by telephone, by the Internet or by completing, signing and dating the enclosed proxy as promptly as possible and returning it in the enclosed envelope. No postage need be affixed if mailed in the United States.

PRELIMINARY COPY

i2 TECHNOLOGIES, INC.

One i2 Place

11701 Luna Road

Dallas, Texas 75234

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 31, 2006

To the Stockholders of i2 Technologies, Inc.:

The 2006 Annual Meeting of Stockholders of i2 Technologies, Inc. will be held at the Center of Excellence at One i2 Place, 11701 Luna Road, Dallas, Texas 75234 on Wednesday, May 31, 2006 at 10:00 a.m. (Central Time) for the following purposes:

1. To elect three Class III directors to serve until the annual stockholders meeting in 2009, and until their respective successors have been elected and qualified.
2. To approve the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of our 5% senior convertible notes due 2015 and the exercise of certain warrants.

3. To act upon such other business as may properly come before this meeting or any adjournment or postponement thereof. Only stockholders of record at the close of business on April 3, 2006 are entitled to notice of and to vote at this meeting. A list of stockholders entitled to vote at this meeting will be available for inspection at our offices. Whether or not you plan to attend this meeting in person, please vote your shares by telephone, by the Internet or by signing, dating and returning the enclosed proxy promptly in the accompanying reply envelope. The prompt submission of your proxy by one of the three methods offered will assist us in preparing for this meeting.

You may revoke your proxy in the manner described in the accompanying proxy statement at any time before it has been voted at the meeting. It may be possible for you to vote in person at the meeting even if you have returned a proxy. Please review the proxy statement for more information.

By Order of the Board of Directors,

Robert C. Donohoo

Secretary

[April] [], 2006

i2 TECHNOLOGIES, INC.

One i2 Place

11701 Luna Road

Dallas, Texas 75234

PROXY STATEMENT

These proxy materials and the enclosed proxy card are being mailed in connection with the solicitation of proxies by the Board of Directors of i2 Technologies, Inc., a Delaware corporation, for the 2006 Annual Meeting of Stockholders to be held on Wednesday, May 31, 2006 at 10:00 a.m. (Central Time), and at any adjournment or postponement thereof, at the Center of Excellence at One i2 Place, 11701 Luna Road, Dallas, Texas 75234. These proxy materials were first mailed to stockholders of record beginning on or about [April] [], 2006.

PURPOSE OF MEETING

The specific proposals to be considered and acted upon at this meeting are summarized in the accompanying Notice of Annual Meeting of Stockholders. The proposals are described in more detail in this proxy statement.

VOTING RIGHTS AND SOLICITATION

The cost of soliciting proxies will be paid by us and may include reimbursement paid to brokerage firms and others for their expense in forwarding solicitation materials as well as the expense of preparing, assembling, photocopying and mailing this proxy statement. Solicitation will be made primarily through the use of the mail; however, our regular employees may, without additional remuneration, solicit proxies personally by telephone or Internet e-mail.

A copy of our 2005 annual report to stockholders on Form 10-K has been mailed concurrently with the mailing of the Notice of Annual Meeting of Stockholders and this proxy statement to all stockholders entitled to notice of, and to vote at, this meeting. The annual report is not incorporated into this proxy statement and is not considered proxy solicitation material.

We have fixed April 3, 2006 as the record date for determining those stockholders who are entitled to notice of, and to vote at, this meeting. Only holders of record of our common stock, par value \$0.00025 per share, and our 2.5% Series B Convertible Preferred Stock at the close of business on the record date will be entitled to vote at the Annual Meeting or any adjournment or postponement thereof. At the close of business on the record date, [20,702,839] shares of our common stock were outstanding and 103,999 shares of our Series B preferred stock were outstanding. All of our outstanding shares of Series B preferred stock were held of record by R² Investments, LDC, an affiliate of Q Investments.

The holders of our common stock and our Series B preferred stock will vote together as a single class on each of the proposals described in this proxy statement. Each share of our common stock is entitled to one vote. Each share of our Series B preferred stock is entitled to 43.1965 votes (that number equal to the number of shares of common stock into which one share of Series B preferred stock could have been converted on the record date). Accordingly, the holder of our Series B preferred stock is entitled to 4,492,393 votes in the aggregate, or approximately [17.8]% of all votes eligible to be cast at the Annual Meeting.

As of March 16, 2006, our directors and executive officers beneficially owned an aggregate of approximately 5,663,352 shares of our common stock, not including shares of common stock issuable upon exercise of outstanding stock options, constituting approximately 27.4% of the shares of common stock outstanding as of such date and approximately [22.5]% of all votes eligible to be cast at the Annual Meeting. It is expected that such directors and executive officers will vote or direct the vote of all shares of our common stock held or owned by such persons, or over which such persons have voting control, in favor of the proposals described in this proxy statement. It also is expected that R² Investments, LDC, an affiliate of Q Investments, will vote its shares of Series B preferred stock and the shares of common stock that it holds, constituting

approximately [22.9]% of all votes eligible to be cast at the Annual Meeting, in favor of the proposals. The total cumulative voting power of R² Investments, LDC and our directors and executive officers is nearly sufficient to assure the approval of the proposals. See Principal Stockholders.

The presence, in person or by proxy, of the holders of a majority of the voting power of the shares of our outstanding common stock and our Series B preferred stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Cumulative voting is not permitted in the election of directors. If a choice as to the matters coming before the Annual Meeting has been specified by a stockholder on the proxy, the shares will be voted accordingly. If no choice is specified on the returned proxy, the shares will be voted in favor of the approval of the proposals described in the Notice of Annual Meeting and in this proxy statement and in the discretion of the persons named in the proxy as proxy appointees as to any other matter that may properly come before the Annual Meeting. The inspector of election appointed for the Annual Meeting will tabulate the votes, separately calculating affirmative and negative votes, abstentions and broker non-votes (i.e., the submission of a proxy by a broker or nominee specifically indicating the lack of discretionary authority to vote on the matter).

A stockholder executing a proxy pursuant to this solicitation may revoke his or her proxy at any time prior to its use:

by delivering to the Secretary of i2 a signed notice of revocation or a later-dated, signed proxy; or

by attending the meeting and voting in person.

Attendance at the meeting does not in itself constitute the revocation of a proxy. In addition, if your shares are held in the name of your broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions will be counted towards the tabulations of votes cast on proposals presented to the stockholders and will have the same effect as negative votes, whereas broker non-votes will not be counted for purposes of determining whether a proposal has been approved.

CORPORATE GOVERNANCE

In accordance with the General Corporation Law of the State of Delaware and our Restated Certificate of Incorporation and Amended and Restated Bylaws, our business, property and affairs are managed under the direction of the Board of Directors. Although our directors are not involved in our day-to-day operating details, they are kept informed of our business through oral or written reports and documents provided to them regularly, as well as by operating, financial and other reports presented by our officers at meetings of the Board of Directors and committees of the Board of Directors.

Meetings of the Board of Directors

Our Board of Directors met 12 times during 2005. During 2005, each incumbent director attended at least 75% of the total number of meetings of our Board of Directors held during the period for which he has been a director and the total number of meetings held by all committees of our Board of Directors on which he has served.

Director Independence

The Board of Directors has determined that the following directors are independent under the listing standards of The Nasdaq Stock Market, on which our common stock is listed: Messrs. Bradley, Cash, Clemmer, Crandall, Waterhouse and Wilson.

Committees of the Board of Directors

The Board of Directors has established four standing committees:

Audit Committee. We have a standing Audit Committee currently composed of Messrs. Crandall (Chairman), Bradley, Cash, Clemmer, Waterhouse and Wilson. The current members of the Audit Committee are independent as defined by the listing standards of The Nasdaq Stock Market, on which our common stock is listed, and as that term is used in Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board of Directors has determined that Mr. Crandall qualifies as an audit committee financial expert, as that term is defined by applicable Securities and Exchange Commission regulations, and has designated Mr. Crandall as the Audit Committee's financial expert.

The Audit Committee, which until February 27, 2005 included Mr. McGrath and prior to April 21, 2005 excluded Messrs. Bradley, Waterhouse and Wilson, met five times in 2005. The Audit Committee has a charter that was approved by our Board of Directors. The oversight functions of the Audit Committee include, among other things:

appointing our independent auditor;

reviewing the external audit plan and the results of the auditing engagement;

reviewing the internal audit plan and the results of the internal audits;

ensuring that management has maintained the reliability and integrity of our accounting policies and our financial reporting and disclosure practices;

reviewing the independence and performance of our internal audit function and independent registered public accounting firm; and

reviewing the adequacy of our system of internal control and compliance with all applicable laws, regulations and corporate policies. Please see page 27 of this proxy statement for the Report of the Audit Committee.

Compensation Committee. We have a standing Compensation Committee currently composed of Messrs. Cash (Chairman), Bradley, Clemmer, Crandall, Waterhouse and Wilson. Each is independent as defined by the listing standards of The Nasdaq Stock Market, on which our common stock is listed.

The Compensation Committee, which until February 27, 2005 included Mr. McGrath and prior to April 21, 2005 excluded Messrs. Bradley, Waterhouse and Wilson, met eight times in 2005. The Compensation Committee administers our stock plans. The Compensation Committee has the responsibility for establishing the compensation payable to our Chief Executive Officer and is responsible for establishing compensation payable to our other executive officers based on recommendations made by the Chief Executive Officer. The Compensation Committee also is responsible for the overall administration of our employee benefit plans, including our employee stock purchase plans.

Please see page 22 of this proxy statement for the Compensation Committee's Report on Executive Compensation.

Options Committee. We have a standing Options Committee composed of Mr. McGrath, who succeeded Mr. Sidhu as the sole member of the Options Committee effective April 18, 2005. The Options Committee has separate but concurrent authority with the Compensation Committee and the Board of Directors to make discretionary option grants from time to time under the 1995 Stock Option/Stock Issuance Plan, or 1995 Plan, and the 2001 Non-Officer Stock Option/Stock Issuance Plan, or 2001 Plan, to eligible employees that are not subject to Section 16 of the Exchange Act.

The Options Committee has the power and authority, with certain limited exceptions, to:

select the eligible individuals who are to receive option grants under the 1995 and 2001 Plans;

determine the number of shares of common stock subject to each such award (subject to the periodic corporate pool of shares authorized by the Compensation Committee and a limitation of 8,000 shares per individual each calendar year);

determine the exercise schedule in effect for each such option issuance; and

determine the maximum term for which each option may remain outstanding.

Special Committee. We also have a standing Special Committee, currently composed of Messrs. Crandall (Chairman), Bradley, Cash, Clemmer, Waterhouse and Wilson that was formed by the Board of Directors in February 2004. The Special Committee was created primarily for the purpose of (i) evaluating, negotiating, authorizing and approving the terms and conditions of the settlement of class action and derivative lawsuits against the company in 2004, including the terms and conditions pursuant to which shares of our common stock would be sold to Mr. Sidhu and a former executive of the company to fund a portion of such settlement, and (ii) evaluating and recommending to the Board of Directors the authorization and approval of the sale of Series B preferred stock to R² Investments, LDC in 2004. The Special Committee met two times in 2005 for the purpose of evaluating and recommending to the Board of Directors the authorization and approval of the sale of shares of our common stock to R² Investments, LDC and the sale of our subsidiary Trade Service Corporation.

Compensation Committee Interlocks and Insider Participation.

At different times during 2005, our Compensation Committee included Messrs. Cash, Bradley, Clemmer, Crandall, McGrath, Waterhouse and Wilson. None of the members of the Compensation Committee during 2005 was an officer or employee, or former officer or employee, of the company or any of our subsidiaries during 2005, except for Mr. McGrath who became our Chief Executive Officer and President on February 27, 2005 and concurrently resigned from the Compensation Committee. No member of the Compensation Committee during 2005 had a relationship requiring disclosure by us under any paragraph of Item 404 of Regulation S-K, except for Mr. McGrath whose relationship is described under Executive Compensation and Other Matters Certain Transactions with Management. Furthermore, no member of the Compensation Committee during 2005 had a relationship requiring disclosure by us under Item 402(j)(3) of Regulation S-K.

Director Compensation

Our current compensation package for our non-employee directors is as follows:

\$25,000 annual cash retainer for serving on the Board of Directors.

\$4,000 fee for each of the standard quarterly and annual operating plan meetings of the Board of Directors, Audit and Compensation Committees attended.

\$1,500 fee for special meetings of the Board of Directors or Audit or Compensation Committee attended.

\$5,000 annual cash retainer for serving on the Audit Committee of the Board of Directors.

\$2,500 annual cash retainer for serving on the Compensation Committee of the Board of Directors.

Edgar Filing: I2 TECHNOLOGIES INC - Form PRE 14A

\$50,000 annual cash retainer for serving as the Chair of the Audit Committee of the Board of Directors.

\$10,000 annual cash retainer for serving as the Chair of the Compensation Committee of the Board of Directors.

Attendance fee for each meeting of the Special Committee as agreed on a project-by-project basis.

Initial and annual grants of stock options priced at fair market value on the terms set forth in the Automatic Option Grant Program of our 1995 Plan. Additional grants of stock options may be awarded

under the Discretionary Option Grant Program of our 1995 Plan and are typically awarded as part of initial grants. Directors who are also employees are not paid any fees or additional compensation for services as members of our Board of Directors or any committee of our Board of Directors. Directors are reimbursed for out-of-pocket expenses incurred in attending meetings of our Board of Directors and committees on which they serve.

Under the Automatic Option Grant Program of our 1995 Plan, each person who becomes a non-employee Board member automatically is granted at that time an option for 6,000 shares of common stock. In addition, on the date of each annual stockholders meeting, each individual who continues to serve as a non-employee Board member after such meeting will automatically be granted an option to purchase 4,250 shares of common stock under the 1995 Plan, provided such individual has served as a non-employee Board member for at least six months. Each option will have an exercise price per share equal to 100% of the fair market value per share of our common stock on the option grant date and a maximum term of ten years measured from the option grant date. Each option will be immediately exercisable for all the option shares, but we may repurchase, at the exercise price paid per share, all unvested shares held at the cessation of the director's Board service. Each option grant will vest, and our repurchase rights will lapse, in three equal annual installments, with the first such installment vesting one year from the option grant date.

Under the Discretionary Grant Program of our 1995 Plan, our Board of Directors will determine which eligible individuals receive option grants, the time or times when those grants are to be made, the number of shares subject to each such grant, the vesting schedule (if any) to be in effect for the option grant and the maximum term for which any granted option is to remain outstanding. Each granted option will have an exercise price determined by the Board of Directors but shall in no event be less than 100% of the fair market value of the shares on the grant date. No granted option will have a term in excess of ten years, and the option will generally become exercisable in one or more installments over a specified period of service measured from the vesting commencement date. However, one or more options may be structured so that they will be immediately exercisable for any or all of the option shares. Shares acquired under such options will be subject to repurchase by us, at the exercise price paid per share, if the optionee ceases service with our company prior to vesting in those shares.

Option grants to non-employee directors during 2005 are detailed in the following table. The exercise price per share for all grants was equal to the fair market value per share of common stock on the grant date. Options granted prior to May 19, 2005 under the Automatic Option Grant Program are immediately exercisable and vest in four equal annual installments; options granted under the Automatic Option Grant Program on or after May 19, 2005 are immediately exercisable and vest in three equal annual installments. Grants issued from the Discretionary Option Grant Program are not exercisable until they vest. Each of these options will vest 1% upon grant of the option, 24% upon completion of the first year of service measured from the vesting commencement date and pro rata monthly over the 36-month period thereafter.

	Date of Grant	Options Granted	Exercise Price Per Share	Purpose of Grant
Stephen P. Bradley	04/21/05	320	\$ 7.36	New Appointment Grant
	04/21/05	3,680	\$ 7.36	Discretionary Grant
	07/26/05	6,000	\$ 12.96	Discretionary Grant
Harvey B. Cash	05/19/05	4,250	\$ 7.60	Annual Automatic Grant
	07/26/05	8,000	\$ 12.96	Discretionary Grant
Richard L. Clemmer	05/19/05	4,250	\$ 7.60	Annual Automatic Grant
	07/26/05	8,000	\$ 12.96	Discretionary Grant
Robert L. Crandall	05/19/05	4,250	\$ 7.60	Annual Automatic Grant
	07/26/05	8,000	\$ 12.96	Discretionary Grant
Lloyd G. Waterhouse	04/21/05	320	\$ 7.36	New Appointment Grant
	04/21/05	3,680	\$ 7.36	Discretionary Grant
	07/26/05	6,000	\$ 12.96	Discretionary Grant
Jackson L. Wilson, Jr.	04/21/05	320	\$ 7.36	New Appointment Grant
	04/21/05	3,680	\$ 7.36	Discretionary Grant
	07/26/05	6,000	\$ 12.96	Discretionary Grant

We maintain directors' and officers' liability insurance and our Amended and Restated Bylaws provide for mandatory indemnification of directors to the fullest extent permitted by Delaware law. We have entered into indemnification agreements with all of our directors. In addition, our Restated Certificate of Incorporation limits the liability of our directors to us and our stockholders for breaches of the directors' fiduciary duties to the fullest extent permitted by Delaware law.

Communication with the Board of Directors

Stockholders may communicate with the Board of Directors by sending a letter to i2 Technologies, Inc. Board of Directors, c/o Office of the General Counsel, One i2 Place, 11701 Luna Road, Dallas, TX 75234. The Office of the General Counsel will review the correspondence and forward it to the Chair of the appropriate committee or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to i2 or its business, or is similarly inappropriate. The Office of the General Counsel has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

We have a policy of inviting the attendance of directors at annual meetings of stockholders. Our Chairman, Mr. Sidhu, attended the 2005 annual meeting of stockholders.

Submission of Director Nominations

We do not have a standing Nominating Committee or any other committee performing similar functions, and these matters are considered at meetings of the full Board of Directors. At this point, we believe that it is important for the entire Board to participate in nomination and evaluation functions.

Stockholders may propose nominees for consideration by the Board of Directors by submitting the names, appropriate biographical information and qualifications in writing to: Robert C. Donohoo, Corporate Secretary, i2 Technologies, Inc., One i2 Place, 11701 Luna Road, Dallas, TX 75234. In order to be considered for inclusion in the proxy statement and form of proxy for the annual meeting of stockholders to be held in 2007, the name of the proposed nominee and the supporting documentation must be received by our company not less than 120 days nor more than 150 days before the first anniversary of the date of this proxy statement.

Director nomination proposals must be in writing and must include (a) the name and address of the nominating stockholder, and the name and address of the person or persons to be nominated, (b) a representation that the nominating stockholder is a holder of record of stock of our company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (c) a description of all arrangements or understandings between the nominating stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the nominating stockholder, (d) the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and (e) any information regarding the nominee that is required under Regulation 14A of the Exchange Act to be included in a proxy statement relating to the election of directors. Candidates recommended by our stockholders are evaluated on the same basis as other candidates (other than directors standing for re-election) recommended by our directors, executive officers, third party search firms or other sources.

The minimum qualifications, skills, and attributes that the Board of Directors looks for in nominees may include the following: (a) integrity, competence and judgment essential to effective decision making, (b) ability and willingness to commit the necessary time and energy to prepare for, attend and participate in meetings of the Board and one or more of its standing committees, (c) freedom from other outside involvements that would materially interfere with the individual's responsibilities as a director of our company, (d) background and experience that complements or supplements the background and experience of other Board members, (e) freedom from interests that would present the appearance of being adverse to, or in conflict with, the interests of our company, and (f) a proven record of accomplishment through demonstrated leadership in business, technology, education, government service, finance, manufacturing or other relevant experiences that would tend to enhance Board effectiveness. The ability of a nominee to devote the time and effort necessary to fulfill his or her responsibilities to the company will also be taken into account.

The evaluation process may include a comprehensive background and reference check, a series of personal interviews by, at a minimum, the Chairman of the Board, and a thorough review by the Board of the nominee's qualifications and other relevant characteristics, taking into consideration the criteria set forth above.

Director nominees will be recommended for the Board's selection by a majority of the independent directors in accordance with the listing standards of The Nasdaq Stock Market. If the Board of Directors accepts a recommendation for a director nominee, the form of our proxy solicited will include the name of the director nominee.

Code of Business Conduct and Ethics

In June 2003, we adopted a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics applies to, among others, our Chief Executive Officer and Chief Financial Officer, who is also our principal accounting officer. The full text of the Code of Business Conduct and Ethics is available at our investor relations web site, <http://www.i2.com/investor>. We intend to disclose any amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics that applies to our Chief Executive Officer or Chief Financial Officer on our investor relations web site.

PROPOSAL 1**ELECTION OF THREE CLASS III DIRECTORS**

Our Restated Certificate of Incorporation and Amended and Restated Bylaws provide that our Board of Directors shall be divided into three classes as nearly equal in size as is practicable, designated as Class I, Class II and Class III directors, with each class serving staggered three-year terms. We currently have the following eight directors serving on our Board:

Class I Directors
Stephen P. Bradley
Richard L. Clemmer

Class II Directors
Harvey B. Cash
Michael E. McGrath
Lloyd G. Waterhouse

Class III Directors
Sanjiv S. Sidhu, Chairman
Robert L. Crandall
Jackson L. Wilson, Jr.

The term of office of our Class III directors expires at the Annual Meeting, the term of office of our Class I directors expires at the 2007 annual meeting of stockholders and the term of office of our Class II directors expires at the 2008 annual meeting of stockholders. Directors to replace those of a class whose terms expire at a given annual meeting are elected to hold office until the third succeeding annual meeting, and until their respective successors have been duly elected and qualified.

Pursuant to the Certificate of Designations for our Series B preferred stock, the holders of the Series B preferred stock, voting separately as a single class to the exclusion of all other classes of our capital stock, currently have the exclusive right to elect two directors to serve on our Board. R² Investments, LDC, the holder of all of our outstanding Series B preferred stock, has informed the company that it does not presently intend to elect any directors to replace the two individuals previously elected by it who resigned from our Board on December 16, 2005.

Board of Directors Nominees; Required Vote

Three Class III directors, Sanjiv S. Sidhu, Robert L. Crandall and Jackson L. Wilson, Jr., have been nominated by our Board of Directors for election at the Annual Meeting to hold office until the 2009 annual meeting of stockholders, and until their respective successors are duly elected and qualified. The holders of our common stock are entitled to vote together with the holders of our Series B preferred stock with respect to the election of Messrs. Sidhu, Crandall and Wilson.

Name	Age	Position
Sanjiv S. Sidhu	48	Director
Robert L. Crandall	68	Director
Jackson L. Wilson, Jr.	58	Director

For a description of the business experience of Messrs. Sidhu, Crandall and Wilson, see Executive Compensation and Other Matters Directors and Executive Officers.

Unless otherwise instructed, the persons named in the accompanying proxy card will vote the proxies received by them for Messrs. Sidhu, Crandall and Wilson. If any of Messrs. Sidhu, Crandall or Wilson is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for the nominee who is designated by the present Board of Directors to fill the vacancy. It is not expected that any of the nominees will be unable or will decline to serve as a director.

A plurality of the votes cast by the holders of our common stock and our Series B preferred stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors, voting together as a single class, is required for the election of a director. Abstentions and broker non-votes have no effect on the determination of plurality, except to the extent that they affect the total votes received by any particular nominee. Plurality means that the nominees receiving the greatest number of votes cast by the holders

of outstanding shares of our voting stock present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal will be elected to our Board of Directors even if they receive less than a majority of such votes.

Your Board of Directors unanimously recommends a vote FOR Sanjiv S. Sidhu, Robert L. Crandall and Jackson L. Wilson, Jr. and proxies executed and returned will be so voted unless contrary instructions are indicated thereon.

PROPOSAL 2

APPROVAL OF THE ISSUANCE OF A NUMBER OF SHARES OF OUR COMMON STOCK SUFFICIENT TO FULLY PROVIDE FOR THE CONVERSION OF OUR 5% SENIOR CONVERTIBLE NOTES DUE 2015 AND THE EXERCISE OF CERTAIN WARRANTS

In November 2005, the company entered into a Purchase Agreement with certain qualified institutional buyers (the Purchase Agreement) pursuant to which we issued and sold to the investors \$75 million in aggregate principal amount of our 5% senior convertible notes due 2015 and warrants to purchase up to approximately 485,000 shares of our common stock, par value \$.00025 per share. Pursuant to the Purchase Agreement, we also granted the investors an option to purchase up to an additional \$11.25 million in aggregate principal amount of the convertible notes. The option was fully exercised by the investors, and the additional \$11.25 million in aggregate principal amount of the convertible notes was issued and sold to the investors. The net proceeds from the sale of the convertible notes and the warrants have been and will be used to repay or repurchase outstanding indebtedness or for working capital and other corporate purposes of the company.

In accordance with the Marketplace Rules of The Nasdaq Stock Market, we are seeking stockholder approval of the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of the convertible notes and the exercise of the warrants from time to time as such convertible notes and warrants are presented for conversion or exercise, including without limitation the issuance of all such shares in excess of the Conversion Shares Cap and Exercise Shares Cap referred to below. We are required to seek stockholder approval of the issuance of these shares because they could potentially constitute 20% or more of the number of outstanding shares of our common stock at the time we entered into the Purchase Agreement.

Absent stockholder approval of the issuance of shares of our common stock, as further explained below (i) upon the conversion of the convertible notes, the company could be required to settle part of the portion, if any, of its conversion obligation that would otherwise be satisfied in shares of our common stock by making cash payments, and (ii) upon the exercise of the warrants, the company could be required to settle part of its exercise obligation with respect to the warrants by making cash payments. Moreover, if we fail to obtain such stockholder approval at the Annual Meeting, the terms of the Indenture dated as of November 23, 2005 between the company and JPMorgan Chase Bank, National Association, as trustee (the Indenture) will require us to use our reasonable best efforts to obtain such approval at each succeeding meeting of the company s stockholders until such time as we shall have obtained approval for the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of the convertible notes and the exercise of the warrants. Accordingly, our Board of Directors believes that stockholder approval of this proposal is important at this time.

Summary of the Convertible Notes and the Warrants

Set forth below is a summary of the material terms of the convertible notes and the warrants, which terms are qualified by reference to the full text of the Purchase Agreement, the Indenture, the Registration Rights Agreement dated as of November 23, 2005 by and among the company and the parties set forth on Schedule I thereto (the Registration Rights Agreement), the form of 5% senior convertible notes due 2015 and the form of warrants, which are attached as exhibits to the company s Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on November 29, 2005.

Rank of, Maturity of and Interest on the Convertible Notes, and Term of the Warrants

The convertible notes constitute senior obligations of the company and rank equally with any of our present and future senior obligations. The convertible notes are effectively junior to any of our secured obligations to the extent of the value of the assets securing such obligations. Pursuant to the Indenture, the convertible notes will mature on November 15, 2015 and bear interest at a rate of 5% per annum payable semiannually on May 15 and November 15 beginning May 15, 2006.

The term of the warrants is ten years.

Conversion of the Convertible Notes and Exercise of the Warrants

The convertible notes are convertible, subject to certain conditions, into cash and shares, if any, of our common stock at an initial conversion price of \$15.4675 per share of our common stock (which is equivalent to a conversion rate of approximately 64.6517 shares of our common stock per \$1,000 principal amount of the convertible notes). The conversion price is subject to adjustment. Upon conversion, we will satisfy our conversion obligation with respect to the principal amount of the convertible notes to be converted in cash, with any remaining amount to be satisfied in shares of our common stock.

Prior to May 15, 2010, holders of the convertible notes may convert their convertible notes (i) if the convertible notes have been called for redemption, (ii) if the average of the trading prices for the convertible notes during any five consecutive trading-day period is less than 98% of the average of the conversion values for the convertible notes (the product of the last reported sale price of our common stock and the conversion rate) during that period, (iii) upon certain distributions to all holders of our common stock, or (iv) upon the occurrence of specified corporate transactions constituting a fundamental change. A fundamental change means the occurrence of a change of control or termination of trading (as such terms are defined in the Indenture).

In addition, at any time after May 15, 2008 and prior to the close of business on May 15, 2010, holders of the convertible notes may surrender their convertible notes for conversion during any fiscal quarter if the closing sale price of our common stock is equal to or greater than 150% of the conversion price then in effect for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the immediately preceding fiscal quarter.

On or after May 15, 2010 and on or prior to the close of business on the business day immediately prior to the stated maturity date, the convertible notes are convertible any time at the option of the holder.

Following a fundamental change that occurs prior to November 15, 2010, a holder of convertible notes who elects to convert in connection with such fundamental change will be entitled to receive an additional make whole premium equal to the approximate lost option time value plus accrued but unpaid interest, if any, up to but excluding the conversion date.

The warrants are exercisable at an initial exercise price of \$15.4675 per share of our common stock, and contain traditional anti-dilution adjustments.

Conversion Shares Cap and Exercise Shares Cap

Until stockholder approval is obtained, the company may not issue or deliver (i) more than 41.96 shares of our common stock (subject to appropriate adjustment for any stock splits, stock dividends and similar events) for each \$1,000 principal amount of convertible notes upon conversion thereof and/or as payment of a make whole premium with respect to such \$1,000 principal amount of convertible notes (the Conversion Shares Cap) or (ii) more than 500,000 shares of our common stock (subject to appropriate adjustments for any stock splits, stock dividends and similar events) upon exercise of the warrants (the Exercise Shares Cap). Accordingly, the total number of shares of our common stock deliverable upon the conversion of the convertible notes and the exercise of the warrants is limited to approximately 4,100,000 shares absent receipt of stockholder approval of the

issuance of additional shares. To the extent that more shares of our common stock would otherwise be issuable upon the conversion of the convertible notes or the exercise of warrants, we will be required to settle such conversions or exercises in cash by paying the value of our common stock into which the convertible notes would otherwise be convertible or the warrants would otherwise be exercisable.

Redemption of the Convertible Notes

Prior to May 20, 2008, the convertible notes will not be redeemable at our option. On or after May 20, 2008, we may redeem the convertible notes at any time or from time to time in whole or in part, for cash at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to but excluding the redemption date, so long as (i) the last reported sale price of our common stock has exceeded 175% of the conversion price then in effect for at least 20 trading days in the 30 consecutive trading days ending on the trading day prior to the date upon which we deliver to the holders the notice of redemption and (ii) on the date that we deliver a redemption notice through the date of redemption, the common stock issuable upon conversion of the convertible notes is either (1) covered by a registration statement covering resales thereof that is effective and available for use and is expected to remain effective and available for use for the 30 days following the date of such redemption notice or (2) eligible to be resold by non-affiliates pursuant to Rule 144(k) under the Securities Act of 1933, as amended (the Securities Act).

Repurchase of the Convertible Notes

Holders of the convertible notes have the right to require us to repurchase all or any portion of the convertible notes on November 15, 2010 at a purchase price equal to 100% of the principal amount of the convertible notes to be repurchased plus any accrued and unpaid interest to but excluding such repurchase date.

If we redeem our Series B Preferred Stock, we must also offer to repurchase the convertible notes for cash at a purchase price equal to 100% of the principal amount of the convertible notes plus accrued and unpaid interest to but excluding the repurchase date; provided, that if we redeem less than all of the outstanding shares of our Series B Preferred Stock, we will be obligated to repurchase only a proportionate amount of the convertible notes.

Upon the occurrence of a fundamental change, each holder of the convertible notes will have the right to require us to repurchase for cash any or all of its convertible notes at a purchase price of 100% of the principal amount plus any accrued and unpaid interest to but excluding such repurchase date.

Events of Default Under Convertible Notes

The trustee or the holders of at least 25% in aggregate principal amount of the convertible notes then outstanding may declare the principal amount of the convertible notes, together with all accrued and unpaid interest, any premium, including any make-whole premium and liquidated damages, if any, to be immediately due and payable upon the occurrence of an event of default, including our: (i) failure to pay the principal of or the premium, including any make-whole premium, on any convertible note when due at maturity, or failure to pay the redemption or repurchase price when due; (ii) failure to pay interest on the convertible notes; (iii) failure to provide notice of a fundamental change when required; (iv) failure to convert the convertible notes into cash or shares of our common stock, if any, upon exercise of a holder's conversion right; (v) failure to perform or observe any other covenant required by the convertible notes; (vi) default under other indebtedness in an aggregate outstanding principal amount in excess of \$25.0 million, which default (A) is caused by failure to pay principal or interest when due or (B) results in acceleration of such indebtedness; (vii) failure to pay final judgments in excess of \$20.0 million; or (viii) bankruptcy, insolvency, dissolution or liquidation.

Registration Rights

Pursuant to the Registration Rights Agreement we entered into in connection with the sale of the convertible notes and the warrants, we agreed to file with the SEC a shelf registration statement covering resales of the

shares of our common stock issuable upon the conversion of the convertible notes and the exercise of the warrants. We agreed to use our reasonable best efforts to cause the shelf registration statement to become effective within 270 days after the date of original issuance of the convertible notes and the warrants and to remain effective until the earliest of (1) the date on which all such common stock held by non-affiliates of the company is eligible to be sold to the public pursuant to Rule 144(k) under the Securities Act or any successor provision thereof, (2) the date when each of the shares of our common stock covered by the shelf registration statement has been effectively registered under the Securities Act and disposed of in accordance with the shelf registration statement, (3) the date on which all such common stock has been resold pursuant to Rule 144 under the Securities Act, (4) the date on which all the convertible notes, the warrants and the underlying common stock cease to be outstanding and (5) the date that is the three-year anniversary of the issue date. If the registration statement has not been declared effective within 270 days or if, thereafter, we fail to maintain the effectiveness of the registration statement, we will be required to pay additional interest at the rate of 0.50% per annum to holders of the convertible notes and the warrants for the first 90 days and an additional 0.50% per annum thereafter.

Stockholder Approval Requirement

In accordance with the Marketplace Rules of The Nasdaq Stock Market, we are seeking stockholder approval of the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of the convertible notes and the exercise of the warrants from time to time as such convertible notes and warrants are presented for conversion or exercise, including without limitation the issuance of all such shares in excess of the Conversion Shares Cap and Exercise Shares Cap. The Marketplace Rules are applicable to us because our common stock is listed on The Nasdaq National Market.

Rule 4350(i)(1)(D) of the Marketplace Rules of The Nasdaq Stock Market requires stockholder approval of the issuance of securities in a transaction other than a public offering involving the potential issuance of 20% or more of the common stock outstanding before the issuance for less than the greater of the book or market value of the stock. The shares of our common stock which are issuable upon the conversion of the convertible notes and the exercise of the warrants could potentially constitute 20% or more of the number of outstanding shares of our common stock at the time we entered into the Purchase Agreement. Accordingly, the total number of shares of our common stock deliverable upon the conversion of the convertible notes and the exercise of the warrants is limited to approximately 4,100,000 shares absent receipt of stockholder approval of the issuance of additional shares.

Stockholder approval of this proposal is required to enable the company to satisfy the entire portion, if any, of its conversion obligation with respect to the convertible notes that is to be satisfied in shares of our common stock, and all of its exercise obligation with respect to the warrants, by issuing shares of our common stock rather than by making cash payments.

Factors Affecting Rights of Current Stockholders

The issuance of additional shares of our common stock upon the conversion of the convertible notes and the exercise of the warrants will dilute the ownership interests of existing stockholders. In addition, as described above all shares of our common stock issuable upon the conversion of the convertible notes and the exercise of the warrants will be entitled to certain registration rights. Consequently, if such shares are registered, they will be freely transferable without restriction under the Securities Act. Such free transferability could materially and adversely impact the market price of our common stock if a sufficient number of shares are sold into the market.

Consequences if Stockholder Approval is Not Obtained

If the stockholders of the company do not grant their approval, then (i) upon the conversion of the convertible notes, the company could be required to settle part of the portion, if any, of its conversion obligation that would otherwise be satisfied in shares of our common stock by making cash payments, and (ii) upon the exercise of the warrants, the company could be required to settle part of its exercise obligation with respect to the

warrants by making cash payments. Moreover, if we fail to obtain such stockholder approval at the Annual Meeting, the terms of the Indenture will require us to use our reasonable best efforts to obtain such approval at each succeeding meeting of the company's stockholders until such time as we shall have obtained approval for the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of the convertible notes and the exercise of the warrants.

Vote Required

The affirmative vote of a majority of the votes cast by our outstanding voting shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required for approval of the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of the convertible notes and the exercise of the warrants.

Your Board of Directors unanimously recommends a vote FOR the approval of the issuance of a number of shares of our common stock sufficient to fully provide for the conversion of the convertible notes and the exercise of the warrants from time to time as such convertible notes and warrants are presented for conversion or exercise, including without limitation the issuance of all such shares in excess of the Conversion Shares Cap and Exercise Shares Cap, and proxies executed and returned will be so voted unless contrary instructions are indicated thereon. The Board believes that it is in our best interests to approve such issuances of shares of our common stock at this time.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock and Series B preferred stock as of March 16, 2006 by (1) each person who is known by us to own beneficially more than five percent of our common stock or Series B preferred stock, (2) each of our directors, (3) each of the executive officers named in the Summary Compensation Table, and (4) all directors and executive officers as a group.

Name	Common Stock		Series B Preferred Stock	
	Shares Beneficially Owned(1)	Percent	Shares Beneficially Owned(1)	Percent
Sanjiv S. Sidhu	5,508,900 ⁽²⁾	26.6%		
Amalgamated Gadget, L.P.	5,763,621 ⁽³⁾	22.9%	103,999 ⁽³⁾	100%
Michael E. McGrath	481,853 ⁽⁴⁾	2.3%		
Pallab K. Chatterjee	161,197 ⁽⁵⁾	*		
Hiten D. Varia	168,761 ⁽⁶⁾	*		
Robert Donohoo	41,458 ⁽⁷⁾	*		
M. Miriam Wardak	10,230 ⁽⁸⁾	*		
Stephen P. Bradley	8,800 ⁽⁹⁾	*		
Harvey B. Cash	11,296 ⁽¹⁰⁾	*		
Robert L. Crandall	23,056 ⁽¹¹⁾	*		
Richard L. Clemmer	7,193 ⁽¹²⁾	*		
Lloyd G. Waterhouse	23,300 ⁽¹³⁾	*		
Jackson L. Wilson, Jr.	11,300 ⁽¹⁴⁾	*		
All directors and executive officers as a group (14 persons)	6,460,894			