I2 TECHNOLOGIES INC
Form 10-Q
August 07, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission file number 0-28030

i2 Technologies, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**75-2294945**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11701 Luna Road	
Dallas, Texas	**75234**
(Address of principal executive offices)	**(Zip code)**

(469) 357-1000

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨ (not applicable to registrant)

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of August 3, 2009, the Registrant had 22,426,471 shares of $0.00025 par value Common Stock outstanding.

Table of Contents

i2 TECHNOLOGIES, INC.

QUARTERLY REPORT ON FORM 10-Q

June 30, 2009

TABLE OF CONTENTS

Table of Contents

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

i2 TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(unaudited)

	June 30, 2009	December 31, 2008 (as restated, see Note 10)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 174,878	$ 238,013
Restricted cash	6,654	5,777
Accounts receivable, net	20,989	25,846
Other current assets	7,203	9,477
Total current assets	209,724	279,113
Premises and equipment, net	3,772	4,915
Goodwill	16,684	16,684
Non-current deferred tax asset	5,312	7,289
Other non-current assets	3,789	5,024
Total assets	$ 239,281	$ 313,025
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,587	$ 4,855
Accrued liabilities	14,768	15,116
Accrued compensation and related expenses	14,239	18,679
Deferred revenue	52,202	53,028
Total current liabilities	84,796	91,678
Total long-term debt, net		64,520
Taxes payable	5,503	6,948
Total liabilities	90,299	163,146
Commitments and contingencies		
Stockholders equity:		
Preferred Stock, $0.001 par value, 5,000 shares authorized, none issued and outstanding		
Series A junior participating preferred stock, $0.001 par value, 2,000 shares authorized, none issued and outstanding		

Series B 2.5% convertible preferred stock, $1,000 par value, 150 shares authorized 111 issued and outstanding at June 30, 2009 and 109 issued and outstanding at December 31, 2008	108,177	106,591
Common stock, $0.00025 par value, 2,000,000 shares authorized, 22,063 and 21,895 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	6	5
Additional paid-in capital	10,483,619	10,498,453
Accumulated other comprehensive income	2,196	1,509
Accumulated deficit	(10,445,016)	(10,456,679)
Net stockholders equity	148,982	149,879
Total liabilities and stockholders equity	$ 239,281	$ 313,025

See accompanying notes to consolidated financial statements.

Table of Contents

i2 TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 (as restated, see Note 10)	2009	2008 (as restated, see Note 10)
Revenues:				
Software solutions	$ 15,269	$ 12,569	$ 25,472	$ 24,241
Services	23,598	30,508	50,351	59,350
Maintenance	18,188	21,651	37,608	43,713
Total revenues	57,055	64,728	113,431	127,304
Costs and expenses:				
Cost of revenues:				
Software solutions	2,625	2,874	4,322	5,488
Services	14,990	23,624	32,576	46,095
Maintenance	2,137	2,655	4,623	5,498
Amortization of aquired technology				4
Sales and marketing	9,047	13,072	18,956	25,022
Research and development	6,689	7,541	13,764	15,174
General and administrative	8,294	10,919	17,263	20,428
Amortization of intangibles		25	25	50
Restructuring charges and adjustments	(11)		2,995	
Costs and expenses, subtotal	43,771	60,710	94,524	117,759
Intellectual property settlement, net	192	(81,315)	192	(79,860)
Total costs and expenses (benefit)	43,963	(20,605)	94,716	37,899
Operating income	13,092	85,333	18,715	89,405
Non-operating income (expense), net:				
Interest income	66	932	196	2,127
Interest expense		(1,864)	(899)	(3,725)
Foreign currency hedge and transaction losses, net	(290)	(464)	(831)	(605)
Loss on extinguishment of debt			(892)	
Other income (expense), net	64	(236)	(79)	481
Total non-operating expense, net	(160)	(1,632)	(2,505)	(1,722)
Income before income taxes	12,932	83,701	16,210	87,683
Income tax expense	2,344	2,714	2,961	3,842

Net income	10,588	80,987	13,249	83,841
Preferred stock dividend and accretion of discount	797	776	1,586	1,552
Net income applicable to common stockholders	$ 9,791	$ 80,211	$ 11,663	$ 82,289
Net income per common share applicable to common stockholders:				
Basic	$ 0.37	$ 3.07	$ 0.44	$ 3.16
Diluted	$ 0.36	$ 3.03	$ 0.43	$ 3.11
Weighted-average common shares outstanding:				
Basic	26,814	26,105	26,774	26,080
Diluted	27,166	26,475	26,886	26,459

See accompanying notes to consolidated financial statements.

Table of Contents

i2 TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008 (as restated, see Note 10)	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008 (as restated, see Note 10)
Comprehensive income:				
Net income applicable to common stockholders	$ 9,791	$ 80,211	$ 11,663	$ 82,289
Other comprehensive income:				
Foreign currency translation adjustments	3,727	(2,019)	687	(313)
Total other comprehensive income (loss)	3,727	(2,019)	687	(313)
Total comprehensive income	$ 13,518	$ 78,192	$ 12,350	$ 81,976

See accompanying notes to consolidated financial statements.

5

Table of Contents

i2 TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008 (as restated, see Note 10)
Cash flows from operating activities:		
Net income	$ 13,249	$ 83,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of debt issuance expense	84	344
Debt discount accretion	389	1,565
Loss on extinguishment of debt	892	
Depreciation and amortization	1,494	1,850
Stock based compensation	5,045	5,872
Loss on disposal of premises and equipment	234	144
(Benefit) provision for bad debts charged to costs and expenses	(24)	173
Deferred income taxes	1,465	1,398
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	4,795	(4,033)
Other assets	2,634	(86,212)
Accounts payable	(1,414)	1,769
Taxes payable	(865)	2,055
Accrued liabilities	(405)	1,178
Accrued compensation and related expenses	(4,535)	(119)
Deferred revenue	(702)	10,575
Net cash provided by operating activities	22,336	20,400
Cash flows (used in) provided by investing activities:		
Restrictions (placed) released on cash	(877)	1,788
Purchases of premises and equipment	(622)	(562)
Proceeds from sale of premises and equipment	68	17
Net cash (used in) provided by investing activities	(1,431)	1,243
Cash flows (used in) provided by financing activities:		
Repurchase of debt and equity conversion feature	(84,814)	
Net proceeds from common stock issuance from options and employee stock purchase plans	375	112
Net cash (used in) provided by financing activities	(84,439)	112
Effect of exchange rates on cash	399	328
Net change in cash and cash equivalents	(63,135)	22,083
Cash and cash equivalents at beginning of period	238,013	120,978

Cash and cash equivalents at end of period	$ 174,878	$ 143,061
Supplemental cash flow information		
Interest paid	$ 1,053	$ 2,156
Income taxes paid (net of refunds received)	$ 3,078	$ 882
Schedule of non-cash financing activities		
Preferred stock dividend and accretion of discount	$ 1,586	$ 1,552

See accompanying notes to consolidated financial statements.

Table of Contents

i2 TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Table dollars in thousands, except per share data)

(Unaudited)

1. Summary of Significant Accounting Policies

Nature of Operations. We operate our business in one segment, supply chain management solutions, that are designed to help enterprises optimize business processes both internally and among trading partners. We are a provider of supply chain management solutions, consisting of various software and service offerings. Our service offerings include business optimization and licensed technical consulting, managed services, training, solution maintenance, software upgrades and development. Supply chain management is the set of processes, technology and expertise involved in managing supply, demand and fulfillment throughout divisions within a company and with its customers, suppliers and partners. The business goals of our solutions include increasing supply chain efficiency and enhancing customer and supplier relationships by managing variability, reducing complexity, and improving operational visibility. Our offerings are designed to help customers better achieve the following critical business objectives:

Visibility a clear and unobstructed view up and down the supply chain

Planning supply chain optimization to match supply and demand while considering system-wide constraints

Collaboration interoperability with supply chain partners and elimination of functional silos

Control management of data and business processes across the extended supply chain

Basis of Presentation. Our unaudited condensed consolidated financial statements have been prepared by management and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2009. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted under the Securities and Exchange Commission s (SEC) rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto, together with management s discussion and analysis of financial condition and results of operations, presented in our Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 12, 2009 with the SEC (2008 Annual Report on Form 10-K).

Recent Accounting Pronouncements. In May 2008, the FASB issued FASB staff position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer s nonconvertible debt borrowing rate. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and shall be applied retrospectively to all periods presented. Early adoption of FSP APB 14-1 was not permitted.

Our 5% Senior Convertible Notes (Notes) were within the scope of FSP APB 14-1. In the accompanying condensed financial statements, we reported the debt component of the Notes at fair value as of the date of issuance and amortized the discount as an increase to interest expense over the expected life of the debt. The implementation of this standard resulted in a decrease to net income and earnings per share for all prior periods presented; however, there is no effect on our cash interest payments. The incremental non-cash expense associated with adoption for the three months ended June 30, 2008 was $0.5 million and was zero for the three months ended June 30, 2009 due to the repurchase of the Notes. The incremental non-cash expense associated with adoption for the six months ended June 30, 2009 and 2008 was $0.3 and $1.0 million, respectively, see *Note 10, Restatement of Financial Statements.*

In March 2008, FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 applies to all derivative instruments within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). It also applies to non-derivative hedging instruments and all hedged items designated and qualifying as hedges under SFAS 133. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of this statement in the first quarter of 2009 did not have a material impact on the Company s financial statements, see *Note 7, Commitments and Contingencies.*

Table of Contents

In January 2009, the FASB issued Staff Position (FSP) EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). Under FSP EITF 03-6-1, unvested share-based payment awards which receive non-forfeitable dividend rights, or dividend equivalents, are considered participating securities and are required to be included in computing EPS under the two-class method. The adoption of this provision in the six months ended 2009 had no effect on the Company s financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1), which requires public entities to disclose in their interim financial statements the fair value of all financial instruments within the scope of FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments (SFAS 107), as well as the method(s) and significant assumptions used to estimate the fair value of those financial instruments. The Company has adopted the provisions of FSP FAS 107-1 and APB 28-1. The adoption of FSP FAS 107-1 and APB 28-1 had no impact on the Company s financial position or results of operations.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. SFAS No. 165 requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. Accordingly, the Company adopted SFAS No. 165 as of June 30, 2009 and evaluated its financial statements for subsequent events through August 7, 2009, the filing date of our financial statements. The Company is not aware of any such events, which would require recognition or disclosure in the financial statements.

From time to time, new accounting pronouncements applicable to the Company are issued by the FASB or other standards setting bodies, which we will adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

2. Investment Securities

Short-term time deposits and other liquid investments in debt securities with original maturities of less than three months when acquired are reported as cash and cash equivalents on our condensed consolidated balance sheet. Based on their maturities, interest rate movements do not affect the balance sheet valuation of these investments.

Historically, we have invested our cash in a variety of interest-earning financial instruments, including bank time deposits, money market funds, taxable and tax-exempt variable-rate, fixed-rate obligations of corporations, federal, state and local government entities, and agencies. These investments are primarily denominated in U.S. Dollars.

Due to current economic volatility, we have elected to keep our cash balances in overnight funds comprised of a combination of Treasury and government agency money market mutual funds (MMMF). These MMMF have the stated goal of maintaining a net asset value of $1 per share and their interest rate resets daily to achieve this goal. These MMMF are considered Level 1 securities because they are actively traded and they are valued on our condensed consolidated balance sheets at quoted market prices. The balances held as MMMF reported as cash and cash equivalents were $167.1 million and $230.0 million as of June 30, 2009 and December 31, 2008, respectively. The balances held as time deposits reported as cash and cash equivalents were $1.6 million and $1.8 million as of June 30, 2009 and December 31, 2008, respectively.

3. Borrowings and Debt Issuance Costs

The following table summarizes the outstanding debt and related capitalized debt issuance costs recorded on our condensed consolidated balance sheet at June 30, 2009 and December 31, 2008.

	June 30, 2009	December 31, 2008 (as restated, see Note 10)
Senior convertible notes, 5% annual rate payable semi-annually, due November 15, 2015		86,250
Unamortized discount on 5% notes		(21,730)
Total debt	$	$ 64,520

Capitalized debt issuance costs, net	$	$ 1,322

Table of Contents

We recorded capitalized debt issuance costs, net of accumulated amortization, in other non-current assets and were amortizing these costs over a five-year period, beginning in November 2005.

We were required to adopt FASB staff position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1) on January 1, 2009. FSP APB 14-1 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer s nonconvertible debt borrowing rate. Based on our analysis of comparable nonconvertible debt issuances by similar-sized technology companies at or near the time of our debt issuance, we determined our borrowing rate would have been 9.5% for nonconvertible debt versus the stated 5% coupon rate of the Notes.

Upon adoption, we allocated the original debt proceeds between debt and the debt s conversion feature based on the fair value of the liability component at issuance. This results in the debt being recorded at a discount to its face value. This discount is amortized as additional interest expense using the effective interest method over the 10-year life of the debt, which is the estimated life of a similar debt instrument without a related equity conversion feature. The effect on our financial statements is to record additional non-cash interest expense in each historical period in which our Notes were outstanding. We also were required to reallocate our capitalized debt issuance costs between cost of debt and cost of equity based on the relative values of the debt and the conversion feature. The result of this change is to reduce the original balance of capitalized debt issuance costs, as well as to reduce the amortization of such costs in each historical period in which our Notes were outstanding. The accompanying condensed consolidated financial statements have been restated to reflect the net increase to non-cash expense and balance sheet reclassifications. See *Note 10, Restatement of Financial Statements*, for the effect of FSP APB 14-1 on the historical financial statements included herein.

As of June 30, 2009, all Notes have been repurchased, the majority of which occurred in the first quarter of 2009. The total cash paid for the debt repurchase of $84.8 million was allocated, based on the fair values of the liability component as required by FSP APB 14-1, $64.5 million to the repurchased debt and $20.3 million to the conversion feature included in equity.

In connection with the issuance of our 5% senior convertible notes, we issued 484,449 warrants to purchase our common stock. We assessed the characteristics of the warrants and determined that they should be included in additional paid in capital in the stockholders equity portion of our condensed consolidated balance sheet, valued using a Black-Scholes model. The effect of recording the warrants as equity was that the 5% senior convertible notes were recorded at an original discount to their face value. The discount recorded was originally $3.1 million, and this discount was being accreted through earnings over five years. We determined a five-year life to be appropriate due to the conversion features of the 5% senior convertible notes and our assessment of the probability that the debt would be converted prior to the scheduled maturity. All of the warrants remain outstanding as of June 30, 2009.

4. Restructuring Charges and Adjustments

Restructuring Plans. In prior periods, we implemented restructuring plans, which included the elimination of personnel as well as other targeted cost reductions. See *Note 11, Restructuring Charges and Adjustments*, in our Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K for a description of our previous restructuring plans. In the first quarter of 2009, we eliminated approximately 80 positions, resulting in severance costs of $3.0 million.

Table of Contents

The following table summarizes the changes to our restructuring accruals, as well as the components of the remaining restructuring accruals at June 30, 2009 and June 30, 2008.

	Employee Severance and Termination	
	2009	**2008**
January 1,	$ 6	$ 283
Restructuring charges	3,006	
Cash payments	(1,776)	(108)
Remaining accrual balance at March 31,	$ 1,236	$ 175
Adjustments to restructuring plans	(11)	
Cash payments	(1,101)	(46)
Remaining accrual balance at June 30,	$ 124	$ 129

5. Net Income Per Common Share

Net Income Per Common Share. Basic net income per common share was computed by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding for the reporting period following the two-class method. Our Series B Convertible Preferred Stock is a participating security because in the event dividends are declared on our common stock it participates in those dividends on a 1:1 ratio on an as converted basis. Under the two-class method, participating convertible securities are required to be included in the calculation of basic net income per common share when the effect is dilutive. Accordingly, for the periods presented, the effect of the convertible preferred stock is included in the calculation of basic net income per common share.

Diluted net income per common share includes the dilutive effect of stock options, share rights awards, and warrants granted using the treasury stock method, and the effect of contingently issuable shares earned during the period and shares issuable under the conversion feature of our convertible debt and convertible preferred stock using the if-converted method. A loss causes all common stock equivalents to be anti-dilutive due to an increase of the weighted average shares from the potential dilution that could occur if securities or other contracts were exercised or converted into common stock. EITF 04-8 requires the inclusion of the effect of contingently convertible instruments in the calculation of diluted income per share including when the market price of our common stock is below the conversion price of the convertible security and the effect is not anti-dilutive. Accordingly, the effect of our convertible debt is included in the calculation of diluted earnings per share. The effect of our convertible preferred stock is included in basic earnings per share under the two-class method per EITF 03-6, *Participating Securities and the Two-Class Method* under FASB No. 128 *Earnings per Share*; therefore, it is similarly included in diluted income per share when the effect is dilutive.

The following is a reconciliation of the number of shares used in the calculation of basic income per share under the two-class method and diluted earnings per share and the number of anti-dilutive shares excluded from such computations for the three and six months ended June 30, 2009 and June 30, 2008.

	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Common and common equivalent shares outstanding using two-class method - basic:				
Weighted average common shares outstanding	22,012	21,500	21,972	21,475
Unissued vested RSUs to be included in basic	80		80	
Participating convertible preferred stock	4,722	4,605	4,722	4,605
Total common and common equivalent shares outstanding using two-class method - basic	26,814	26,105	26,774	26,080
Effect of dilutive securities:				
Outstanding stock option and share right awards	352	370	112	379
Weighted average common and common equivalent shares outstanding - diluted	27,166	26,475	26,886	26,459
Anti-dilutive shares excluded from calculation:				
Outstanding stock option and share right awards	2,897	3,723	3,334	3,612
Total anti-dilutive shares excluded from calculation	2,897	3,723	3,334	3,612

6. Segment Information, International Operations and Customer Concentrations

We operate our business in one segment, supply chain management solutions, that are designed to help enterprises optimize business processes both internally and among trading partners. SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information,* establishes standards for the reporting of information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, who is our Chief Executive Officer (CEO), in deciding how to allocate resources and in assessing performance.

We market our software and services primarily through our worldwide sales organization augmented by other service providers, including both domestic and international systems consulting and integration firms and other industry-related partners. Our CEO evaluates resource allocation decisions and our performance based on financial information, presented on a consolidated basis, accompanied by disaggregated information by geographic regions. Sales to our customers generally include products from some or all of our product suites. We have not consistently allocated revenues from such sales to individual products for internal or general-purpose financial statements.

Revenues are attributable to regions based on the locations of the customers operations. Total revenues by geographic region, as reported to our CEO, were as follows:

	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
United States	$ 28,566	$ 36,058	$ 58,180	$ 74,425
International revenue:				
Non-US Americas	1,522	1,297	3,405	2,276
Europe, Middle East and Africa	11,488	15,294	22,339	27,867
Greater Asia Pacific	15,479	12,079	29,507	22,736
Total international revenue	28,489	28,670	55,251	52,879
Total Revenue	$ 57,055	$ 64,728	$ 113,431	$ 127,304
International revenue as a percent of total revenue	50%	44%	49%	42%

Table of Contents

No individual customer accounted for more than 10% of our total revenues during the periods presented.

Long-lived assets by geographic region excluding deferred taxes, as reported to our CEO, were as follows:

	June 30, 2009	December 31, 2008 (as restated, see Note 10)
United States	$ 19,251	$ 21,344
Europe, Middle East and Africa	125	137
Greater Asia Pacific	4,870	5,140
Total Long-lived Assets	$ 24,246	$ 26,621

7. Commitments and Contingencies

Derivative Action

On October 23, 2007, a purported shareholder derivative lawsuit was filed in the Delaware Chancery Court against certain of our current and former officers and directors, naming the company as a nominal defendant. The complaint, originally *entitled John McPadden, Sr. v. Sanjiv S. Sidhu, Stephen Bradley, Harvey B. Cash, Richard L. Clemmer, Michael E. McGrath, Lloyd G. Waterhouse, Jackson L. Wilson, Jr., Robert L. Crandall and Anthony Dubreville and i2 Technologies, Inc.,* alleges breach of fiduciary duty and unjust enrichment based upon allegations that the company sold its wholly-owned subsidiary, Trade Services Corporation, for an inadequate price in 2005. Since the filing of the complaint, Eugene Singer has been substituted for John McPadden as plaintiff. The defendants moved to dismiss the complaint on December 28, 2007. On August 29, 2008, the court granted the motion to dismiss as to all defendants but Mr. Dubreville (one of our former officers). The complaint, derivative in nature, does not seek relief from the company, but does seek damages and other relief from the sole remaining defendant, Mr. Dubreville. On June 23, 2009, a related derivative action was filed in the Superior Court for the State of California, County of San Diego, styled *Eugene Singer v. Sunrise Ventures, LLC; James A. Simpson; Trade Service Holdings LLC; Trade Service Holdings, Inc.; Steven Borgardt; and Does 1-50*; *and i2 Technologies, Inc* as a nominal defendant. This action purports to arise out of the same set of facts as the aforementioned *Singer v. Dubreville* action pending in Delaware, and asserts a claim for aiding and abetting breach of fiduciary duty. The complaint, derivative in nature, does not seek relief from the company, but does seek damages and other relief from the named defendants.

Shareholder Class Action Lawsuits

On August 11, 2008, two suits were filed in state district court in Texas against (among others) the Company and certain members of its Board of Directors. Each of the two suits sought injunctive relief prohibiting the closing of the sale of the Company s common stock to an affiliate of JDA Software Group, Inc. (JDA), and each of the named plaintiffs purported to represent a class of holders of the Company s common stock. One of the two suits was thereafter dismissed by the plaintiff; the other, styled *John D. Norsworthy, on Behalf of Himself and All Others Similarly Situated, v. i2 Technologies, Inc., et al.*, remained pending in the 134th District Court of Dallas County, Texas. On November 5, 2008, the District Court held a hearing on Plaintiff Norsworthy s motion for a temporary restraining order, and at the conclusion of the hearing denied the motion in its entirety. On May 29, 2009, Mr. Norsworthy non-suited this action as to all defendants.

Oracle Litigation

On April 29, 2009, the Company filed a lawsuit for patent infringement against Oracle Corporation (NASDAQ: ORCL). The lawsuit, filed in the United States District Court for the Eastern District of Texas, alleges infringement of 11 patents related to supply chain management, available to promise software and other enterprise software applications. We incurred expenses related to this matter of $0.2 million for the three and six months ended June 30, 2009.

Indemnification Agreements

We have indemnification agreements with certain of our officers, directors and employees that may require us, among other things, to indemnify such officers, directors and employees against certain liabilities that may arise by reason of their status or service as directors, officers or employees and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. We have also entered into agreements regarding the advancement of costs with certain other officers and employees.

We may continue to advance fees and expenses incurred by certain current and former directors, officers and employees in the future. The maximum potential amount of future payments we could be required to make under these indemnification and cost-advancement agreements is unlimited. Additionally, our corporate by-laws allow us to choose to indemnify any employee for certain events or occurrences while the employee is, or was, serving at our request in such capacity. We incurred $0.2 million of expenses during the three and six months ended June 30, 2009.

Under the terms of our software license agreements with our customers, we agree that in the event the licensed software infringes upon any patent, copyright, trademark, or any other proprietary right of a third-party, we will indemnify our customer licensees against any loss, expense, or liability from any damages that may be awarded against our customer. We include this infringement indemnification in substantially all of our software license agreements and selected managed service arrangements. In the event the customer cannot use the software or service due to infringement and we cannot obtain the right to use, replace or modify the software or service in a commercially feasible manner so that it no longer infringes, then we may terminate the license and provide the customer a pro-rata refund of the fees paid by the customer for the infringing software or service. We believe the estimated fair value of these intellectual property indemnification clauses is minimal.

India Tax Assessments

We currently are under income tax examinations in India primarily related to our intercompany pricing for services rendered by our Indian subsidiary to other i2 companies, the taxability of certain payments received from our Indian customers, and our statutory qualification for a tax holiday. The tax authorities have assessed an aggregate of approximately $8.1 million for the Indian statutory fiscal years ended March 31, 2002 through March 31, 2005.

We believe the Indian tax authorities positions regarding these matters to be without merit, that all intercompany transactions were conducted at arm s length pricing levels, all payments received from our Indian customers have been properly treated for tax purposes, and that our operations qualify for the tax holiday claimed. Accordingly, we appealed all of these assessments and sought assistance from the United States competent authority under the mutual agreement procedure of the income tax treaty between the United States and the Republic of India. This provides us with an opportunity to resolve these matters in a forum that includes governmental representatives of both countries.

Pending resolution of these matters, we have paid approximately $3.0 million of the assessed amount and have arranged for $4.2 million in bank guarantees in favor of the Indian government in respect of a portion of the balance as required. The bank guarantees are supported by letters of credit issued in the United States. Cash that is collateralizing these letters of credit is reflected on our condensed consolidated balance sheet as restricted cash.

We expect subsequent tax years to be examined, assessments made similar to those discussed above, and no assurances can be given that these issues ultimately will be resolved in our favor. We continue to monitor and assess these issues as they progress through the relevant processes and believe that the ultimate resolution of these matters will not exceed the tax contingency reserves we have established for them.

Table of Contents

Derivative Financial Instruments

On January 1, 2009, we adopted FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133*. The adoption of Statement 161 had no financial impact on our consolidated financial statements and only required additional financial statement disclosures. We have applied the requirements of Statement 161 on a prospective basis. Accordingly, disclosures related to interim periods prior to the date of adoption have not been presented.

The Company utilizes a foreign currency risk mitigation program that uses foreign currency forward exchange contracts (Contracts) to economically reduce exposure to various amounts denominated in nonfunctional currencies. These foreign currency exposures typically arise from intercompany transactions, cash balances and accounts receivable held in non-functional currencies. The objective of this program is to reduce the effect of changes in foreign currency exchange rates on our results of operations. Although the Company does not designate these Contracts as hedges for accounting purposes, the objective of the program is to offset foreign currency transaction gains and losses recorded for accounting purposes with gains and losses realized on the Contracts.

Our Contracts generally settle within 30 days, maturing at month end. We do not use these forward contracts for trading purposes. We do not designate these forward contracts as hedging instruments pursuant to Statement 133. Accordingly, we record the fair value of these contracts as of the end of our reporting period to our consolidated balance sheet with changes in fair value recorded in our consolidated statement of operations. The balance sheet classification for the fair values of these forward contracts is to other current assets for unrealized gains and to accrued liabilities for unrealized losses. The statement of operations classification for the fair values of these forward contracts is to other income (expense), net, for both realized and unrealized gains and losses.

The tables below summarize the Company s outstanding forward contracts held in USD functional currency.

	June 30, 2009		December 31, 2008	
	Notional	Estimated Fair Value*	Notional	Estimated Fair Value*
Commitments to purchase foreign currency	$ 35,118	$	$ 41,399	$
Commitments to sell foreign currency	76		1,133	
Total	$ 35,194	$	$ 42,532	$

Location	Amount of Gain (Loss) Recognized in Income