

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934  
For the quarterly period ended June 27, 1998

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 0-6217  
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INTEL CORPORATION  
(Exact name of Registrant as specified in its charter)

Delaware 94-1672743  
-----  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

2200 Mission College Boulevard, Santa Clara, California 95052-8119  
-----  
(Address of principal executive offices) (Zip Code)

(408) 765-8080  
-----  
(Registrant's telephone number, including area code)

N/A  
-----

(Former name, former address, and former fiscal year, if changed since last report.)

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  No

Shares outstanding of the Registrant's common stock:

Class	Outstanding at June 27, 1998
Common Stock, \$.001 par value	1,680 million

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Intel Corporation  
Consolidated Condensed Statements of Income (unaudited)  
(in millions, except per share amounts)  
<TABLE>

	Three Months Ended		Six Months Ended	
	Jun. 27, 1998	Jun. 28, 1997	Jun. 27, 1998	Jun 28, 1997
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 5,927	\$ 5,960	\$11,928	\$12,408
Costs and expenses:				
Cost of sales	3,027	2,343	5,776	4,650
Research and development	623	575	1,218	1,156
Marketing, general and administrative	671	704	1,382	1,397
Purchased in-process research and development	--	--	165	--
Operating costs and expenses	4,321	3,622	8,541	7,203
Operating income	1,606	2,338	3,387	5,205
Interest expense	(8)	(7)	(15)	(14)
Interest income and other, net	152	219	359	434

Income before taxes	1,750	2,550	3,731	5,625
Provision for taxes	578	905	1,286	1,997
Net income	\$ 1,172	\$ 1,645	\$ 2,445	\$ 3,628
Basic earnings per common share	\$ 0.69	\$ 1.01	\$ 1.47	\$ 2.22
Diluted earnings per common share	\$ 0.66	\$ 0.92	\$ 1.38	\$ 2.02
Cash dividends declared per common share	\$ 0.00	\$ 0.03	\$ 0.03	\$ 0.055
Weighted average common shares outstanding	1,691	1,635	1,666	1,636
Dilutive effect of:				
Employee stock options	78	106	83	106
1998 Step-Up Warrants	--	56	23	56
Weighted average common shares outstanding, assuming dilution	1,769	1,797	1,772	1,798

</TABLE>

See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

<TABLE>

Intel Corporation		
Consolidated Condensed Balance Sheets	Jun. 27,	Dec. 27,
(in millions)	1998	1997
	----	----
	(unaudited)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,887	\$ 4,102
Short-term investments	5,522	5,630
Trading assets	289	195
Accounts receivable, net	3,126	3,438
Inventories:		
Raw materials	250	255
Work in process	988	928
Finished goods	465	514
	-----	-----
	1,703	1,697
	-----	-----
Deferred tax assets	665	676
Other current assets	176	129
	-----	-----
Total current assets	13,368	15,867
	-----	-----
Property, plant and equipment	20,303	18,127
Less accumulated depreciation	(8,300)	(7,461)
	-----	-----
Property, plant and equipment, net	12,003	10,666
Long-term investments	2,040	1,839
Other assets	1,007	508
	-----	-----
TOTAL ASSETS	\$28,418	\$28,880
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Short-term debt	\$ 132	\$ 212
Long-term debt redeemable within one year	110	110
Accounts payable	1,092	1,407
Accrued compensation and benefits	883	1,268
Deferred income on shipments to distributors	391	516
Accrued advertising	362	500
Other accrued liabilities	1,108	842
Income taxes payable	176	1,165
	-----	-----
Total current liabilities	4,254	6,020
	-----	-----
Long-term debt	472	448
Deferred tax liabilities	1,248	1,076
Put warrants	711	2,041
Stockholders' equity:		
Preferred stock	--	--

Common stock and capital in excess of par value	4,853	3,311
Retained earnings	16,664	15,926
Accumulated other comprehensive income	216	58
	-----	-----
Total stockholders' equity	21,733	19,295
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$28,418	\$28,880
	=====	=====

</TABLE>

Certain 1997 amounts have been reclassified to conform to the 1998 presentation.  
See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

Intel Corporation  
Consolidated Condensed Statements of Cash Flows (unaudited)  
(in millions)  
<TABLE>

	Six Months Ended	
	Jun. 27, 1998	Jun. 28, 1997
	----	----
<S>	<C>	<C>
Cash flows provided by (used for) operating activities:		
Net income	\$ 2,445	\$ 3,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,304	1,050
Net loss on retirements of property, plant and equipment	89	23
Deferred taxes	105	81
Purchased in-process research and development	165	--
Changes in assets and liabilities:		
Accounts receivable	337	(227)
Inventories	46	(150)
Accounts payable	(332)	53
Accrued compensation and benefits	(385)	(191)
Income taxes payable	(993)	(444)
Tax benefit from employee stock plans	181	117
Other assets and liabilities	(489)	193
	-----	-----
Total adjustments	28	505
	-----	-----
Net cash provided by operating activities	2,473	4,133
	-----	-----
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(2,206)	(1,758)
Purchase of Chips and Technologies, Inc., net of cash acquired	(321)	--
Purchase of Digital Equipment Corporation semiconductor operations	(625)	--
Purchases of available-for-sale investments	(4,528)	(3,380)
Sales of available-for-sale investments	46	93
Maturities and other changes in available-for-sale investments	4,717	3,047
	-----	-----
Net cash (used for) investing activities	(2,917)	(1,998)
	-----	-----
Cash flows provided by (used for) financing activities:		
(Decrease) in short-term debt, net	(80)	(208)
Additions to long-term debt	34	68
Retirement of long-term debt	--	(300)
Proceeds from sales of shares through employee stock plans and other	259	178
Proceeds from exercise of 1998 Step-Up Warrants	1,620	26
Proceeds from sales of put warrants	27	141
Repurchase and retirement of Common Stock	(3,531)	(2,121)
Payment of dividends to stockholders	(100)	(82)
	-----	-----
Net cash (used for) financing activities	(1,771)	(2,298)
	-----	-----
Net (decrease) in cash and cash equivalents	\$ (2,215)	\$ (163)
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 18	\$ 21

Income taxes \$ 1,989 \$ 2,243  
 </TABLE>

Certain 1997 amounts have been reclassified to conform to the 1998 presentation.  
 See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements

- The accompanying interim consolidated condensed financial statements of Intel Corporation ("Intel," the "Company" or the "Registrant") have been prepared in conformity with generally accepted accounting principles, consistent in all material respects with those applied in the Annual Report on Form 10-K for the year ended December 27, 1997. The interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented. The interim financial statements should be read in connection with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
- As of the second quarter of 1998, the Company adopted a new dividend declaration schedule which will result in the Board of Directors considering two dividend declarations in the first and third quarters of the year and no declarations in the second and fourth quarters of the year. The new declaration schedule does not change the Company's historical quarterly dividend payment schedule. In keeping with this new schedule, no dividend was declared in the second quarter of 1998, and on July 22, 1998 the Board of Directors declared a dividend of \$.03 per share payable September 1, 1998 to stockholders of record on August 7, 1998.

3. Interest and other income includes (in millions):

<TABLE>

	Three Months Ended		Six Months Ended	
	Jun. 27, 1998	Jun. 28, 1997	Jun. 27, 1998	Jun. 28, 1997
<S>	<C>	<C>	<C>	<C>
Interest income	\$ 143	\$ 142	\$ 303	\$ 269
Foreign currency gains	3	12	3	25
Other income (expense), net	6	65	53	140
Total	\$ 152	\$ 219	\$ 359	\$ 434

</TABLE>

Other income for the six months ended June 27, 1998 consists primarily of gains on sales of equity investments.

- The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," as of the first quarter of 1998. SFAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components, however it has no impact on the Company's net income or total stockholders' equity.

The components of comprehensive income, net of tax, are as follows (in millions):

<TABLE>

	Three Months Ended		Six Months Ended	
	Jun. 27, 1998	Jun. 28, 1997	Jun. 27, 1998	Jun. 28, 1997
<S>	<C>	<C>	<C>	<C>
Net income	\$ 1,172	\$ 1,645	\$ 2,445	\$ 3,628
Change in unrealized gain (loss) on available-for-sale investments	61	33	158	(53)
Total	\$ 1,233	\$ 1,678	\$ 2,603	\$ 3,575

</TABLE>

Accumulated other comprehensive income presented on the accompanying consolidated condensed balance sheets consists of the accumulated net unrealized gain on available-for-sale investments.

Item 1. Financial Statements (continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements (continued)

5. Between December 27, 1997 and March 14, 1998, approximately 78 million of the Company's 1998 Step-Up Warrants to purchase shares of Common Stock were exercised at a price of \$20.875 per share. Approximately 78 million shares of Common Stock were issued, and the Company received proceeds of approximately \$1.6 billion. The expiration date of these warrants was March 14, 1998.
6. During the first half of 1998, the Company repurchased 44.3 million shares of Common Stock under the Company's authorized repurchase program at a cost of \$3.5 billion, including \$920 million to purchase 12 million shares upon the exercise of outstanding put warrants. During the first quarter of 1998, the Company's Board of Directors approved an increase in the repurchase program of up to 100 million additional shares, bringing the total authorization to 380 million shares. As of June 27, 1998, after allowing for the outstanding put warrants, approximately 113.8 million shares remained available under the repurchase program. (See Item 2. Management's Discussion and Analysis for subsequent activity.)
7. In a series of private placements during the 1991-1998 period, the Company sold put warrants that entitle the holder of each warrant to sell to the Company, by physical delivery, one share of Common Stock at a specified price. Activity during the first half of 1998 is summarized as follows:

		Put Warrants Outstanding			
(in millions)	Cumulative Proceeds Received	Number Of Warrants	Potential Obligation		
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
December 27, 1997	\$ 623	26.3	\$2,041		
Exercises	--	(1.7)	(127)		
Expirations	--	(9.8)	(729)		
	-----	-----	-----		
March 28, 1998	\$ 623	14.8	\$1,185		
Sales	27	5.0	387		
Exercises	--	(10.3)	(793)		
Expirations	--	(1.0)	(68)		
	-----	-----	-----		
June 27, 1998	\$ 650	8.5	\$ 711		
	=====	=====	=====		

</TABLE>

A total of 5 million put warrants were sold to commercial and investment banks during May 1998. They expire on various dates between October and November 1998 and have exercise prices ranging from \$70 to \$80 per share, with an average exercise price of \$77. The 8.5 million put warrants outstanding on June 27, 1998 expire on various dates between August and November 1998 and have exercise prices ranging from \$70 to \$95 per share, with an average exercise price of \$84. The amount related to the Company's potential buyback obligation has been reclassified from Stockholders' Equity and recorded as put warrants. There is no material dilutive effect on earnings per share for the periods presented. (See Item 2. Management's Discussion and Analysis for subsequent activity.)

Item 1. Financial Statements (continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements  
(continued)

8. In January 1998, the Company acquired the outstanding shares of Chips and Technologies, Inc., a supplier of graphics accelerator chips for mobile computing products. The purchase price was approximately \$430 million (\$321 million in net cash). During the first quarter of 1998, the Company recorded a nondeductible charge of \$165 million for purchased in-process research and development, representing the appraised value of products still in the development stage that were not considered to have reached technological feasibility and had no alternative future use.

In May 1998, the Company purchased the semiconductor operations of Digital Equipment Corporation, including manufacturing facilities in Massachusetts as well as development operations in Israel and Texas, for approximately \$625 million in cash, subject to certain adjustments. Assets acquired consisted primarily of property, plant and equipment. Following the completion of the purchase, all lawsuits between the companies were dismissed with prejudice.

9. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued by the Financial Accounting Standards Board in June 1998. The Standard will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments

through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The change in a derivative's fair value related to the ineffective portion of a hedge, if any, will be immediately recognized in earnings. The Company expects to adopt this Standard as of the beginning of its fiscal year 2000. The effect of adopting the Standard is currently being evaluated, but is not expected to have a material effect on the Company's financial position or results of operations.

10. In November 1997, Intergraph Corporation ("Intergraph") filed suit in U.S. District Court in Alabama generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights and alleging infringement on three Intergraph patents as well as violations of antitrust laws and various state law claims. In April 1998, the Court ordered Intel to continue to treat Intergraph as it does allegedly similarly-situated customers. In June 1998, Intel answered the Amended Complaint of Intergraph and filed counter claims against Intergraph for infringement of seven patents covering various aspects of computer system performance. Also in June, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In July, the Company received a letter stating that Intergraph believes that the patent damages will be "several billion dollars by the time of trial." In addition, Intergraph alleges that Intel's infringement is willful and that any damages awarded should be trebled. The letter also stated that Intergraph believes that antitrust, unfair competition and tort and contract damages will be "hundreds of millions of dollars by the time of trial." The Company disputes Intergraph's claims and intends to defend the lawsuit vigorously.

The Company is currently party to various legal proceedings, including that noted above. While management, including internal counsel, currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position or overall trends in results of operations, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income of the period in which it occurs.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations - Second Quarter of 1998 Compared to Second Quarter of 1997

Revenues for Q2 1998 were essentially flat compared to Q2 1997. Processor unit volumes increased compared to Q2 1997, offset by lower processor prices and decreasing revenues from sales of related board-level products, as well as lower revenues from sales of flash memory and embedded control products. Revenues from networking and graphics products increased. Unit volumes of processors based on the P6 micro-architecture\*\* increased and were partially offset by lower volumes of Pentium(R) family processors.

Cost of sales increased by 29% from Q2 1997 to Q2 1998 due to the shift in product mix to the Pentium(R) II processor, reflecting the cost of purchased components for the Single Edge Contact ("SEC") cartridge, higher unit volumes, and higher fixed costs. In addition, in Q2 1998 reductions in product costs on the highest volume processors caused inventories to be written-down to the new lower costs. Gross margin decreased to 49% in Q2 1998 from 61% in Q2 1997 primarily due to the lower processor prices, the impact of the SEC cartridge, the inventory write-downs and higher fixed costs.

For Q2 1998, sales of microprocessors based on the P6 micro-architecture represented a majority of the Company's revenues and a substantial majority of its gross margin. For Q2 1997, these products represented a significant and growing portion of both revenues and gross margin. Sales of Pentium family microprocessors represented a significant but declining portion of the Company's revenues and gross margin in Q2 1998, and they constituted a majority of revenues and a substantial majority of gross margin in Q2 1997. No other product group represented a significant portion of the Company's revenues or gross margin during Q2 1998 or Q2 1997.

Operating expenses were essentially flat between Q2 1997 and Q2 1998. Research and development spending on process and product development programs increased while Intel Inside(R) and profit dependent expenses decreased. Operating expenses were 21.8% of revenues in Q2 of 1998 and 21.5% in Q2 1997.

Interest and other income for Q2 1998 decreased by \$67 million over the prior year. Net gains associated with the Company's equity investments and foreign currency gains were lower than in Q2 1997.

The provision for taxes for Q2 1998 decreased by \$327 million over the prior year primarily due to a decrease in pretax income in Q2 1998. The effective tax rate decreased from 35.5% for Q2 1997 to 33% for Q2 1998.

## Results of Operations - First Half of 1998 Compared to First Half of 1997

Revenues for the first half of 1998 decreased by 4% compared to the first half of 1997, primarily due to lower processor prices and decreasing revenues from sales of related board-level products, as well as lower revenues from sales of flash memory and embedded control products. Revenues from networking and graphics products increased. Processor unit volumes increased in comparison to the first half of 1997, with higher volumes of processors based on the P6 micro-architecture partially offset by lower volumes of Pentium family processors.

Cost of sales rose by 24% from the first half of 1997 to the first half of 1998 due to the shift in product mix to the Pentium II processor, reflecting the cost of purchased components for the SEC cartridge, higher unit volumes, the inventory write-downs due to cost reductions, and higher fixed costs. Gross margin decreased to 52% in the first half of 1998 from 63% in the first half 1997 primarily due to the lower processor prices, the impact of the SEC cartridge, the inventory write-downs and higher fixed costs.

- -----  
\*\* The P6 micro-architecture products include the Pentium(R) II, Pentium(R) II Xeon(TM), Pentium(R) Pro and Intel(R) Celeron(TM) processors.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

#### Results of Operations - First Half of 1998 Compared to First Half of 1997 (continued)

For the first half of 1998, sales of microprocessors based on the P6 micro-architecture represented a significant and growing portion of the Company's revenues and a majority of its gross margin. For first half of 1997, these products represented a significant and growing portion of both revenues and gross margin. Sales of Pentium family microprocessors represented a significant but declining portion of the Company's revenues and gross margin in the first half of 1998, and they constituted a majority of revenues and a substantial majority of gross margin in the first half of 1997. No other product group represented a significant portion of the Company's revenues or gross margin during the first half of 1998 or 1997.

Operating expenses rose by a total of \$212 million from the first half of 1997 to the first half of 1998, and included a one-time charge of \$165 million for in-process research and development related to the acquisition of Chips and Technologies, Inc. which was completed in the first quarter of 1998. The remaining increase was primarily due to higher levels of spending on product development programs. Excluding the one-time charge, operating expenses were 21.8% of revenues in the first half of 1998 versus 20.6% in the first half of 1997.

Interest and other income for the first half of 1998 decreased by \$75 million over the prior year. Net gains associated with the Company's equity investments and foreign currency gains were lower than in the first half of 1997, partially offset by interest on a higher average investment balance.

The provision for taxes for the first half of 1998 decreased by \$711 million over the prior year primarily due to a decrease in pretax income. The effective tax rate decreased from 35.5% for the first half of 1997 to 33% for the first half of 1998, excluding the impact of the nondeductible charge related to the acquisition of Chips and Technologies, Inc.

#### Financial Condition

The Company's financial condition remains very strong. As of June 27, 1998, cash, trading assets and short- and long-term investments totaled \$9.7 billion, down from \$11.8 billion at December 27, 1997. The Company's other sources of liquidity include authorized commercial paper borrowings of up to \$700 million. The Company also maintains the authority to issue an aggregate of approximately \$1.4 billion in debt, equity and other securities under Securities and Exchange Commission shelf registration statements.

Major sources of cash during the first half of 1998 included cash generated from operations, which totaled \$2.5 billion, and approximately \$1.6 billion received upon the exercise of the 1998 Step-Up Warrants. Major uses of cash during the first half of 1998 included capital spending of \$2.2 billion for property, plant and equipment, primarily for microprocessor manufacturing capacity, \$3.5 billion to buy back 44.3 million shares of Common Stock and \$946 million in net cash paid for the purchases of Chips and Technologies, Inc. and the semiconductor manufacturing operations of Digital Equipment Corporation ("Digital").

The Company's five largest customers accounted for approximately 41% of net revenues for the six month period ended June 27, 1998. At June 27, 1998, these customers accounted for approximately 40% of net accounts receivable.

Key financing activities in the first half of 1998 included the repurchase of 44.3 million shares of Common Stock for \$3.5 billion as part of the Company's authorized stock repurchase program, including \$920 million for the purchase of 12 million shares upon the exercise of outstanding put warrants. The Company also sold 5 million put warrants, receiving proceeds of \$27 million, while 10.8 million previously outstanding put warrants expired unexercised. From June 27, 1998 through August 5, 1998, the Company repurchased 4 million shares of its

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition (continued)

Common Stock at a cost of \$336 million and sold 0.5 million put warrants. As of August 5, 1998, Intel had the potential obligation to repurchase 9 million shares of Common Stock at an aggregate cost of \$751 million under outstanding put warrants. The exercise price of these outstanding warrants ranged from \$70 to \$95 per share, with an average exercise price of \$83 per share. During the first quarter of 1998, the Company's Board of Directors approved an increase of up to 100 million additional shares in the Company's repurchase program. This increase brings the total authorization to 380 million shares. As of August 5, 1998, 109.3 million shares remained available for repurchase under the repurchase authorization, after allowing for the outstanding put warrants.

Management considers cash flow from operations and available sources of liquidity to be adequate to meet business requirements in the foreseeable future, including planned capital expenditure programs, working capital requirements, the put warrant obligation and the dividend program.

Outlook

The outlook section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. These statements do not reflect the potential impact of any future mergers or acquisitions.

The Company expects revenue for the third quarter of 1998 to be flat to slightly up from the second quarter revenue of \$5.9 billion. Consistent with the Company's earlier expectations, revenue in the second half of 1998 is expected to be greater than revenue in the first half. Revenue is partly a function of the mix of microprocessor types and speeds, purchased components and other products, all of which are difficult to forecast. Because of the large price difference between types of microprocessors, this mix affects the average price Intel will realize and has a large impact on Intel's revenues. Revenue is also subject to the rate of growth of the computing industry and the impact of economic conditions in various geographic regions.

Intel's strategy is to introduce ever-higher performance microprocessors tailored for the different segments of the worldwide computer market, using a tiered branding approach. To implement this strategy, the Company plans to cultivate new businesses and continue to work with the software industry to develop compelling applications that can take advantage of this higher performance, thus driving demand toward the newer products in each computer market segment. In line with this strategy, the Company is seeking to develop higher performance microprocessors for each market segment, including servers, workstations, high-end business PCs, the basic PC and other product lines. During the second quarter, the Company introduced higher performance versions of the Pentium II and Celeron(TM) brand processors and began shipping the Pentium(R) II Xeon(TM) brand processor in support of its launch on June 29, 1998. The Company may continue to reduce microprocessor prices at such times as it deems appropriate in order to bring its technology to market within each relevant market segment.

The Company expects the gross margin percentage in the third quarter of 1998 to be up a couple of points from 49 percent in the second quarter. Intel's gross margin expectation for the full year 1998 is unchanged at 52 percent, plus or minus a few points. The Company's goal continues to be to grow gross margin dollars, and the Company believes that over the long-term, the gross margin percentage will be 50 percent plus or minus a few points. Intel's gross margin percentage in any period varies depending on the level of revenues and on the mix of types and speeds of microprocessors sold, as well as the mix of microprocessors and purchased components. The Pentium II processor is packaged with purchased components in the SEC cartridge, and the inclusion of purchased components tends to increase unit costs. Accordingly, sales of the Pentium II processor increase absolute dollar margins but tend to lower the gross margin percentage. Various other factors (including unit volumes and costs, yield issues associated with production at factories, ramp of new technologies, excess or obsolete inventory, variations in inventory valuation and mix of shipments of other semiconductors) will also continue to affect the amount of



cost of sales and the variability of gross margin percentages.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Outlook (continued)

The Company has expanded manufacturing capacity over the last few years and continues to plan capacity based on the assumed continued success of its strategy and the acceptance of its products in specific market segments. The Company currently expects capital expenditures for 1998 to be approximately \$4.5 to \$4.7 billion, flat to slightly up from \$4.5 billion in 1997, but down from previous guidance for the year of approximately \$5.0 billion. The acceleration of 0.18 micron manufacturing process technology in 1999 allows the Company to reduce spending on current generation technology. The current estimate includes the acquisition of the capital assets of Digital's semiconductor manufacturing operations. This spending plan is dependent upon expectations regarding manufacturing efficiencies, delivery times of various machines and construction schedules for new facilities. Depreciation for 1998 is expected to be approximately \$2.9 billion and depreciation in the third quarter of 1998 is expected to be approximately \$760 million.

Spending on research and development and marketing, general and administrative expenses in the third quarter of 1998 is expected to be approximately 3 to 5 percent higher than the \$1.3 billion in the second quarter of 1998. Expense projections for the third quarter of 1998 incorporate expected higher spending for research and development, merchandising and Intel Inside(R), and are subject in part to changes in revenue and profit dependent expenses. Research and development spending for 1998 is expected to be approximately \$2.8 billion, including the approximately \$165 million for in-process research and development associated with the acquisition of Chips and Technologies, Inc. in the first quarter.

In an effort to control expenses, at the end of the first quarter of this year the Company announced plans to reduce headcount by approximately 3,000 people over a 6 month period. The timeframe to complete the reduction has been extended by one quarter to the end of the year.

The Company expects interest and other income for the third quarter of 1998 to be approximately \$145 million, assuming no significant changes in interest rates or expected cash balances, and no unanticipated items.

The tax rate for the remaining quarters of 1998 is expected to be 33%.

Intel has established a team to address the issues raised by the introduction of the Single European Currency (Euro) for initial implementation as of January 1, 1999 and during the transition period through to January 1, 2002. Intel expects that its internal systems that will be affected by the initial introduction of the Euro will be Euro capable by January 1, 1999, and does not expect the costs of system modifications to be material. The Company does not presently expect that introduction and use of the Euro will materially affect the Company's foreign exchange and hedging activities, or the Company's use of derivative instruments, or will result in any material increase in costs to the Company. While Intel will continue to evaluate the impact of the Euro introduction over time, based on currently available information, management does not believe that the introduction of the Euro currency will have a material adverse impact on the Company's financial condition or overall trends in results of operations.

Like many other companies, the year 2000 computer issue creates risks for Intel. If internal systems do not correctly recognize and process date information beyond the year 1999, there could be an adverse impact on the Company's operations. There are two other related issues which could also lead to incorrect calculations or failures: i) some systems' programming assigns special meaning to certain dates, such as 9/9/99, and ii) the year 2000 is a leap year. To address these year 2000 issues with its internal systems, the Company has initiated a comprehensive program which is designed to deal with the most critical systems first. Assessment and remediation are proceeding in tandem, and the Company currently plans to have changes to critical systems completed and tested by mid-1999. These activities are intended to encompass all major categories of systems in use by the Company, including manufacturing, sales, finance and human resources. Intel is also actively working with critical suppliers of products and services to determine that the suppliers' operations and the products and services they provide are year 2000 capable

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Outlook (continued)

or to monitor their progress toward year 2000 capability. In addition, the Company has commenced work on various types of contingency planning to address potential problem areas with internal systems and with suppliers and

other third parties. It is expected that assessment, remediation and contingency planning activities will be on-going throughout 1998 and 1999 with the goal of appropriately resolving all material internal systems and third party issues.

The Company also has a program to assess the capability of its products to handle the year 2000. To assist customers in evaluating their year 2000 issues, the Company has developed a list which indicates the capability of Intel's current products, and certain products no longer being produced, to handle the year 2000. Products are assigned to one of five categories as defined by the Company: "Year 2000 Capable", "Year 2000 Capable" with update, not "Year 2000 Capable", under evaluation, or will not test. The list is located at the Company's Year 2000 support website and is periodically updated as analysis on additional products is completed. All Intel processors are "Year 2000 Capable." However, the assessment of whether a complete system will operate correctly depends on the BIOS capability and software design and integration, and for many end-users this will include BIOS and software provided by companies other than Intel. As described more fully at the support website, Intel offers a "Year 2000 Capable" Limited Warranty on certain of its current products. Except as specifically provided for in the Limited Warranty, the Company does not believe it is legally responsible for costs incurred by customers related to ensuring their year 2000 capability. Nevertheless, the Company is incurring various costs to provide customer support and customer satisfaction services regarding Year 2000 issues, and it is anticipated that these expenditures will continue through 1999 and thereafter. As used by Intel, "Year 2000 Capable" means that when used properly and in conformity with the product information provided by Intel, the Intel product will accurately store, display, process, provide, and/or receive data from, into, and between the twentieth and twenty-first centuries, including leap year calculations, provided that all other technology used in combination with the Intel product properly exchanges data with the Intel product.

The costs incurred to date related to these programs are less than \$20 million. The Company currently expects that the total cost of these programs, including both incremental spending and redeployed resources, will not exceed \$250 million. The total cost estimate does not include potential costs related to any customer or other claims or the cost of internal software and hardware replaced in the normal course of business. In some instances, the installation schedule of new software and hardware in the normal course of business is being accelerated to also afford a solution to year 2000 capability issues. The total cost estimate is based on the current assessment of the projects and is subject to change as the projects progress.

Based on currently available information, management does not believe that the year 2000 matters discussed above related to internal systems or products sold to customers will have a material adverse impact on the Company's financial condition or overall trends in results of operations; however, it is uncertain to what extent the Company may be affected by such matters. In addition, there can be no assurance that the failure to ensure year 2000 capability by a supplier or another third party would not have a material adverse effect on the Company.

The Company is currently party to various legal proceedings. Although litigation is subject to inherent uncertainties, management, including internal counsel, does not believe that the ultimate outcome of these legal proceedings will have a material adverse effect on the Company's financial position or overall trends in results of operations. However, were an unfavorable ruling to occur in any specific period, there exists the possibility of a material adverse impact on the net income of that period. Management believes, given the Company's current liquidity and cash and investments balances, that even an adverse judgment would not have a material impact on cash and investments or liquidity.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

### Outlook (continued)

The Company's future results of operations and the other forward-looking statements contained in this outlook, in particular the statements regarding revenues, pricing, new product development, gross margin, capital spending, depreciation, research and development expenses, marketing and general and administrative expenses, headcount reductions, net interest and other, tax rate, conversion to the Euro, year 2000 issues and legal proceedings involve a number of risks and uncertainties. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: changes in customer order patterns, including changes in customer and channel inventory levels; competitive factors, such as rival chip architectures and manufacturing technologies, competing software-compatible microprocessors and acceptance of new products in specific market segments; pricing pressures; development and timing of introduction of compelling software applications; continued success in technological advances, including development and implementation of new processes and strategic products for specific market segments; execution of the manufacturing ramp;

costs associated with excess manufacturing capacity; the ability to grow new businesses and successfully integrate and operate any acquired businesses; unanticipated costs or other adverse effects associated with processors and other products containing errata (deviations from published specifications); impact on the Company's business due to internal systems or systems of suppliers and other third parties adversely affected by year 2000 problems; claims due to year 2000 issues allegedly related to the Company's products or year 2000 remediation efforts; and litigation involving antitrust, intellectual property, consumer and other issues.

Intel believes that it has the product offerings, facilities, personnel, and competitive and financial resources for continued business success, but future revenues, costs, margins and profits are all influenced by a number of factors, as discussed above, all of which are inherently difficult to forecast.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Registrant's Annual Report on Form 10-K for the year ended December 27, 1997 and to the subheading "Financial Market Risks" under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 23 of the Registrant's 1997 Annual Report to Stockholders.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

Digital Equipment Corporation v. Intel,  
U.S. District Court, District of Mass. (97-40080)  
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Effective as of May 19, 1998, all lawsuits between the companies have been dismissed with prejudice.

Intergraph Corporation v. Intel  
U.S. District Court, Northern District of Alabama, Northeastern Division  
(CV-97-N-3023-NE)  
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In June of this year, Intel answered the Amended Complaint of Intergraph and filed counter claims against Intergraph for infringement of seven patents covering various aspects of computer system performance. Also in June, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In July, the Company received a letter stating that Intergraph believes that the patent damages will be "several billion dollars by the time of trial." In addition, Intergraph alleges that Intel's infringement is willful and that any damages awarded should be trebled. The letter also stated that Intergraph believes that antitrust, unfair competition and tort and contract damages will be "hundreds of millions of dollars by the time of trial." The Company disputes Intergraph's claims and intends to defend the lawsuit vigorously. Although litigation is subject to inherent uncertainties and the ultimate outcome of this lawsuit cannot be determined at this time, management, including internal counsel, does not believe that the ultimate outcome will have a material adverse effect on Intel's financial position or overall trends in results of operations.

### Item 2. Changes in Securities

#### (c) Unregistered sales of equity securities.

Reference is made to the information on sales of put warrants appearing in Note 7 under the heading "Intel Corporation, Notes to Consolidated Condensed Financial Statements" in Part I, Item 1 hereof. All such transactions are exempt from registration under Section 4 (2) of the Securities Act of 1933. Each transaction was privately negotiated and each offeree and purchaser was an accredited investor/qualified institutional buyer. No public offering or public solicitation was used by the registrant in the placement of these securities.

### Item 4. Submission of Matters to a Vote of Security Holders

At Intel Corporation's Annual Meeting of Stockholders held on May 20, 1998, the following proposals were adopted or rejected by the margins indicated.

<TABLE>

Number of Shares

<S>

1. To elect a Board of Directors to hold office until the next Annual Meeting of Stockholders or until their respective successors have been elected or appointed.

Voted for	Withheld
-----	-----
<C>	<C>

C. Barrett	1,492,905,143	3,466,432
J. Browne	1,492,774,105	3,597,470
W. Chen	1,492,957,078	3,414,497
A. Grove	1,492,959,473	3,412,102
J. Guzy	1,492,834,624	3,536,951
G. Moore	1,492,921,584	3,449,991
A. Rock	1,492,797,748	3,573,827
J. Shaw	1,492,802,914	3,568,661
L. Vadasz	1,492,794,176	3,577,399
D. Yoffie	1,492,785,113	3,586,462
C. Young	1,492,836,998	3,534,577

<TABLE>

Number of Shares

	Voted For	Voted	Withheld	No Vote
	-----	-----	-----	-----
		Against		
		-----		
<S>	<C>	<C>	<C>	<C>

2. To ratify the appointment of the accounting firm of Ernst & Young LLP as independent auditors for the Company for the current year.

</TABLE>

<TABLE>

Number of Shares

	Voted For	Voted	Withheld	No Vote
	-----	Against	-----	-----
		-----		
<S>	<C>	<C>	<C>	<C>

3. To consider a stockholder proposal to endorse the CERES Principles.

</TABLE>

Item 5. Other Information

- (1) As announced in a press release dated May 29, 1998, the Company has notified customers of a change in the production schedule for the Merced(TM) processor. According to the newly communicated schedule, sample volumes of the 64-bit processor are now expected in 1999, with planned production volumes moving from 1999 to mid-2000. The Merced processor will be the first processor in Intel's IA-64 product family. Products based on the IA-64 architecture are expected to be initially targeted at the high-performance server and workstation market segments.
- (2) On July 22, 1998 the Board of Directors approved an amendment to the Company's Bylaws to revise the "advance notice" bylaw governing the requirement of prior notice for stockholder proposals being submitted for Annual and Special meetings. This revision reflects recent amendments to Rules 14a-4 and 14a-8 under the Securities Exchange Act of 1934. The amended and restated Bylaws are attached hereto as Exhibit 3.1.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Intel Corporation Bylaws as amended.

10.1 Intel Corporation 1984 Stock Option Plan as amended and restated, effective July 16, 1997.

10.2 Intel Corporation 1988 Executive Long Term Stock Option Plan as amended and restated, effective July 16, 1997.

12.1 Statement setting forth the computation of ratios of earnings to fixed

charges.

27 Financial Data Schedule.

(b) Reports on Form 8-K.

Intel filed a report on Form 8-K, dated April 14, 1998, relating to financial information for Intel Corporation for the quarter ended March 28, 1998 and forward-looking statements relating to 1998, the 2nd Quarter of 1998 and the 2nd Half of 1998, as presented in a press release of April 14, 1998.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTEL CORPORATION  
(Registrant)

Date: August 10, 1998

By: /s/ Andy D. Bryant

-----  
Andy D. Bryant  
Vice President, Chief Financial  
Officer and Principal Accounting  
Officer

INTEL CORPORATION

BYLAWS

ARTICLE I

Offices  
-----

Section 1. Registered Office.

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The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices.

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The corporation shall also have and maintain an office or principal place of business at 2200 Mission College Boulevard, Santa Clara, County of Santa Clara, State of California, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Stockholders' Meetings  
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Section 1. Place of Meetings.

-----  
Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 of Article I hereof.

Section 2. Annual Meetings.

-----  
The annual meetings of the stockholders of the corporation, commencing with the year 1990, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors, but in no event more than fifteen months after the date of the preceding annual meeting.

Section 3. Special Meetings.

-----  
Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by the Chairman of the Board or the President or the Board of Directors at any time.

Section 4. Notice of Meetings.

-----  
(a) Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders, specifying the place, date and hour and purpose or purposes of the meeting, shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote thereat, directed to his address as it appears upon the books of the corporation.

(b) If at any meeting action is proposed to be taken which, if taken, would entitle stockholders fulfilling the requirements of section 262(d) of the Delaware General Corporation Law to an appraisal of the fair value of their shares, the notice of such meeting shall contain a statement of that purpose and to that effect and shall be accompanied by a copy of that statutory section.

(c) When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken unless the adjournment is for more than thirty days, or unless after the adjournment a new record date is fixed for the adjourned meeting, in which event a notice of the adjourned meeting shall be given to each stockholder of record

entitled to vote at the meeting.

(d) Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, either before or after such meeting, and to the extent permitted by law, will be waived by any stockholder by his attendance thereat, in person or by proxy. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

(e) Unless and until voted, every proxy shall be revocable at the pleasure of the person who executed it or of his legal representatives or assigns, except in those cases where an irrevocable proxy permitted by statute has been given.

Section 5. Quorum and Voting.  
-----

(a) At all meetings of stockholders, except where otherwise provided by law, the Certificate of Incorporation, or these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. Shares, the voting of which at said meeting have been enjoined, or which for any reason cannot be lawfully voted at such meeting, shall not be counted to determine a quorum at said meeting. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. At such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the original meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

(b) Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the voting power represented at any meeting at which a quorum is present shall be valid and binding upon the corporation.

Section 6. Voting Rights.  
-----

(a) Except as otherwise provided by law, only persons in whose names shares entitled to vote stand on the stock records of the corporation on the record date for determining the stockholders entitled to vote at said meeting shall be entitled to vote at such meeting. Shares standing in the names of two or more persons shall be voted or represented in accordance with the determination of the majority of such persons, or, if only one of such persons is present in person or represented by proxy, such person shall have the right to vote such shares and such shares shall be deemed to be represented for the purpose of determining a quorum.

(b) Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent, which proxy shall be filed with the Secretary of the corporation at or before the meeting at which it is to be used. Said proxy so appointed need not be a stockholder. No proxy shall be voted on after three years from its date unless the proxy provides for a longer period.

Section 7. List of Stockholders.  
-----

----- The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held and which place shall be specified in the notice of the meeting, or, if not specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 8. Action Without Meeting.  
-----

----- Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. To be effective, a written consent must be delivered to the corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section to the corporation, written consents signed by a sufficient number of holders to take action are delivered to the

corporation in accordance with this Section. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 9. Nominations and Stockholder Business.

(a) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors, or (c) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 9, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 9.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to this Section 9, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and such business must be a proper subject for stockholder action under the Delaware General Corporation Law. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the Corporation not less than 45 days nor more than 120 days prior to the date on which the Corporation first mailed its proxy materials for the prior year's annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed (other than as a result of adjournment) by more than 30 days from the anniversary of the previous year's annual meeting, notice by the stockholder to be timely must be delivered not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owners if any on whose behalf the nomination or proposal is made the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(c) Notwithstanding anything in this Section 9 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement

specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 9 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(d) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this section, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this section. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of Stockholders if the stockholder's notice required by this section shall be delivered to the secretary at the principal executive offices of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(e) Only those persons who are nominated in accordance with the procedures set forth in this section shall be eligible for election as directors at any meeting of stockholders. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the



meeting in accordance with the procedures set forth in this section. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this section and, if any proposed nomination or business is not in compliance with this section, to declare that such defective proposal shall be disregarded.

(f) For purposes of this section, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 9 13, 14 or 15(d) of the Exchange Act.

(h) Notwithstanding the foregoing provisions of this Section 9, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 9. Nothing in this Section 9 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

### ARTICLE III

#### Directors

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##### Section 1. Number and Term of Office.

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----- The number of directors which shall constitute the whole of the Board of Directors shall be twelve (12). With the exception of the first Board of Directors, which shall be elected by the incorporator, and except as provided in Section 3 of this Article III, the directors shall be elected by a plurality vote of the shares represented in person or by proxy, at the stockholders annual meeting in each year and entitled to vote on the election of directors. Elected directors shall hold office until the next annual meeting and until their successors shall be duly elected and qualified. Directors need not be stockholders. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

##### Section 2. Powers.

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----- The powers of the corporation shall be exercised, its business conducted and its property controlled by or under the direction of the Board of Directors.

##### Section 3. Vacancies.

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----- Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and each director so elected shall hold office for the unexpired portion of the term of the director whose place shall be vacant, and until his successor shall have been duly elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section in the case of the death, removal or resignation of any director, or if the stockholders fail at any meeting of stockholders at which directors are to be elected (including any meeting referred to in Section 4 below) to elect the number of directors then constituting the whole Board.

##### Section 4. Resignations and Removals.

-----

(a) Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office for the unexpired portion of the term of the director whose place shall be vacated and until his successor shall have been duly elected and qualified.

(b) Except as provided in Section 141 of the Delaware General Corporation Law, at a special meeting of stockholders called for the purpose in the manner hereinabove provided, the Board of Directors, or any individual director, may be removed from office, with or without cause, and a new director or directors elected by a vote of stockholders holding a majority of the outstanding shares entitled to vote at an election of directors.

##### Section 5. Meetings.

-----

(a) The annual meeting of the Board of Directors shall be held

immediately after the annual stockholders' meeting and at the place where such meeting is held or at the place announced by the Chairman at such meeting. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the corporation required to be maintained pursuant to Section 2 of Article I hereof. Regular meetings of the Board of Directors may also be held at any place within or without the State of Delaware which has been designated by resolutions of the Board of Directors or the written consent of all directors. Notice of regular meetings of the directors is hereby dispensed with and no notice whatever of any such meetings need be given.

(c) Special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or by any two of the directors.

(d) Written notice of the time and place of all special meetings of the Board of Directors shall be delivered personally to each director or sent by telegram at least 24 hours before the start of the meeting, or sent by first class mail at least 72 hours before the start of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat.

Section 6. Quorum and Voting.  
-----

(a) A quorum of the Board of Directors shall consist of a majority

of the exact number of directors fixed from time to time in accordance with Section 1 of Article III of these Bylaws, but not less than one; provided, however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board at which a quorum is present, all questions and business shall be determined by a vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation, or these Bylaws.

(c) Notwithstanding any of the foregoing, any action stated in any Rights Agreement between this Corporation and the rights agent appointed thereunder from time to time, as such Rights Agreement may be entered into or adopted by this Corporation and amended from time to time (the "Rights Agreement") to be taken by the Board of Directors after a Person has become an Acquiring Person shall require the presence in office of Continuing Directors and the concurrence of a majority of the Continuing Directors. Capitalized terms in this paragraph shall have the meanings indicated in the Rights Agreement.

(d) Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) The transactions of any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Action Without Meeting.  
-----

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or of such committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 8. Fees and Compensation.  
-----

Directors shall not receive any stated salary for their services as directors but by resolution of the Board, a fixed fee, with or without expense of attendance, may be allowed for attendance at each meeting and at each meeting of any committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

Section 9. Committees.

(a) Executive Committee:

----- The Board of Directors may, by resolution passed by a majority of the whole Board, appoint an Executive Committee of not less than one member, each of whom shall be a director. The Executive Committee, to the extent permitted by law, shall have and may exercise when the Board of Directors is not in session all powers of the Board in the management of the business and affairs of the corporation, including, without limitation, the power and authority to declare a dividend or to authorize the issuance of stock, except such committee shall not have the power or authority to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, to recommend to the stockholders of the Corporation a dissolution of the Corporation or a revocation of a dissolution, or to amend these Bylaws.

(b) Other Committees:

----- The Board of Directors may, by resolution passed by a majority of the whole Board, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committee, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term:

---- The members of all committees of the Board of Directors shall serve a term coexistent with that of the Board of Directors which shall have appointed such committee. The Board, subject to the provisions of subsections (a) or (b) of this Section 9, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee; provided, that no committee shall consist of less than one member. The membership of a committee member shall terminate on the date of his death or voluntary resignation, but the Board may at any time for any reason remove any individual committee member and the Board may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings:

----- Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 9 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter; special meetings of any such committee may be held at the principal office of the corporation required to be maintained pursuant to Section 2 of Article I hereof; or at any place which has been designated from time to time by resolution of such committee or by written consent of all members thereof, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time after the meeting and will be waived by any director by attendance thereat. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 10. Emeritus Director.

----- The Board of Directors may, from time to time, elect one or more Emeritus Directors, each of whom shall serve, at the pleasure of the Board, until the first meeting of the Board next following the Annual Meeting of Stockholders and for a maximum period of 3 years, subject to an annual review, or until earlier resignation or removal by the Board (except that founders of the company may remain as Emeritus Directors, subject to the annual review, or until earlier resignation or removal by the Board). Emeritus Directors shall serve as advisors and consultants to the Board of Directors and may be appointed by the Board to serve as advisors and consultants to committees of the Board. Emeritus Directors may be invited to attend meetings of the Board or any committee of the Board for which they have been appointed to serve as advisors and consultants and, if present, may participate in the discussions occurring during such meetings. Emeritus Directors shall not be permitted to vote on

matters brought before the Board or any committee thereof and shall not be counted for the purpose of determining whether a quorum of the Board or the committee is present. Emeritus Directors shall receive no fee for their services as Emeritus Directors. Emeritus Directors will not be entitled to receive reimbursement for expenses of meeting attendance, except as approved by the Chairman of the Board. Emeritus Directors may be removed at any time by the Board of Directors.

#### ARTICLE IV

##### Officers

###### Section 1. Officers Designated.

The officers of the corporation shall be a Chairman of the Board of Directors who shall be a member of the Board of Directors, a President, one or more Vice Presidents, a Secretary, and a Treasurer. The order of the seniority of the Vice Presidents shall be in the order of their nomination, unless otherwise determined by the Board of Directors. The Board of Directors or the Chairman of the Board or the President may also appoint one or more assistant secretaries, assistant treasurers, and such other officers and agents with such powers and duties as it or he shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as they shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

###### Section 2. Tenure and Duties of Officers.

###### (a) General:

All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors. Nothing in these Bylaws shall be construed as creating any kind of contractual right to employment with the corporation.

###### (b) Duties of the Chairman of the Board of Directors:

The Chairman of the Board of Directors (if there be such an officer appointed) shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

###### (c) Duties of President:

The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. The President shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

###### (d) Duties of Vice Presidents:

The Vice Presidents, in the order of their seniority, may assume and perform the duties of the President in the absence or disability of the President or whenever the office of the President is vacant. The Vice President shall perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

###### (e) Duties of Secretary:

The Secretary shall attend all meetings of the stockholders and of the Board of Directors and any committee thereof, and shall record all acts and proceedings thereof in the minute book of the corporation and shall keep the seal of the corporation in safe custody. The Secretary shall give notice, in conformity with these Bylaws, of all meetings of the stockholders, and of all meetings of the Board of Directors and any Committee thereof requiring notice. The Secretary shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

###### (f) Duties of Chief Financial Officer and Treasurer:

The Chief Financial Officer and Treasurer shall control, audit and arrange the financial affairs of the corporation. He or she shall receive and deposit all monies

belonging to the corporation and shall pay out the same only in such manner as the Board of Directors may from time to time determine, and he or she shall perform such other further duties as the Board of Directors may require. It shall be the duty of the assistant treasurers to assist the Treasurer in the

performance of the Treasurer's duties and generally to perform such other duties as may be delegated to them by the Board of Directors.

## ARTICLE V

### Execution of Corporate Instruments, and Voting of Securities Owned by the Corporation -----

#### Section 1. Execution of Corporate Instruments. -----

(a) The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except where otherwise provided by law, and such execution or signature shall be binding upon the corporation.

(b) Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the corporation, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the corporation, shall be executed, signed or endorsed by the Chairman of the Board (if there be such an officer appointed), the President, any Vice President or the Secretary. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

(c) All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation, or in special accounts of the corporation, shall be signed by such person or persons as the Board of Directors shall authorize so to do.

#### Section 2. Voting of Securities Owned by Corporation. -----

----- All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors or, in the absence of such authorization, by the Chairman of the Board (if there be such an officer appointed), or by the President, or by any Vice President.

## ARTICLE VI

### Shares of Stock -----

#### Section 1. Form and Execution of Certificates. -----

----- Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by, the Chairman of the Board (if there be such an officer appointed), or by the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided

that, except as otherwise provided in section 202 of the Delaware General Corporation Law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

#### Section 2. Lost Certificates. -----

----- The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing

such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to indemnify the corporation in such manner as it shall require and/or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

Section 3. Transfers.

----- Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a certificate or certificates for a like number of shares, properly endorsed.

Section 4. Fixing Record Dates.

-----  
(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the date on which the meeting is held. A determination of stockholders of record entitled notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent (if such written consent is permitted under these Bylaws and the Certificate of Incorporation) corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by the Delaware General Corporation Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders

entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5. Registered Stockholders.

----- The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

Other Securities of the Corporation

-----  
All bonds, debentures and other corporate securities of the corporation, other than stock certificates, may be signed by the Chairman of the Board (if there be such an officer appointed), or the President or any

Vice President or such other person as may be authorized by the Board of Directors and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signature of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or Assistant Treasurer of the corporation, or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

#### ARTICLE VIII

##### Corporate Seal

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The corporation shall have a common seal, upon which shall be inscribed:

"Intel Corporation  
Incorporated March 1, 1989  
Delaware"

In the event the corporation changes its name, the corporate seal shall be changed to reflect such new name.

#### ARTICLE IX

##### Indemnification of Officers, Directors, Employees and Agents

###### ----- Section 1. Right to Indemnification.

----- Each person who was or is a party or is threatened to be made a party to or is involved (as a party, witness, or otherwise), in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "Proceeding"), by reason of the fact that he, or a person of whom he is the legal representative, is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of the Proceeding is alleged action in an official capacity as a director, officer, employee, or agent or in any other capacity while serving as a director, officer, employee, or agent (hereafter an "Agent"), shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended or interpreted (but, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the corporation to provide broader indemnification rights than were permitted prior thereto) against all expenses, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any Agent as a result of the actual or deemed receipt of any payments under this Article) reasonably incurred or suffered by such person in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding (hereinafter "Expenses"); provided, however, that except as to actions to enforce indemnification rights pursuant to Section 3 of this Article, the corporation shall indemnify any Agent seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right.

###### Section 2. Authority to Advance Expenses.

----- Expenses incurred by an officer or director (acting in his capacity as such) in defending a Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding, provided, however, that if required by the Delaware General Corporation Law, as amended, such Expenses shall be advanced only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article

or otherwise. Expenses incurred by other Agents of the corporation (or by the directors or officers not acting in their capacity as such, including service with respect to employee benefit plans) may be advanced upon such terms and conditions as the Board of Directors deems appropriate. Any obligation to reimburse the corporation for Expense advances shall be unsecured and no interest shall be charged thereon.

Section 3. Right of Claimant to Bring Suit.

----- If a claim under Section 1 or 2 of this Article is not paid in full by the corporation within thirty (30) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a

determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 4. Provisions Nonexclusive.

----- The rights conferred on any person by this Article shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that any provision of the Certificate, agreement, or vote of the stockholders or disinterested directors is inconsistent with these Bylaws, the provision, agreement, or vote shall take precedence.

Section 5. Authority to Insure.

----- The corporation may purchase and maintain insurance to protect itself and any Agent against any Expense, whether or not the corporation would have the power to indemnify the Agent against such Expense under applicable law or the provisions of this Article.

Section 6. Survival of Rights.

----- The rights provided by this Article shall continue as to a person who has ceased to be an Agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Section 7. Settlement of Claims.

----- The corporation shall not be liable to indemnify any Agent under this Article (a) for any amounts paid in settlement of any action or claim effected without the corporation's written consent, which consent shall not be unreasonably withheld; or (b) for any judicial award if the corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

Section 8. Effect of Amendment.

----- Any amendment, repeal, or modification of this Article shall not adversely affect any right or protection of any Agent existing at the time of such amendment, repeal, or modification.

Section 9. Subrogation.

----- In the event of payment under this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Agent, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

Section 10. No Duplication of Payments.

----- The corporation shall not be liable under this Article to make any payment in connection with any claim made against the Agent to the extent the Agent has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.



ARTICLE X

Notices

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Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, the same shall be given in writing, timely and duly deposited in the United States Mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent. Any notice required to be given to any director may be given by the method hereinabove stated, or by telegram, except that such notice other than one which is delivered personally, shall be sent to such address as such director shall have filed in writing with the Secretary of the

corporation, or, in the absence of such filing, to the last known post office address of such director. If no address of a stockholder or director be known, such notice may be sent to the office of the corporation required to be maintained pursuant to Section 2 of Article I hereof. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall be conclusive evidence of the statements therein contained. All notices given by mail, as above provided, shall be deemed to have been given as at the time of mailing and all notices given by telegram shall be deemed to have been given as at the sending time recorded by the telegraph company transmitting the same. It shall not be necessary that the same method of giving be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such a stockholder or such director to receive such notice. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation, or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

ARTICLE XI

Amendments

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Unless otherwise provided in the Certificate of Incorporation, these Bylaws may be repealed, altered or amended or new Bylaws adopted by written consent of stockholders in the manner authorized by Section 8 of Article II, or at any meeting of the stockholders, either annual or special, by the affirmative vote of a majority of the stock entitled to vote at such meeting. The Board of Directors shall also have the authority to repeal, alter or amend these Bylaws or adopt new Bylaws (including, without limitation, the amendment of any Bylaws setting forth the number of directors who shall constitute the whole Board of Directors) by unanimous written consent or at any annual, regular, or special meeting by the affirmative vote of a majority of the whole number of directors, subject to the power of the stockholders to change or repeal such Bylaws and provided that the Board of Directors shall not make or alter any Bylaws fixing the qualifications, classifications, term of office or compensation of directors.

INTEL CORPORATION  
1984 STOCK OPTION PLAN  
(Amended and Restated Effective July 16, 1997)

1. PURPOSE

The purpose of this amended and restated Intel Corporation 1984 Stock Option Plan (the "Plan") is to advance the interests of Intel Corporation, a Delaware corporation and its subsidiaries (hereinafter collectively "Intel" or the "Corporation"), by stimulating the efforts of key employees on behalf of Intel, heightening the desire of key employees to continue in employment with Intel, assisting Intel in competing effectively with other enterprises for the services of new employees necessary for the continued improvement of operations, and to attract and retain the best available personnel for service as directors of the Corporation. This Plan, among other matters, permits the grant of incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options which are not incentive stock options pursuant to Code Section 422, and includes the individual grant limitations required by Section 162(m) of the Code for the option income of certain individuals to be tax deductible by the Corporation.

2. DEFINITIONS

- (a) "Board of Directors" means the Board of Directors of the Corporation.
- (b) "Committee" shall mean the Compensation Committee appointed by the Board of Directors from among its members to administer this Plan pursuant to Section 9.
- (c) "Disablement" means a physical condition arising from an illness or injury which renders an individual incapable of performing work. The determination of the Corporation as to an individual's Disablement shall be made in accordance with the standards and procedures of the Corporation's then-current Long-Term Disability Plan and shall be conclusive on all of the parties.
- (d) "Plan" means the Intel Corporation 1984 Stock Option Plan, as amended and restated herein.
- (e) "Retirement" shall have the meaning specified by the Committee in the terms of an option grant or, in the absence of any such term, shall mean retirement from active employment with Intel at or after age 60. The determination of the Committee as to an individual's Retirement shall be conclusive on all parties.
- (f) "Subsidiary" means any corporation in an unbroken chain of corporations beginning with Intel Corporation where each of the corporations in the unbroken chain other than the last corporation owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (g) "Immediate Family" means the spouse, children and grandchildren of the Participant (as defined in Section 3 hereof).

3. PARTICIPANTS

"Participants" in the Plan shall be those key Intel employees to whom options may be granted from time to time by the Committee. Participants shall also include non-employee directors of the Corporation to whom options are granted in accordance with Section 6. No option shall be granted to any person if immediately after the grant of such option such person would own stock, including stock subject to outstanding options held

by him or her, amounting to more than five percent (5%) of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary.

4. EFFECTIVE DATE AND TERMINATION OF PLAN

This Plan was last approved by the stockholders on May 4, 1994, and became effective on May 4, 1994. The Plan was amended and restated by the Board of Directors in certain non-material respects on March 26, 1997. The Plan was amended and restated by the Board of Directors on July 16, 1997, to provide for limited transferability of options.

The Plan shall remain available for the grant of options until all

shares of stock available for option grants under this Plan shall have been acquired through exercise of such options or on May 3, 2004, whichever is earlier or at such earlier time as the Board of Directors may determine. Termination of the Plan will not affect the rights and obligations arising under options theretofore granted and then in effect.

5. SHARES SUBJECT TO THE PLAN AND TO OPTIONS

The stock subject to options authorized to be granted under the Plan shall consist of 340,000,000 shares (as adjusted automatically by the Plan's terms effective July 13, 1997, to reflect a stock split effected in the form of a stock distribution) of the Corporation's common stock, \$.001 par value ("Common Stock"), or the number and kind of shares of stock or other securities which shall be substituted or adjusted for such shares as provided in Section 7. Such shares may be authorized and unissued shares of the Corporation's common stock. All or any shares of stock subject to an option which for any reason terminates unexercised may again be made subject to an option under the Plan.

6. GRANT, TERMS AND CONDITIONS OF OPTIONS

Options may be granted at any time and from time to time prior to the termination of the Plan to those key employees of Intel who, in the Committee's judgment, are largely responsible through their judgment, interest, ability and special efforts for the successful conduct of Intel's operations. However, no Participant shall be granted options in any year to purchase a number of shares of the Corporation's Common Stock in excess of one percent (1%) of the number of shares of the Corporation's common stock outstanding on January 1, 1994.

Options may be granted to non-employee directors as follows. The number of shares subject to each option grant to non-employee directors, or the formula pursuant to which such number shall be determined, the date of grant and the vesting, expiration and other terms applicable to such options shall be specified from time to time by the Board of Directors. Subject to adjustment pursuant to Section 7, the maximum number of shares of Common Stock subject to options granted under this Plan to any person on account of his or her service as a non-employee director from the date of his or her election or appointment as a director until the date of the next regular annual stockholders' meeting shall not exceed 5,000. All options granted to non-employee directors will be non-qualified stock options.

No Participant or optionholder shall have any rights as a stockholder with respect to any shares of stock subject to option hereunder until said shares have been issued. Option grants may be evidenced by a written stock option agreement and/or such other written arrangements as may be approved from time to time by the Committee. Each option grant will expressly identify the option as an incentive stock option or as a non-qualified stock option. Furthermore, the grant of an incentive option pursuant to this Plan shall in no way be construed as an alternative to the right of an optionee to purchase stock pursuant to any present or future grant of a non-qualified option under any of Intel's current or future stock option plans. Options granted pursuant to the Plan need not be identical but each option is subject to the terms of the Plan and must contain and be subject to the following terms

and conditions:

(a) Price:

----- The purchase price under each option granted to employees shall be established by the Committee. In no event will the option price be less than 100% of the fair market value of the stock on the date of grant, except as otherwise provided in accordance with subsection (g) below. The option price must be paid in full at the time of the exercise. The price may be paid in cash, cash equivalents or secured notes acceptable to the Committee, by arrangement with a broker which is acceptable to the Committee where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the option shares to the Corporation, by the surrender of shares of common stock owned by the optionee exercising the option and having a fair market value on the date of exercise equal to the option price or in any combination of the foregoing.

(b) Duration and Exercise or Termination of Option:

----- Each option granted to an employee shall be exercisable in such manner and at such times as the Committee shall determine. Each option granted must expire within a period of not more than ten (10) years from the grant date. An employee's stock option may provide for accelerated exercisability in the event of the employee's death,

Disablement or Retirement or other events in accordance with policies established by the Committee and may provide for expiration prior to the end of its terms in the event of the termination of the employee's service.

Unless the Board of Directors specifies otherwise, each option granted to a non-employee director will become fully exercisable beginning one year from the date on which the option was granted. If the Board of Directors has provided for periodic option grants to all non-employee directors, then when a non-employee director is elected by the Board of Directors to begin serving as director on a date not coincident with a grant date for such options, that director will be granted an initial non-employee director option as of the date of the first meeting of the Board of Directors at which he or she serves as director for a number of shares calculated on a pro-rata basis, based on the number of months remaining until the next regular grant of options to non-employee directors.

(c) Suspension or Termination of Option:

----- If at any time (including after a notice of exercise has been delivered) the Chief Executive Officer, President, Chief Operating Officer, Vice President for Human Resources, General Counsel or any of their designees (any such person, an "Authorized Officer") reasonably believes that a Participant or other optionholder, other than a non-employee director, has committed an act of misconduct as described in this Section, the Authorized Officer may suspend the Participant's or optionholder's rights to exercise any option pending a determination of whether an act of misconduct has been committed. If the Board of Directors or an Authorized Officer determines a Participant or other optionholder, other than a non-employee director, has committed an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to Intel, breach of fiduciary duty or deliberate disregard of Intel rules resulting in loss, damage or injury to Intel, or if a Participant or other optionholder makes an unauthorized disclosure of any Intel trade secret or confidential information, engages in any conduct constituting unfair competition, induces any Intel customer to breach a contract with Intel or induces any principal for whom Intel acts as agent to terminate such agency relationship, neither the Participant or optionholder nor his or her estate shall be entitled to exercise any option whatsoever. In making such determination, the Board of Directors or an Authorized Officer shall act fairly and shall give the Participant an opportunity to appear and present evidence on his or her behalf at a hearing before a committee of the Board of Directors. For any Participant who is an "executive officer" for purposes of Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"), the determination of the Board of Directors or of the Authorized Officer shall be subject to the approval of the Committee.

(d) Termination of Non-Employee Director's Service:

----- Subject to Section 6(b) and unless the Board of Directors specifies otherwise, upon the termination of the Participant's service as a non-employee director, his or her rights to exercise an option then held shall be only as follows:

(1) Death.

----- Upon the death of a non-employee director while in service as a non-employee director of Intel, the non-employee director's rights will be exercisable by his or her estate or beneficiary at any time during the twelve months next succeeding the date of death. The number of shares exercisable by the estate or beneficiary will be the total number of unexercised shares under the non-employee director's option on the date of his or her death. If a non-employee director should die within thirty (30) days of his or her termination of service as a non-employee director with Intel, an option will be exercisable by his or her estate or beneficiary at any time during the twelve (12) months succeeding the date of termination, but only to the extent of the number of shares as to which such option was exercisable as of the date of such termination. A non-employee director's estate shall mean his or her legal representative or other person who so acquires the right to exercise the option.

(2) Disablement.

----- Upon the Disablement of a non-employee director, any option which he or she holds, whether or not exercisable on the date of Disablement, may be exercised after the date of the Disablement within twelve (12) months.

(3) Retirement.

----- Upon Retirement of a non-employee director, the non-employee director's rights to non-qualified stock options which he or she holds, whether or not otherwise exercisable on the date of Retirement, may be exercised at any time during the twelve (12) months after Retirement.

(4) Other Reasons.

----- Upon termination of a non-employee director's service as a non-employee director for any reason other than those stated above, the non-employee director may, within ninety days following such termination exercise the option to the extent such option was exercisable on the date of termination.

(e) Transferability of Option:

----- Unless otherwise provided by the Committee and subject to the establishment of procedures by the Committee, each option shall be transferable only:

- (1) by will or the laws of descent and distribution, or
- (2) in case of an option which is not an incentive stock option, by gift to the Immediate Family, partnerships whose only partners are the Participant or members of the Immediate Family, limited liability companies whose only shareholders are the Participant or members of the Immediate Family, and trusts established solely for the benefit of the Participant or members of the Immediate Family.

The transferees described in this subsection (e) of Section 6 shall be referred to as "Permitted Transferees".

Options are transferable only to the extent the options are exercisable at the time of transfer. Any purported assignment, transfer or encumbrance that does not qualify under subsections (1) and (2) above shall be void and unenforceable against the Corporation.

The terms of stock options granted pursuant to this Plan shall apply to the beneficiaries, executors and administrators of the Participant and to Permitted Transferees (including the beneficiaries, executors and administrators of Permitted Transferees), including the right to agree to any amendment of the applicable option agreement, except that options transferred to Permitted Transferees shall not be transferable except by will or the laws of descent and distribution.

(f) Modification or Assumption of Options:

----- The Committee may modify, extend or assume outstanding options (whether granted by Intel or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price.

(g) Conditions and Restrictions Upon Securities Subject to Options:

----- Subject to the express provisions of the Plan, the Committee may provide that the shares of Common Stock issued upon exercise of an option shall be subject to such further conditions or agreements as the Committee in its discretion may specify prior to the exercise of such option, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the shares issued upon exercise (including the actual or constructive surrender of Common Stock already owned by the Participant or optionholder). The Committee may establish rules for the deferred delivery of Common Stock upon exercise of an option with the deferral evidenced by use of "Stock Units" equal in number to the number of shares of Common Stock whose delivery is so deferred. A "Stock Unit" is a bookkeeping entry representing an amount equivalent to the fair market value of one share of Common Stock. Unless the Committee specifies otherwise, Stock Units represent an unfunded and unsecured obligation of the Corporation. Settlement of Stock Units upon expiration of the deferral period shall be made in Common Stock or otherwise as determined by the Committee. The amount of Common Stock, or other settlement medium, to be so distributed may be increased by an interest factor or by dividend equivalents. Until a Stock Unit is so settled, the number of shares of Common Stock represented by a Stock Unit shall be subject to adjustment pursuant to Section 7. Any Stock Units that are settled after the holder's death shall be distributed to the holder's designated beneficiary(ies) or, if none was designated, the holder's estate.

(h) Other Terms and Conditions:

----- Options may also contain such other provisions, which shall not be inconsistent with any of the

foregoing terms, as the Committee shall deem appropriate. No option, however, nor anything contained in the Plan shall confer upon any Participant any right to continue in Intel's employ or service nor limit in any way Intel's right to terminate his or her employment or service at any time.

#### 7. ADJUSTMENT OF AND CHANGES IN THE STOCK

- (a) In the event that the shares of Common Stock of the Corporation shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise), or if the number of shares of Common Stock of the Corporation shall be increased through a stock split or the payment of a stock dividend, then there shall be substituted for or added to each share of common stock of the Corporation theretofore appropriated or thereafter subject or which may become subject to an option under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of common stock of the Corporation shall so be changed, or for which each such share shall be exchanged, or to which each such share shall be entitled, as the case may be. Outstanding options shall also be amended as to price and other terms if necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock of the Corporation, or any stock or other securities into which such Common Stock shall have been changed, or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any option theretofore granted or which may be granted under the Plan, such adjustment shall be made in accordance with such determination.
- (b) No right to purchase fractional shares shall result from any adjustment in options pursuant to this Section 7. In case of any such adjustment, the shares subject to the option shall be rounded down to the nearest whole share. Notice of any adjustment shall be given by the Corporation to each Participant or optionholder which shall have been so adjusted and such adjustment (whether or not notice is given) shall be effective and binding for all purposes of the Plan.
- (c) Any other provision hereof to the contrary notwithstanding (except Section 6(b)) in the event Intel is a party to a merger or other reorganization, outstanding options shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding options by the surviving corporation or its parent, for their continuation by Intel (if Intel is a surviving corporation), for accelerated vesting and accelerated expiration, or for settlement in cash.

#### 8. LISTING OR QUALIFICATION OF STOCK

In the event that the Board of Directors determines in its discretion that the listing or qualification of the Plan shares on any securities exchange or quotation or trading system or under any applicable law or governmental regulation is necessary as a condition to the issuance of such shares under the option, the option may not be exercised in whole or in part unless such listing, qualification, consent or approval has been unconditionally obtained.

#### 9. ADMINISTRATION AND AMENDMENT OF THE PLAN

The Plan shall be administered by the Committee. The Committee shall consist of two or more directors of Intel, who shall be appointed by the Board of Directors. The Board shall fill vacancies and may from time to time remove or add members. All members of the Committee will be "non-employee directors" as defined in Rule 16b-3 under the Exchange Act and "outside directors" as defined under Section 162(m) of the Code, but in each case only when required to exempt any grant intended to qualify for an exemption under such provisions. Notwithstanding the foregoing, unless otherwise restricted by the Board of Directors, the Committee may appoint one or more separate committees (any such committee, a "Subcommittee") composed of one or more directors of Intel (who may but need not be members of the Committee) and may delegate to any such Subcommittee(s) the authority to grant options under the Plan to Participants, to determine all terms of such options, and/or to administer the Plan or any aspect of it. Any action by any such Subcommittee within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee.

Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable in

connection with the administration of this Plan, including, without limitation: (a) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; (b) to determine which persons are Participants (as defined in Section 3 hereof), to which of such Participants, if any, an option shall be granted hereunder and the timing of any such option grants; (c) to determine the number of shares of Common Stock subject to an option and the exercise or purchase price of such shares; (d) to establish and verify the extent of satisfaction of any conditions to exercisability applicable to an option; (e) to waive conditions to and/or accelerate exercisability of an option, either automatically upon the occurrence of specified events (including in connection with a change of control of the Corporation) or otherwise in its discretion; (f) to prescribe and amend the terms of option grants made under this Plan (which need not be identical); (g) to determine whether, and the extent to which, adjustments are required pursuant to Section 7 hereof; and (h) to interpret and construe this Plan, any rules and regulations under the Plan and the terms and conditions of any option granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Corporation.

All decisions, determinations and interpretations by the Committee regarding the Plan, any rules and regulations under the Plan and the terms and conditions of any option granted hereunder, shall be final and binding on all Participants and optionholders. The Committee shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Corporation and such attorneys, consultants and accountants as it may select.

The Board of Directors may amend or terminate the Plan as desired, without further action by the Corporation's stockholders except to the extent required by applicable law.

Notwithstanding the above, the provisions of Section 6 relating to non-employee directors may not be amended more than once every six months, except to comply with changes to the Code or the rules thereunder.

#### 10. TIME OF GRANTING OPTIONS

The effective date of each option granted hereunder shall be the date on which the grant was made. Within a reasonable time thereafter, Intel will deliver the option to the Participant.

#### 11. WITHHOLDING

To the extent required by applicable federal, state, local or foreign law, a Participant or optionholder shall make arrangements satisfactory to the Corporation for the satisfaction of any withholding tax obligations that arise by reason of an option exercise or any sale of shares. The Corporation shall not be required to issue shares or to recognize the disposition of such shares until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having the Corporation withhold a portion of the shares of stock that otherwise would be issued to him or her upon exercise of the option, or to the extent permitted, by tendering shares previously acquired.

INTEL CORPORATION  
1988 EXECUTIVE LONG TERM  
STOCK OPTION PLAN  
(Amended and Restated Effective as of July 16, 1997)

1. PURPOSE

The purpose of this amended and restated Intel Corporation 1988 Executive Long Term Stock Option Plan (the "Plan") is to advance the interests of Intel Corporation, a Delaware corporation and its subsidiaries (hereinafter collectively "Intel" or the "Corporation"), by stimulating the efforts of certain key employees employed by Intel and heightening the desire of such key employees to continue in employment with Intel. The stock options granted pursuant to this Plan are non-qualified stock options and shall not be incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). This amended and restated Plan includes the individual grant limitations required by Section 162(m) of the Code for the option income of certain individuals to be tax deductible by the Corporation.

2. DEFINITIONS

- (a) "Board of Directors" means the Board of Directors of the Corporation.
- (b) "Committee" means the Compensation Committee appointed by the Board of Directors in accordance with Section 11.
- (c) "Disablement" means a physical condition arising from an illness or injury which renders an individual incapable of performing work. The determination of the Corporation as to an individual's Disablement shall be made in accordance with the standards and procedures of the Corporation's then-current Long-Term Disability Plan and shall be conclusive on all of the parties.
- (d) "Plan" means the Intel Corporation 1988 Executive Long Term Stock Option Plan, as amended and restated herein.
- (e) "Retirement" shall have the meaning specified by the Committee in the terms of an option grant or, in the absence of any such term, shall mean retirement from active employment with Intel (i) at or after age 55 and with the approval of the Committee or (ii) at or after age 65. The determination of the Committee as to an individual's Retirement shall be conclusive on all parties.
- (f) "Subsidiary" means any corporation in an unbroken chain of corporations beginning with Intel Corporation where each of the corporations in the unbroken chain other than the last corporation owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (g) "Immediate Family" means the spouse, children and grandchildren of the Participant (as defined in Section 3 hereof).

3. PARTICIPANTS

"Participants" in the Plan shall be those key employees who have been employed by Intel for at least two years and to whom options may be granted from time to time by the Committee.

No option shall be granted to any employee if immediately after the

grant of such option such employee would own stock, including stock subject to outstanding options held by him or her, amounting to more than five percent (5%) of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary. Options may not be granted to non-employee directors or members of the Committee.

4. EFFECTIVE DATE AND TERMINATION OF PLAN

This Plan was last approved by the Corporation's stockholders on May 4, 1994. The Plan was amended and restated by the Board of Directors in certain non-material respects on March 26, 1997. The Plan was amended and restated by the Board of Directors on July 16, 1997, to provide for limited transferability of options.



The Plan shall remain available for the grant of options until all shares of stock available for grant under this Plan shall have been acquired through exercise of options or until September 19, 1998 whichever is earlier. The Plan may be terminated at such earlier time as the Board of Directors may determine. Termination of the Plan will not affect the rights and obligations arising under options theretofore granted and then in effect.

5. SHARES SUBJECT TO THE PLAN AND TO OPTIONS

The stock subject to options authorized to be granted under the Plan shall consist of 80,000,000 shares (as adjusted automatically by the Plan's terms effective July 13, 1997, to reflect a stock split effected in the form of a stock distribution) of the Corporation's common stock, par value \$.001 ("Common Stock"), or the number and kind of shares of stock or other securities which shall be substituted or adjusted for such shares as provided in Section 8. Such shares may be authorized and unissued shares of the Corporation's Common Stock. All or any shares of stock subject to an option which for any reason terminates unexercised may again be made subject to an option under the Plan.

6. GRANT, TERMS AND CONDITIONS OF OPTIONS

Options may be granted at any time and from time to time prior to the termination of the Plan, to certain key employees of Intel selected by the Committee. However, no Participant shall be granted options in any year, to purchase shares of common stock in excess of one percent (1%) of the number of shares of the Corporation's Common Stock outstanding on January 1, 1994. In addition, no Participant or optionholder shall have any rights as a stockholder with respect to any shares of stock subject to option hereunder until said shares have been issued. Each option may be evidenced by a written stock option agreement and/or such other written arrangements as may be approved from time to time by the Committee. Options granted pursuant to the Plan need not be identical but each option must contain and be subject to the following terms and conditions:

(a) Price:

----- The purchase price under each option shall be established by the Committee. In no event will the option price be less than the fair market value of the stock on the date of grant. The option price must be paid in full at the time of exercise. The price may be paid in cash or, as acceptable to the Committee, by loan (as described in Section 7), by arrangement with a broker where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the option shares to the Corporation, by the surrender of shares of Common Stock of the Corporation owned by the Participant exercising the option and having a fair market value on the date of exercise equal to the option price or in any combination of the foregoing.

(b) Duration and Exercise or Termination of Option:

----- Each option shall be exercisable in such manner and at such times as the Committee shall determine. However, each option granted must expire within a period of not more than ten (10) years from the grant date.

(c) Suspension or Termination of Option:

----- If at any time (including after a notice of exercise has been delivered) the Chief Executive Officer, President, Chief Operating Officer, Vice President for Human Resources, General Counsel or any of their designees (any such person, an "Authorized Officer") reasonably believes that a Participant or optionholder has committed an act of misconduct as described in this Section, the Authorized Officer may suspend the Participant's or optionholder's rights to exercise any option pending a determination of whether an act of misconduct has been committed.

If the Board of Directors or an Authorized Officer determines a Participant or optionholder has committed an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to Intel, breach of fiduciary duty or deliberate disregard of Intel rules resulting in loss, damage or injury to Intel, or if a Participant or optionholder makes an unauthorized disclosure of any Intel trade secret or confidential information, engages in any conduct constituting unfair competition, induces any Intel customer to breach a contract with Intel or induces any principal for whom Intel acts as agent to terminate such agency relationship, neither the Participant nor optionholder nor his or her estate shall be

entitled to exercise any option whatsoever. In making such determination, the Board of Directors or an Authorized Officer shall act fairly and shall give the Participant an opportunity to appear and present evidence on his or her behalf at a hearing before a committee of the Board of Directors. For any Participant who is an "executive officer" for purposes of Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"), the determination of the Board of Directors or of the Authorized Officer shall be subject to the approval of the Committee.

(d) Termination of Employment:

----- Subject to Section 6(b), unless the Committee specifies otherwise, upon the termination of the Participant's employment, his or her rights to exercise an option then held shall be only as follows:

(1) Death.

----- Upon the death of a Participant while in employ of Intel, the Participant's rights will be exercisable by his or her estate or beneficiary at any time during the twelve months next succeeding the date of death.

If the Participant's option has been held by the Participant for a minimum of four (4) years at the time of death, then the number of shares exercisable by the estate or beneficiary of the deceased Participant will be the total number of unexercised shares, whether or not exercisable, under such option on the date of the Participant's death.

If the Participant's option has been held for a period of less than four (4) years at the time of death, then the number of shares exercisable by the estate or beneficiary of the deceased Participant will be the total number of shares which were exercisable under such option on the date of the Participant's death.

If a Participant should die within thirty (30) days of his or her termination of employment with Intel, an option will be exercisable by his or her estate or beneficiary at any time during the twelve (12) months succeeding the date of termination, but only to the extent of the number of shares as to which such option was exercisable as of the date of such termination. A Participant's estate shall mean his or her legal representative or other person who so acquires the right to exercise the option.

(2) Disablement.

----- Upon the Disablement of any Participant, the Participant's rights to options may be exercised for at any

time during the twelve (12) months after termination. If the Participant's option has been held for a minimum of four years, then the number of shares exercisable by the Participant will be the total number of unexercised shares, whether or not exercisable, under such option on the date of the Participant's termination. If the Participant's option has been held for a period of less than four (4) years, then the number of shares exercisable by the Participant will be the total number of shares which were exercisable under such option on the date of the Participant's termination.

(3) Retirement.

----- Upon Retirement of a Participant, the Participant's rights to options may be exercised at any time during the twelve (12) months after Retirement. The number of shares exercisable will be the total number of shares which were exercisable under the Participant's option on the date of his or her Retirement.

(4) Other Reasons.

----- Upon termination of a Participant's employment for any reason other than those stated above, a Participant may, within thirty (30) days following such termination exercise the option to the extent such option was exercisable on the date of termination.

For purposes of this Section 6(d), unless the Committee specifies otherwise, a Participant's employment shall not be deemed terminated (i) if, within sixty (60) days such Participant is rehired by Intel, (ii) if Participant is transferred from the Corporation to any Subsidiary or from any one Subsidiary to another or from a Subsidiary to the Corporation, or (iii) at the discretion of the Committee, during any period of a Participant's

leave of absence, provided that the Committee may delay the Participant's rights to exercise options as a result of such leave of absence. In addition, a Participant's employment with any partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which the Corporation or a Subsidiary is a party and which is designated by the Committee as subject to this provision, shall be considered employment for purposes of this Section 6(d).

(e) Transferability of Option: Unless otherwise provided by the Committee and subject to the establishment of procedures by the Committee, each option shall be transferable only:

- (1) by will or the laws of descent and distribution, or
- (2) by gift to the Immediate Family, partnerships whose only partners are the Participant or members of the Immediate Family, limited liability companies whose only shareholders are the Participant or members of the Immediate Family, and trusts established solely for the benefit of the Participant or members of the Immediate Family.

The transferees described in this subsection (e) of Section 6 shall be referred to as "Permitted Transferees".

Options are transferable only to the extent the options are exercisable at the time of transfer. Any purported assignment, transfer or encumbrance that does not qualify under subsections (1) and (2) above shall be void and unenforceable against the Corporation.

The terms of stock options granted pursuant to this Plan shall apply to the beneficiaries, executors and administrators of the Participant and to Permitted Transferees (including the beneficiaries, executors and administrators of Permitted Transferees), including the right to agree to any amendment of the applicable option agreement, except that options transferred to Permitted Transferees shall not be transferable except by will or the laws of descent and distribution.

(f) Cancellation:

----- The Committee may, at any time prior to exercise and subject to consent of the Participant, cancel any options previously granted and may or may not substitute in their place options at a different price and different type under different terms or in different amounts.

(g) Conditions and Restrictions Upon Securities Subject to

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Options:

----- Subject to the express provisions of the Plan, the Committee may provide that the shares of Common Stock issued upon exercise of an option shall be subject to such further conditions or agreements as the Committee in its discretion may specify prior to the exercise of such option, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the shares issued upon exercise (including the actual or constructive surrender of Common Stock already owned by the Participant or optionholder). The Committee may establish rules for the deferred delivery of Common Stock upon exercise of an option with the deferral evidenced by use of "Stock Units" equal in number to the number of shares of Common Stock whose delivery is so deferred. A "Stock Unit" is a bookkeeping entry representing an amount equivalent to the fair market value of one share of Common Stock. Unless the Committee specifies otherwise, Stock Units represent an unfunded and unsecured obligation of the Corporation. Settlement of Stock Units upon expiration of the deferral period shall be made in Common Stock or otherwise as determined by the Committee. The amount of Common Stock, or other settlement medium, to be so distributed may be increased by an interest factor or by dividend equivalents. Until a Stock Unit is so settled, the number of shares of Common Stock represented by a Stock Unit shall be subject to adjustment pursuant to Section 8. Any Stock Units that are settled after the holder's death shall be distributed to the holder's designated beneficiary(ies) or, if none was designated, the holder's estate.

(h) Other Terms and Conditions:

----- Options may also contain such

other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate. No option, however, nor anything contained in the Plan shall confer upon any Participant any right to continue in Intel's employ or service nor limit in any way Intel's right to terminate his or her employment at any time.

7. LOANS

The Corporation may make loans, at the request of the Participant and in the sole discretion of the Board or its Committee, for the purpose of enabling the Participant to exercise options granted under the Plan and to pay the tax liability resulting from an option exercise under the Plan. The Board or its Committee shall have full authority to determine the terms and conditions of such loans. Such loans may be secured by the shares received upon exercise of such option.

8. ADJUSTMENT OF AND CHANGES IN THE STOCK

In the event that the number of shares of Common Stock of the Corporation shall be increased or decreased through reclassification, combination of shares, a stock split or the payment of a stock dividend, or otherwise, then each share of common stock of the Corporation which has been authorized for issuance under the Plan, whether such share is then currently subject to or may become subject to an option under the Plan, shall be proportionately adjusted to reflect such increase or decrease. Outstanding options shall also be amended as to price and other terms if necessary to reflect the foregoing events. In the event there shall be any other change in the number or

kind of the outstanding shares of Common Stock of the Corporation, or any stock or other securities into which such Common Stock shall have been changed, or for which it shall have been exchanged, whether by reason of merger, consolidation or otherwise, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment to shares currently subject to options or which may become subject to options under the Plan, or to prices or terms of outstanding options, such adjustment shall be made in accordance with such determination. In addition, in the event of such change described in this paragraph, the Board of Directors may accelerate the time or times at which any option may be exercised and may provide for cancellation of such accelerated options which are not exercised within a time prescribed by the Board of Directors in its sole discretion.

No right to purchase fractional shares shall result from any adjustment in options pursuant to this Section. In case of any such adjustment, the shares subject to the option shall be rounded down to the nearest whole share. Notice of any adjustment shall be given by the Corporation to each Participant or optionholder which shall have been so adjusted and such adjustment (whether or not notice is given) shall be effective and binding for all purposes of the Plan.

9. LISTING OR QUALIFICATION OF STOCK

In the event that the Board of Directors determines in its discretion that the listing or qualification of the Plan shares on any securities exchange or quotation or trading system or under any applicable law or governmental regulation is necessary as a condition to the issuance of such shares under the option, the option may not be exercised in whole or in part unless such listing, qualification, consent or approval has been unconditionally obtained.

10. WITHHOLDING

To the extent required by applicable federal, state, local or foreign law, a Participant or optionholder shall make arrangements satisfactory to the Corporation for the satisfaction of any withholding tax obligations that arise by reason of an option exercise. The Corporation shall not be required to issue shares or to recognize the disposition of such shares until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having the Corporation withhold a portion of the shares of stock that otherwise would be issued to him or her upon exercise of the option, or to the extent permitted, by tendering shares previously acquired.

11. ADMINISTRATION AND AMENDMENT OF THE PLAN

The Plan shall be administered by the Committee which shall consist of at least two persons appointed by the Board of Directors. The

Board of Directors shall fill vacancies and may from time to time remove or add members. All members of the Committee will be "non-employee directors" as defined in Rule 16b-3 under the Exchange Act and "outside directors" as defined under Section 162(m) of the Code, but in each case only when required to exempt any grant intended to qualify for an exemption under such provisions. Notwithstanding the foregoing, unless otherwise restricted by the Board of Directors, the Committee may appoint one or more separate committees (any such committee, a "Subcommittee") composed of one or more directors of Intel (who may but need not be members of the Committee) and may delegate to any such Subcommittee(s) the authority to grant options under the Plan to Participants, to determine all terms of such options, and/or to administer the Plan or any aspect of it. Any action by any such Subcommittee within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee. The Committee shall act pursuant to a majority vote or majority written consent.

Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable in connection with the administration of this Plan, including, without limitation: (a) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; (b) to determine which persons are Participants (as defined in Section 3 hereof), to which of such Participants, if any, an option shall be granted hereunder and the timing of any such option grants; (c) to determine the number of shares of Common Stock subject to an option and the exercise or purchase price of such shares; (d) to establish and verify the extent of satisfaction of any conditions to exercisability applicable to an option; (e) to waive conditions to and/or accelerate exercisability of an option, either automatically upon the occurrence of specified events (including in connection with a change of control of the Corporation) or otherwise in its discretion; (f) to prescribe and amend the terms of option grants made under this Plan (which need not be identical); (g) to determine whether, and the extent to which, adjustments are required pursuant to Section 8 hereof; and (h) to interpret and construe this Plan, any rules and regulations under the Plan and the terms and conditions of any option granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Corporation.

All decisions, determinations and interpretations by the Committee regarding the Plan, any rules and regulations under the Plan and the terms and conditions of any option granted hereunder, shall be final and binding on all Participants and optionholders. The Committee shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Corporation and such attorneys, consultants and accountants as it may select. The interpretation and construction of any provision of the Plan by the Board of Directors shall be final and conclusive. The Board of Directors may periodically adopt rules and regulations for carrying out the Plan, and amend the Plan as desired, without further action by the Corporation's stockholders except to the extent required by applicable law.

#### 12. TIME OF GRANTING OPTIONS

The effective date of such option shall be the date on which the grant was made. Within a reasonable time thereafter, Intel will deliver the option to the Participant.

Exhibit 12.1

INTEL CORPORATION  
STATEMENT SETTING FORTH THE COMPUTATION  
OF RATIOS OF EARNINGS TO FIXED CHARGES

(in millions)

<TABLE>

	Six Months Ended	
	June 27, 1998	June 28, 1997
	-----	-----
<S>	<C>	<C>
Income before taxes	\$ 3,731	\$ 5,625
Add fixed charges net of capitalized interest	23	23
	-----	-----
Income before taxes and fixed charges (net of capitalized interest)	\$ 3,754	\$ 5,648
	=====	=====
Fixed charges:		
Interest	\$ 15	\$ 14
Capitalized interest	4	5
Estimated interest component of rental expense	8	9
	-----	-----
Total	\$ 27	\$ 28
	=====	=====
Ratio of earnings before taxes and fixed charges, to fixed charges	139	202

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

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This schedule contains summary information extracted from Intel Corporation's CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND CONSOLIDATED CONDENSED BALANCE SHEETS and is qualified in its entirety by reference to such financial statements.

</LEGEND>

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<FN>

<F1>Item consists of put warrants.

<F2>Item consists of research and development, including \$165 million for purchased in-process research and development.

<F3>Item shown net of allowance, consistent with the balance sheet presentation.

<F4>Item consists of basic earnings per share

</FN>

</TABLE>