SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1

TENDER OFFER STATEMENT PURSUANT TO SECTION
14(d)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

CHIPS AND TECHNOLOGIES, INC.
(NAME OF SUBJECT COMPANY)

INTEL CORPORATION
INTEL ENTERPRISE CORPORATION
(BIDDERS)

COMMON STOCK, PAR VALUE $0.01 PER SHARE
(INCLUDING THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
(TITLE OF CLASS OF SECURITIES)

170021109
(CUSIP NUMBER OF CLASS OF SECURITIES)

F. THOMAS DUNLAP, JR.
VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
INTEL CORPORATION
2200 MISSION COLLEGE BOULEVARD
SANTA CLARA, CALIFORNIA 95052
408-765-1125
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZING TO RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF BIDDER)

COPIES TO:

RICHARD M. RUSSO, ESQ.
GIBSON, DUNN & CRUTCHER LLP
1801 CALIFORNIA STREET, SUITE 4100
DENVER, COLORADO 80121
(303) 298-5700

<TABLE>
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CALCULATION OF FILING FEE

Transaction valuation	Amount of filing fee
$416,292,782*	$83,259

</TABLE>

* For purposes of fee calculation only. The total transaction value is based on 22,043,501 shares of common stock, together with the associated common stock purchase rights (collectively, the "Shares"), outstanding as of July 27, 1997 plus the number of Shares issuable upon the exercise of outstanding options or other rights to acquire shares that were vested on that date, multiplied by the offer price of $17.50 per Share.

The amount of the filing fee calculated in accordance with Regulation 240.0-11 of the Securities Exchange Act of 1934 equals 1/50 of 1% of the value of the Shares to be purchased.

[ ] CHECK BOX IF ANY PART OF THE FEE IS OFFSET AS PROVIDED BY RULES 0-11(a)(2) AND IDENTIFY THE FILING WITH WHICH THE OFFSETTING FEE WAS PREVIOUSLY PAID. IDENTIFY THE PREVIOUS FILING BY REGISTRATION STATEMENT NUMBER, OR THE FORM OR SCHEDULE AND THE DATE OF ITS FILING.

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Amount previously paid:	None	Filing party:	Not Applicable
Form or registration no.:	Not Applicable	Date filed:	Not Applicable

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INTRODUCTION

This Tender Offer Statement on Schedule 14D-1 (this "Statement") relates to

the offer by Intel Enterprise Corporation, a Delaware corporation ("Purchaser"), and a wholly owned subsidiary of Intel Corporation, a Delaware corporation ("Intel"), to purchase all outstanding shares of common stock, par value $0.01 per share (the "Common Stock"), of Chips and Technologies, Inc., a Delaware corporation (the "Company"), and the associated Common Stock purchase rights (the "Rights" and, together with the Common Stock, the "Shares") issued pursuant to the Rights Agreement dated as of August 23, 1989, between the Company and Bank of America, NT & SA, at a price of $17.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated as of August 1, 1997 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer"), copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively. The Offer is being made pursuant to an Agreement and Plan of Merger, dated July 27, 1997, by and among Intel, Purchaser, and the Company, which provides, among other things, that as promptly as practicable after the satisfaction or, if permissible, waiver of the conditions set forth therein (including without limitation, the purchase of Shares pursuant to the Offer), Purchaser will be merged with and into the Company (the "Merger"), with the Company continuing as the surviving corporation, and each issued and outstanding Share (other than any Shares held in the treasury of the Company or by Intel or any direct or indirect wholly owned subsidiary of Intel or the Company, and other than Shares held by stockholders who shall not have voted in favor of the Merger or consented thereto in writing and who shall have complied with all of the relevant provisions of Section 262 of the General Corporation Law of the State of Delaware) will be converted automatically into the right to receive the amount paid per Share in the Offer, in cash, without interest, upon surrender of the certificate representing the Share.

Purchaser is acting with the consent of the Company on behalf of Intel in making the Offer. The making of the Offer is the responsibility of Intel under the Merger Agreement and the making of the Offer by Purchaser is not intended to in any way reduce Intel's obligations, duties and liabilities under the Merger Agreement.

The information contained in this Statement concerning the Company, including, without limitation, information concerning the deliberations, approvals and recommendations of the Board of Directors of the Company in connection with the transaction, the opinion of the financial advisor to such Board of Directors, and the Company's capital structure and financial information, was supplied by the Company. Purchaser takes no responsibility for the accuracy of such information.

ITEM 1. ISSUER AND CLASS OF SECURITY SUBJECT TO THE TRANSACTION

(a) The name of the subject company is Chips and Technologies, Inc., a Delaware corporation, which has its principal executive offices at 2950 Zanker Road, San Jose, California 95134.

(b) The class of equity securities being sought is the Company's Common Stock and the associated Rights. The information set forth in the Offer to Purchase under the caption "INTRODUCTION" is incorporated herein by reference.

(c) The information concerning the principal market in which the Shares are traded and certain high and low sales prices for the Shares in such principal market set forth in the Offer to Purchase under the caption "THE TENDER OFFER--6. Price Range of the Shares" is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND

(a)-(d), (g) This Statement is filed by Purchaser and Intel. The information concerning the name, state or other place of organization, principal business and address of the principal office of Purchaser and Intel, and the name, business address, present principal occupation or employment (including the name, principal business and address of any corporation or other organization in which such employment or occupation is conducted), material occupations, positions, offices or employment during the last five years and citizenship of each of the executive officers and directors of Purchaser and Intel are set forth in the Offer to Purchase under

the captions "INTRODUCTION," and "THE TENDER OFFER--8. Certain Information Concerning Purchaser and Intel," and in Schedule I to the Offer to Purchase, are incorporated herein by reference.

(e) and (f) During the last five years, neither Purchaser, Intel, nor, to the knowledge of Purchaser or Intel, any person listed in Schedule I to the Offer to Purchase has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violations of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS

(a) The information set forth in the Offer to Purchase under the captions "INTRODUCTION," "THE TENDER OFFER--8. Certain Information Concerning Purchaser and Intel," and "THE TENDER OFFER--10. Certain Transactions between Intel and the Company" is incorporated herein by reference.

(b) The information set forth in the Offer to Purchase under the captions "INTRODUCTION," "THE TENDER OFFER--8. Certain Information Concerning Purchaser and Intel," "THE TENDER OFFER--10. Certain Transactions between Intel and the Company," and "THE TENDER OFFER--11. Contacts with the Company; Background of the Offer and the Merger" is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATIONS

(a) and (b) The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--9. Source and Amount of Funds" is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSAL OF THE BIDDER

(a) - (e) The information set forth in the Offer to Purchase under the captions "INTRODUCTION" and "THE TENDER OFFER -- 12. Purpose of the Offer; The Merger Agreement" is incorporated herein by reference.

(f) and (g) The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--14. Effects of the Offer on the Market for Shares; Nasdaq National Market and Exchange Act Registration" is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY

(a) and (b) The information set forth in the Offer to Purchase under the captions "THE TENDER OFFER--10. Certain Transactions Between Intel and the Company" and "THE TENDER OFFER--12. Purpose the Offer; The Merger Agreement" is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES

The information set forth in the Offer to Purchase under the captions "THE TENDER OFFER--10. Certain Transactions Between Intel and the Company" and "THE TENDER OFFER -- 12. Purpose of the Offer; The Merger Agreement" is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED

The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--17. Fees and Expenses" is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS

The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--8. Certain Information Concerning Purchaser and Intel" is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION

(a) The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--12. Purpose of the Offer; The Merger Agreement" is incorporated herein by reference.

(b) and (c) The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--16. Certain Legal Matters; Regulatory Approvals" is incorporated herein by reference.

(d) The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--14. Effects of the Offer on the Market for Shares; Nasdaq National Market and Exchange Act Registration" is incorporated herein by reference.

(e) The information set forth in the Offer to Purchase under the caption "THE TENDER OFFER--18. Miscellaneous" is incorporated herein by reference.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, to the extent not otherwise incorporated by reference, is incorporated herein by reference

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS

(a)(1) Offer to Purchase, dated August 1, 1997

(a)(2) Letter of Transmittal

(a)(3) Notice of Guaranteed Delivery

(a)(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees

(a)(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees

(a)(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9

(a)(7) Form of Summary Advertisement, dated August 1, 1997

(a)(8) Press Releases, dated July 28, 1997 and August 1, 1997 issued by Intel

(b) None

(c) Agreement and Plan of Merger, dated as of July 27, 1997, among the Company, Purchaser and Intel

(d) None

(e) Not Applicable

(f) None

SIGNATURE

After due inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 1, 1997

INTEL ENTERPRISE CORPORATION

By /s/ CARY I. KLAFTER
Cary I. Klafter
President

SIGNATURE

After due inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 1, 1997

INTEL CORPORATION

By /s/ F. THOMAS DUNLAP, JR.
F. Thomas Dunlap, Jr.
Vice-President, General Counsel and Secretary

EXHIBIT INDEX

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EXHIBIT NUMBER	EXHIBIT INDEX	SEQUENTIALLY NUMBERED PAGE
<S>	<C>	<C>
(a)(1)	Offer to Purchase, dated August 1, 1997	
(a)(2)	Letter of Transmittal	
(a)(3)	Notice of Guaranteed Delivery	
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees	
(a)(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees	
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9	
(a)(7)	Form of Summary Advertisement, dated August 1, 1997	
(a)(8)	Press Releases, dated July 28, 1997 and August 1, 1997 issued by Intel	
(b)	None	
(c)	Agreement and Plan of Merger, dated as of July 27, 1997, among the Company, Purchaser and Intel	
(d)	None	
(e)	Not Applicable	

(f) None
</TABLE>

EXHIBIT (a)(1)

OFFER TO PURCHASE

DATED AUGUST 1, 1997

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
CHIPS AND TECHNOLOGIES, INC.
AT

$17.50 NET PER SHARE
BY
INTEL ENTERPRISE CORPORATION

A WHOLLY OWNED SUBSIDIARY OF

INTEL CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997 (THE "EXPIRATION DATE"), UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED BY THE EXPIRATION DATE AND NOT WITHDRAWN A NUMBER OF SHARES WHICH REPRESENT AT LEAST A MAJORITY OF SHARES ON A FULLY-DILUTED BASIS (THE "MINIMUM CONDITION") AND (2) THE SATISFACTION OR WAIVER OF CERTAIN CONDITIONS TO THE OBLIGATIONS OF PURCHASER AND THE COMPANY TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT, INCLUDING RECEIPT BY PURCHASER AND THE COMPANY OF CERTAIN GOVERNMENTAL AND REGULATORY APPROVALS.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, TAKEN TOGETHER, ARE FAIR TO AND IN THE BEST INTERESTS OF THE STOCKHOLDERS OF THE COMPANY, HAS APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, AND RECOMMENDS THAT THE STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES HEREUNDER.

IMPORTANT

Any stockholder desiring to tender Shares (as defined herein) should either (1) complete and sign the Letter of Transmittal, or a facsimile copy thereof, in accordance with the instructions in the Letter of Transmittal, mail or deliver it and any other required documents to the Depositary and either deliver the certificates for such Shares to the Depositary along with the Letter of Transmittal or tender such Shares pursuant to the procedure for book-entry transfer set forth in this Offer to Purchase under the caption "THE TENDER OFFER--2. Procedure for Accepting the Offer and Tendering Shares" or (2) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for the stockholder. Stockholders having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they desire to tender such Shares.

A stockholder who desires to tender Shares and whose certificates for Shares are not immediately available, or who cannot comply with the procedures for book-entry transfer described in this Offer to Purchase on a timely basis, may tender such Shares by following the procedure for guaranteed delivery set forth in this Offer to Purchase under the caption "THE TENDER OFFER--2. Procedure for Accepting the Offer and Tendering Shares".

Questions and requests for assistance, or for additional copies of this Offer to Purchase, the Letter of Transmittal or other tender offer materials, may be directed to the Information Agent at its address and telephone numbers set forth on the back cover of this Offer to Purchase. Holders of Shares may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF THIS TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The Information Agent for the Offer is:

D.F. KING & CO., INC.

The date of this Offer to Purchase is August 1, 1997

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To the Holders of Common Stock of Chips and Technologies, Inc.:

INTRODUCTION

Intel Enterprise Corporation, a Delaware corporation ("Purchaser"), which is a wholly owned subsidiary of Intel Corporation, a Delaware corporation ("Intel"), hereby offers to purchase all outstanding shares of common stock, par value $0.01 per share (the "Common Stock"), of Chips and Technologies, Inc., a Delaware corporation (the "Company"), and the associated common stock purchase rights (the "Rights" and, together with the Common Stock, the "Shares") issued pursuant to the Rights Agreement dated as of August 23, 1989 between the Company and Bank of America, NT & SA (the "Rights Agreement"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer"), at the purchase price of $17.50 per Share (the "Offer Price"), net to the tendering stockholder in cash.

The Offer is being made pursuant to the terms of the Agreement and Plan of Merger, dated as of July 27, 1997 (the "Merger Agreement"), by and among the Company, Purchaser and Intel. The Merger Agreement provides, among other things, for the making of the Offer, and further provides that, following the purchase of Shares pursuant to the Offer and promptly after the satisfaction or waiver of certain other conditions, Purchaser will be merged with and into the Company (the "Merger"). The Company will continue as the surviving corporation after the Merger (the "Surviving Corporation"). Purchaser is acting with the consent of the Company on behalf of Intel in making the Offer. The making of the Offer is the responsibility of Intel under the Merger Agreement and the making of the Offer by Purchaser is not intended to in any way reduce Intel's obligations, duties and liabilities under the Merger Agreement. At the effective time of the Merger, each outstanding Share (except for Shares owned by Intel, the Company or any subsidiary of Intel or the Company and Shares held by stockholders exercising their appraisal rights under the Delaware General Corporation Law (the "DGCL")) will be converted into the right to receive the Offer Price, net to the holder in cash, without interest.

THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD") HAS UNANIMOUSLY DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, TAKEN TOGETHER, ARE FAIR TO AND IN THE BEST INTERESTS OF THE STOCKHOLDERS OF THE COMPANY, HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, AND RECOMMENDS THAT THE STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES HEREUNDER.

HAMBRECHT & QUIST LLC ("HAMBRECHT & QUIST"), FINANCIAL ADVISOR TO THE COMPANY, HAS DELIVERED A WRITTEN OPINION TO COMPANY'S BOARD, DATED JULY 27, 1997

(THE "HAMBRECHT & QUIST OPINION"), TO THE EFFECT THAT, AS OF THAT DATE, THE CONSIDERATION TO BE RECEIVED BY THE STOCKHOLDERS OF THE COMPANY PURSUANT TO THE MERGER AGREEMENT WAS FAIR FROM A FINANCIAL POINT OF VIEW TO SUCH STOCKHOLDERS. THE FULL TEXT OF THE HAMBRECHT & QUIST OPINION IS ATTACHED TO THE COMPANY'S SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9 WHICH IS BEING MAILED TO STOCKHOLDERS OF THE COMPANY HEREWITH. STOCKHOLDERS ARE URGED TO READ SUCH OPINION CAREFULLY AND IN ITS ENTIRETY FOR ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITS OF THE REVIEW OF HAMBRECHT & QUIST.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THE SATISFACTION OR WAIVER OF CERTAIN CONDITIONS TO THE OBLIGATIONS OF PURCHASER, INTEL AND THE COMPANY TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT, INCLUDING (I) THERE BEING VALIDLY TENDERED BY THE EXPIRATION DATE AND NOT WITHDRAWN A NUMBER OF SHARES WHICH REPRESENTS AT LEAST A MAJORITY OF THE SHARES ON A FULLY-DILUTED BASIS (THE "MINIMUM CONDITION") AND (II) RECEIPT BY PURCHASER, INTEL AND THE COMPANY OF CERTAIN GOVERNMENTAL AND REGULATORY APPROVALS. SEE "THE TENDER OFFER--15. CERTAIN CONDITIONS OF THE OFFER."

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF THE COMPANY'S STOCKHOLDERS. ANY SUCH SOLICITATION WOULD BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT").

The Offer will expire at MIDNIGHT, New York City time, on Thursday, August 28, 1997, unless extended.

Tendering stockholders will not be obligated to pay brokerage commissions, solicitation fees or, subject to Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares pursuant to the Offer. However, any tendering stockholder or other payee who fails to complete and sign the Substitute Form W-9 that is included in the Letter of Transmittal may be subject to a required backup federal income tax withholding of 31% of the gross proceeds payable to such stockholder or other payee pursuant to the Offer. See "THE TENDER OFFER--5. Certain Federal Income Tax Consequences." Purchaser will pay all charges and expenses of Citibank, N.A., as Depositary (in such capacity, the "Depositary"), and D.F. King & Co., Inc., as Information Agent (in such capacity, the "Information Agent"), incurred in connection with the Offer. For a description of the fees and expenses to be paid by Purchaser, see "THE TENDER OFFER--17. Fees and Expenses."

Consummation of the Merger is subject to a number of conditions, including approval by the stockholders of the Company if such approval is required by applicable law. See "THE TENDER OFFER--16. Certain Legal Matters; Regulatory Approvals." If Intel acquires a majority of the outstanding Shares, it will have sufficient voting power to approve and adopt the Merger Agreement and the Merger without the vote of any other stockholder of the Company. If Intel acquires at least 90% of the outstanding Shares, Intel intends to approve and consummate the Merger without any action by, or any further prior notice to, the other stockholders of the Company pursuant to the short-form merger provisions of the DGCL. In addition, under certain circumstances, when Intel has not acquired 90% of the outstanding Shares, the Company has granted Intel an option to purchase up to that number of authorized and unissued Shares which equals 19.99% of the then outstanding Shares.

The Company has informed Intel that as of July 27, 1997 there were 22,043,501 Shares issued and outstanding and 3,983,598 Shares reserved for issuance upon the exercise of outstanding stock options and warrants. As of the date hereof, Intel and its affiliates beneficially own no Shares. Based on the foregoing, Intel believes that the Minimum Condition will be satisfied if at least 13,013,550 Shares are validly tendered and not withdrawn prior to the Expiration Date.

The information contained in this Offer to Purchase concerning the Company was supplied by the Company. Purchaser takes no responsibility for the completeness or accuracy of such information. The information contained in this Offer to Purchase concerning the Offer, the Merger, Intel and Purchaser was supplied by Purchaser. The Company takes no responsibility for the completeness or accuracy of such information.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER. ALSO SEE "THE TENDER OFFER--18. MISCELLANEOUS" FOR INFORMATION REGARDING CERTAIN ADDITIONAL DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") IN CONNECTION WITH THE OFFER.

References herein to Intel shall, unless the context indicates otherwise, include Intel and all of its subsidiaries including Purchaser.

THE TENDER OFFER

1. TERMS OF THE OFFER; EXPIRATION DATE

Upon the terms and subject to the conditions of the Offer (including, if

the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and pay for all Shares validly tendered on or prior to the Expiration Date and not theretofore withdrawn in accordance with the provisions set forth in this Offer to Purchase under the caption "TENDER OFFER--3. Withdrawal Rights." The term "Expiration Date" shall mean Midnight, New York City time, on Thursday, August 28, 1997, unless and until Purchaser, subject to restrictions contained in the Merger Agreement, shall from time to time have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Purchaser, shall expire.

Pursuant to the Merger Agreement, Intel may increase the Offer Price and may make any other changes in the terms and conditions of the Offer, provided that, unless previously approved by the Company in writing, Intel may not (i) decrease the Offer Price, (ii) change the form of consideration payable in the Offer, (iii) decrease the number of Shares sought pursuant to the Offer, (iv) add additional conditions to the Offer, (v) amend the conditions to the Offer set forth in Annex A to the Merger Agreement to broaden their scope, (vi) amend the Minimum Condition, (vii) extend the Offer except as permitted by the terms of the Merger Agreement or (viii) make any other changes in the terms or conditions of the Offer which are adverse to holders of Shares.

Intel may, without the consent of the Company's Board of Directors, (i) from time to time extend the Offer if at the scheduled Expiration Date of the Offer any conditions to the Offer shall not have been satisfied or waived, (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "Commission") applicable to the Offer, and (iii) extend the Offer for any reason on one or more occasions for an aggregate period of not more than twenty business days beyond the latest Expiration Date that would otherwise be permitted under clauses (i) or (ii) of this sentence if on such Expiration Date there shall not have been tendered at least 90% of the outstanding Shares. In addition, if at any scheduled Expiration Date any of the conditions to the Offer have not been satisfied or waived by Intel, but are capable of being satisfied, Intel shall from time to time extend the Offer until such conditions are satisfied or waived, provided that Intel shall not be required to extend the Offer beyond October 31, 1997. As used in this Offer to Purchase, "business day" means with respect to the Merger Agreement any day, other than a day on which banks in the State of California are authorized to close or the Nasdaq National Market is closed. Purchaser confirms that its right to delay payment for Shares that it has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a tenderer pay the consideration offered or return the tendered securities promptly after the termination or withdrawal of a tender offer.

Subject to the applicable rules and regulations of the Commission, Intel expressly reserves the right, subject to the terms and conditions of the Merger Agreement, at any time and from time to time, upon the failure to be satisfied of any of the conditions to the Offer, to (i) terminate or amend the Offer, (ii) extend the Offer and postpone acceptance for payment of any Shares, or (iii) waive any condition, by giving oral or written notice of such termination, amendment, extension or waiver to the Depositary. During any such extension all Shares previously tendered and not properly withdrawn will remain subject to any such extension and will remain subject to the Offer, subject to the right of a tendering stockholder to withdraw such stockholder's Shares. In the event that Intel waives any of the conditions set forth in this Offer to Purchase under the caption "THE TENDER OFFER--15. Certain Conditions of the Offer," the Commission may, if the waiver is deemed to constitute a material change to the information previously provided to the stockholders, require that the Offer remain open for an additional period of time and/or that Purchaser disseminate information concerning such waiver.

If Purchaser extends the Offer, or if Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its payment for Shares or is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of Purchaser, and such Shares may not be withdrawn except to the extent tendering

stockholders are entitled to withdrawal rights as described in this Offer to Purchase under the caption "THE TENDER OFFER--3. Withdrawal Rights." However, as described above, the ability of Purchaser to delay payment for Shares that Purchaser has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials (including by public announcement as set forth above) and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. Such rules generally provide that the minimum period during which a tender offer must remain open following a material change in the terms of the offer or information concerning the offer, other than a change in price or a change in percentage of

securities sought, will depend upon the facts and circumstances, including the relative materiality of the changes in the terms or information. In the Commission's view, an offer should remain open for a minimum of five business days from the date a material change is first published, sent or given to securityholders, and, if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of ten business days may be required to allow for adequate dissemination and investor response. With respect to a change in price or a change in percentage of securities sought, a minimum ten-business day period is generally required to allow for adequate dissemination to stockholders and for investor response.

Any extension, amendment or termination of the Offer will be followed as promptly as practicable by public announcement in accordance with the public announcement requirements of Rule 14e-1(d) under the Exchange Act. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that any material change in the information published, sent or given to stockholders in connection with the Offer be promptly disseminated to stockholders in a manner reasonably designed to inform stockholders of such change) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

The Company has provided Purchaser with the Company stockholder list, a nonobjecting beneficial owners list, and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. PROCEDURE FOR ACCEPTING THE OFFER AND TENDERING SHARES

Valid Tender of Shares

For a stockholder to validly tender Shares pursuant to the Offer, either (i) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees, or an Agent's Message (as defined herein) in connection with a book-entry delivery of Shares, and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase, and either certificates ("Share Certificates") for tendered Shares must be received by the Depositary at one of such addresses or such tendered Shares must be delivered pursuant to the procedure for book-entry transfer set forth below (and a Book-Entry Confirmation (as defined herein) received by the Depositary), in each case prior to the Expiration Date, or (ii) the tendering stockholder must comply with the guaranteed delivery procedures set forth below.

Book-Entry Transfers

The Depositary will establish an account with respect to the Shares at The Depository Trust Company and the Philadelphia Depository Trust Company (each individually, a "Book-Entry Transfer Facility" and, collectively, the "Book-Entry Transfer Facilities") for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in a Book-Entry Transfer Facility

may make book-entry delivery of the Shares by causing the book-entry transfer system to transfer such Shares into the Depositary's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedure for such transfer. Although delivery of Shares may be effected through book-entry transfer at any Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message (as defined herein) in connection with a book-entry transfer, and any other required documents, must, in any case, be transmitted to, and received by, the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedures described below. The confirmation of a book-entry transfer of Shares into the Depositary's account at a Book-Entry Transfer Facility as described above is referred to herein as a "Book-Entry Confirmation." DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH ITS BOOK-ENTRY PROCEDURES DOES NOT CONSTITUTE VALID DELIVERY TO THE DEPOSITARY.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of the Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares, that such participant has received the Letter of Transmittal and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such

participant.

THE METHOD OF DELIVERY OF SHARES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND SOLE RISK OF THE TENDERING STOCKHOLDER AND DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED AT THE DEPOSITARY. IF DELIVERY IS BY MAIL, THEN INSURED OR REGISTERED MAIL WITH RETURN RECEIPT REQUESTED IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Signature Guarantees

No signature guarantee on the Letter of Transmittal is required if (i) the Letter of Transmittal is signed by the registered holder of the Shares (which term, for purposes of this Section, includes any participant in a Book-Entry Transfer Facility system whose name appears on a security position listing as the owner of the Shares) tendered therewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on such Letter of Transmittal, or (ii) such Shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each, an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If the Share Certificates are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made to, or Share Certificates not validly tendered, not accepted for payment or not purchased are to be issued or returned to, a person other than the registered holder of the Share Certificates, the tendered Share Certificates must be endorsed in blank or accompanied by appropriate stock powers, signed exactly as the name of the registered holder appears on the Share Certificates with the signature on such Share Certificates or stock powers guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal.

Guaranteed Delivery

If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's Share Certificates are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary prior to the Expiration Date, such

Shares may nevertheless be tendered provided that all of the following guaranteed delivery procedures are duly complied with:

(a) such tender is made by or through an Eligible Institution;

(b) the Depositary receives (by hand, mail, telegram or facsimile transmission) on or prior to the Expiration Date, a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser; and

(c) the Share Certificates representing all tendered Shares, in proper form for transfer (or Book-Entry Confirmation with respect to such Shares), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by the Letter of Transmittal, are received by the Depositary within three Nasdaq trading days after the date of such Notice of Guaranteed Delivery. A "Nasdaq trading day" is any day on which securities are traded on the Nasdaq National Market.

The Notice of Guaranteed Delivery may be delivered by hand, or may be transmitted by telegram, facsimile transmission or mail, to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (i) Share Certificates for (or a timely Book-Entry Confirmation with respect to) such Shares, (ii) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), or, in the case of book-entry transfer, an Agent's Message, and (iii) any other documents required by the Letter of Transmittal. Accordingly, tendering stockholders may be paid at different times depending upon when Share Certificates, Book-Entry Confirmations and such other documents are actually received by the Depositary. Under no circumstances will interest be paid by Purchaser on the purchase price of the Shares to any tendering stockholders, regardless of any extension of the Offer or any delay in making such payment.

Determination of Validity

All questions as to the validity, form, eligibility (including time of

receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser in its sole discretion, which determination will be final and binding. Purchaser reserves the absolute right to reject any or all tenders of any Shares that it determines are not in proper form or the acceptance for payment of or payment for which may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in the tender of any Shares with respect to any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. None of Purchaser, Intel, the Depositary, the Information Agent or any other person will be under any duty to give notice of any defects or irregularities in tenders or incur any liability for failure to give any such notice. Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Other Requirements

By executing the Letter of Transmittal as set forth herein, a tendering stockholder irrevocably appoints designees of Purchaser as such stockholder's proxies, each with full power of substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by Purchaser (and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after July 27, 1997), effective when, if and to the extent that Purchaser accepts such Shares for payment pursuant to the Offer. All such proxies shall be considered coupled with an interest in the tendered Shares. Upon such acceptance for payment, all prior proxies given by such stockholder with respect to such Shares accepted for payment or other securities or rights will, without further action, be revoked, and no subsequent proxies may be given. Such designees of Purchaser will, with respect to such Shares for which the appointment is effective, be empowered

to exercise all voting and other rights of such stockholder as they in their sole discretion may deem proper in respect of any annual or special meeting of the Company's stockholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's payment for such Shares, Purchaser must be able to exercise full voting rights with respect to such Shares.

Purchaser's acceptance for payment of Shares tendered pursuant to any of the procedures described herein will constitute a binding agreement between the tendering stockholder and Purchaser upon the terms and subject to the conditions of the Offer.

Backup Federal Income Tax Withholding

To prevent backup federal income tax withholding on payments of cash pursuant to the Offer, a stockholder tendering Shares in the offer must provide the Depositary with such stockholder's correct taxpayer identification number ("TIN") on a Substitute Form W-9 and certify under penalties of perjury that such TIN is correct and that such stockholder is not subject to backup withholding. If a stockholder does not provide its correct TIN or fails to provide the certification described herein, under federal income tax laws, the Depositary will be required to withhold 31% of the amount of any payment made to such stockholder pursuant to the Offer. All stockholders tendering Shares pursuant to the Offer should complete and sign the Substitute Form W-9 included as a part of the Letter of Transmittal to provide the information and certification necessary to avoid backup withholding. Noncorporate foreign stockholders should complete and sign a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depositary, in order to avoid backup withholding. See Instruction 10 to the Letter of Transmittal.

3. WITHDRAWAL RIGHTS

Tenders of Shares made pursuant to the Offer will be irrevocable, except that Shares tendered may be withdrawn at any time prior to the Expiration Date, and, unless theretofore accepted for payment and paid for as provided herein, may also be withdrawn at any time after September 29, 1997.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn as set forth on such Share Certificates if different from the name of the person who tendered such Shares. If Share Certificates have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be furnished to the Depositary and, unless such Shares have been tendered by an Eligible Institution, the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures

for book-entry transfer set forth in Section 2 above, any notice of withdrawal must specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with such withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures for withdrawal, in which case a notice of withdrawal will be effective if delivered to the Depositary by any method of delivery described in the first sentence of this paragraph.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser in its sole discretion, and its determination will be final and binding. None of Purchaser, the Depositary, the Information Agent or any other person will be obligated to give notice of any defects or irregularities in any notice of withdrawal, nor shall any of them incur any liability for failure to give any such notice.

Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by following one of the procedures described in Section 2 above at any time on or prior to the Expiration Date.

4. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), Purchaser will accept for payment, and will pay for, any and all Shares validly tendered on or prior to the Expiration Date and not properly withdrawn in accordance with Section 3 above promptly after the Expiration Date. Subject to applicable rules of the Commission and the terms and conditions of the Merger Agreement, Purchaser expressly reserves the right, in its sole discretion, to delay acceptance for payment of, or payment for, Shares in order to comply in whole or in part with any applicable law.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the Share Certificates (or timely Book-Entry Confirmation of the book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedures set forth under Section 2 above), (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and (iii) any other documents required by the Letter of Transmittal.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered to Purchaser and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance for payment of such Shares pursuant to the Offer. In all cases, upon the terms and subject to the conditions of the Offer, payment for Shares so accepted for payment will be made by the deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Purchaser and transmitting payment to validly tendering stockholders. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID BY PURCHASER ON THE PURCHASE PRICE OF THE SHARES TENDERED PURSUANT TO THE OFFER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PATENT. Upon the deposit of funds with the Depositary for the purpose of making payments to tendering stockholders, Purchaser's obligation to make such payments shall be satisfied and tendering stockholders must thereafter look solely to the Depositary for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Offer. Purchaser will pay any stock transfer taxes with respect to the transfer and sale to it or its order pursuant to the Offer, except as otherwise provided in Instruction 6 of the Letter of Transmittal, as well as any charges and expenses of the Depositary and the Information Agent.

If Purchaser is delayed in its acceptance for payment of, or payment for tendered Shares or is unable to accept for payment or pay for such Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer (but subject to Purchaser's obligations under Rule 14e-1(c) under the Exchange Act to pay for or return the tendered Shares promptly after the termination or withdrawal of the Offer), the Depositary may, nevertheless, retain tendered Shares on behalf of Purchaser, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to exercise, and duly exercise, withdrawal rights as described under Section 3 above.

If any tendered Shares are not purchased pursuant to the Offer because of an invalid tender or for any reason, Share Certificates for any such Shares will be returned, without expense, to the tendering stockholder (or, in the case of Shares delivered by book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedures set forth under Section 2 above, such Shares will be credited to an account maintained at such Book-Entry Transfer Facility) as promptly as practicable following the expiration or termination of the Offer.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The summary of Federal income tax consequences set forth below is for general information only and is based on Purchaser's understanding of the law as currently in effect. The tax consequences to each stockholder will depend in part upon such stockholder's particular situation. Special tax consequences not described herein may be applicable to particular classes of taxpayers, such as financial institutions, broker-dealers, persons who

are not citizens or residents of the United States and stockholders who acquired their Shares through the exercise of an employee stock option or otherwise as compensation. ALL STOCKHOLDERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OFFER AND THE MERGER TO THEM, INCLUDING THE APPLICABILITY AND EFFECT OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL OR FOREIGN INCOME AND OTHER TAX LAWS AND OF CHANGES IN SUCH TAX LAWS.

The receipt of cash for Shares pursuant to the Offer (or the Merger) will be a taxable transaction for federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign tax laws. Generally, for federal tax purposes, a stockholder who receives cash for Shares pursuant to the Offer (or the Merger) will recognize gain or loss for federal income tax purposes equal to the difference between the amount of cash received in exchange for the Shares sold and such stockholder's adjusted tax basis in such Shares. Provided that the Shares constitute capital assets in the hands of the stockholder, such gain or loss will be capital gain or loss, and will be long term capital gain or loss if the holder has held the Shares for more than one year at the time of sale. Gain or loss will be calculated separately for each block of Shares (i.e., a group of Shares with the same tax basis and holding period) tendered pursuant to the Offer.

A stockholder (other than certain exempt stockholders including, among others, all corporations and certain foreign individuals and entities) that tenders Shares may be subject to 31% backup withholding unless the stockholder provides its TIN and certifies that such number is correct or properly certifies that it is awaiting a TIN, or unless an exemption applies. A stockholder who does not furnish its TIN may be subject to a penalty imposed by the Internal Revenue Service (the "IRS"). See Section 2.

If backup withholding applies to a stockholder, the Depositary is required to withhold 31% from payments to such stockholder. Backup withholding is not an additional tax. Rather, the amount of the backup withholding can be credited against the federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the stockholder upon filing an appropriate income tax return.

6. PRICE RANGE OF THE SHARES

The Shares are traded on the Nasdaq National Market under the symbol CHPS. The following table sets forth, for the periods indicated, the high and low sales prices of the Common Stock as reported on the Nasdaq National Market:

<TABLE>
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	TRADING	
	HIGH	LOW
<S>	<C>	<C>
Fiscal Year Ended June 30, 1996:		
First Quarter	$ 15.88	$11.88
Second Quarter	$ 13.88	$ 7.88
Third Quarter	$ 10.13	$ 8.00
Fourth Quarter	$ 12.38	$ 8.63
Fiscal Year Ended June 30, 1997:		
First Quarter	$ 14.50	$ 8.88
Second Quarter	$ 26.50	$12.88
Third Quarter	$ 22.38	$10.38
Fourth Quarter	$ 11.88	$ 7.88
Fiscal Year Ending June 30, 1998:		
First Quarter (through July 31, 1997)	$ 17.31	$10.25

</TABLE>

On July 25, 1997, the last full day of trading prior to the public announcement of the execution of the Merger Agreement, according to published sources, the last reported sale price of the Common Stock on the Nasdaq National Market was $14.00 per Share. On July 31, 1997, the last full day of trading before the commencement of the Offer, according to published sources, the last reported sale price of the Common Stock

on the Nasdaq National Market was $16.875 per Share. STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE COMMON STOCK.

7. CERTAIN INFORMATION CONCERNING THE COMPANY

General

The Company is a Delaware corporation with its principal offices located at 2950 Zanker Road, San Jose, California 95134.

The Company is a leading supplier of highly integrated semiconductor and software solutions to personal computer manufacturers. The Company's solutions provide enhanced graphics, video and other advanced display capabilities, primarily for portable computers. The Company is currently the world's leading supplier of graphics and video controllers for portable computers. Some of the Company's customers are ACER, Apple Computer, DEC, Hewlett Packard, IBM, NEC and Toshiba.

Available Information

The Shares are registered under the Exchange Act. Accordingly, the Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Certain information, as of particular dates, concerning the Company's directors and officers (including their remuneration, stock options granted to them and shares held by them), the principal holders of the Company's securities, and any material interest of such persons in transactions with the Company is required to be disclosed in proxy statements and annual reports distributed to the Company's stockholders and filed with the Commission. Such reports, proxy statements and other information are available for inspection and copying at the public reference facilities of the Commission located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located in Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of this material may also be obtained by mail, upon payment of the Commission's customary fees from the Commission's principal office at 450 Fifth Street. N.W., Washington, D.C. 20549. The Commission also maintains an Internet site on the World Wide Web at <http://www.sec.gov> that contains reports, proxy statements and other information. In addition, such material should also be available for inspection at The Nasdaq Stock Market, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

Summary Financial Information

The following table sets forth certain summary consolidated financial information with respect to the Company and its consolidated subsidiaries derived from the audited financial statements contained in the Company's 1996 Annual Report on Form 10-K and the unaudited financial statements contained in the Company's Quarterly Reports on Form 10-Q dated March 31, 1996 and March 31, 1997. The summary below is qualified by reference to such document (which may be inspected and obtained as described above under "Available Information"), including the financial statements and related notes contained therein.

THE COMPANY AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

<TABLE>
<CAPTION>

	NINE MONTHS ENDED		FISCAL YEAR ENDED		
	MARCH 31, 1997	MARCH 31, 1996	JUNE 30, 1996	JUNE 30, 1995	JUNE 30, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Net Sales	$ 130,476	$ 111,992	$150,788	$104,731	$ 73,444
Gross margin	61,072	43,776	60,936	39,856	26,480
Operating Income (loss)	24,515	13,531	19,495	9,748	(1,077)
Net income	27,474	19,821	25,750	9,388	2,714
Net income per share: (1)	1.19	0.91	1.18	0.47	0.16
Shares used in computing net income per share (1)	23,079	21,905	21,791	20,182	16,623

</TABLE>

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	AT MARCH 31,				
	1997	1996	AT JUNE 30, 1996		
<S>	<C>	<C>	<C>	<C>	<C>

Balance Sheet Data:			
Cash and Short-term investments	$ 79,771	$51,572	$ 59,345
Current assets	108,083	72,717	84,305
Total assets	141,406	97,978	108,071
Current liabilities	21,202	18,912	23,886
Long-term debt	959	1,307	796
Total shareholders' equity	119,245	77,759	83,389
Shares outstanding at end of period	21,953	20,472	20,620

</TABLE>

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(1) Fully diluted earnings per share and shares used in computing fully diluted earnings per share were not materially different from primary earnings per share and shares used in computing primary earnings per share.

Except as otherwise noted in this Offer to Purchase, all of the information with respect to the Company set forth in this Offer to Purchase has been derived from publicly available information. Although Purchaser has no knowledge that any such information is untrue, Purchaser takes no responsibility for the accuracy or completeness of information contained in this Offer to Purchase with respect to the Company or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information.

Certain Recent Developments

On July 17, 1997, the Company announced that for its fiscal year ended June 30, 1997 ("Fiscal 1997"), it had revenues of $168,000,000 compared to the $151,000,000 reported for its fiscal year ended June 30, 1996 ("Fiscal 1996"). It also reported Fiscal 1997 net income of $36,200,000 or $1.58 per share compared to the $25,800,000 or $1.18 per share reported in Fiscal 1996. The Company reported that Fiscal 1997 results include gains from the sale of shares of Advanced Micro Devices, Inc. of $3,100,000, or $0.13 per share, in the quarter ended March 31, 1997 and $3,700,000, or $0.16 per share, in the quarter ended June 30, 1997.

8. CERTAIN INFORMATION CONCERNING PURCHASER AND INTEL

Purchaser is a Delaware corporation with its principal executive offices located at 2200 Mission College Boulevard, Santa Clara, California 95052-8119. Purchaser is a wholly-owned subsidiary of Intel which was organized to acquire the Company and has not conducted any unrelated activities since its organization. Purchaser is acting with the consent of the Company on behalf of Intel in making the Offer. The making of the Offer is Intel's responsibility under the terms of the Merger Agreement and the making of the Offer by Purchaser does not in any way reduce Intel's obligations, duties and liabilities under the Merger Agreement.

Intel is a Delaware corporation with its principal office located at 2200 Mission College Boulevard, Santa Clara, California 95052-8119. Intel and its subsidiaries operate mainly in one industry segment. Intel designs, develops, manufactures and markets microcomputer components and related products at various levels of integration. Intel's principal components consist of silicon-based semiconductors etched with complex patterns of transistors. Each one of these integrated circuits can perform the functions of thousands--some even millions--of individual transistors, diodes, capacitors and resistors.

Set forth below is certain selected consolidated financial information with respect to Intel and its subsidiaries excerpted from the information contained in Intel's 1996 Annual Report to Stockholders (the "Intel 1996 Annual Report") and Intel's Quarterly Report on Form 10-Q for the quarter ended March 29, 1997 (the "Intel 1997 10-Q"). More comprehensive financial information is included in the Intel 1996 Annual Report, the Intel 1997 10-Q and other documents filed by Intel with the Commission, and the following summary is qualified in its entirety by reference to the Intel 1996 Annual Report, the Intel 1997 10-Q and such other documents and all the financial information (including any related notes) contained therein. The Intel 1996 Annual Report, the Intel 1997 10-Q and such other documents should be available for inspection and copies thereof should be obtainable in the manner set forth below under "Available Information."

INTEL CORPORATION AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 28,	DECEMBER 30,	DECEMBER 31,	MARCH 29,	MARCH 30,

	1996	1995	1994	1997	1996
				(UNAUDITED)	
Summary of Earnings Data:					
Net revenues	$ 20,847	$ 16,202	$ 11,521	$ 6,448	$ 4,644
Operating income	$ 7,553	$ 5,252	$ 3,387	$ 2,867	$ 1,305
Net income	$ 5,157	$ 3,566	$ 2,288	$ 1,983	$ 894
Earnings per common and common equivalent share(1)	$ 2.90	$ 2.02	$ 1.31	$ 1.10	$ 0.51

	AT DECEMBER 28, 1996	AT DECEMBER 30, 1995		AT MARCH 29, 1997	
				(UNAUDITED)	
Balance Sheet Data:					
Total assets	$ 23,735	$ 17,504		$ 25,102	
Total current liabilities	$ 4,863	$ 3,619		$ 5,501	
Total liabilities	$ 6,863	$ 5,364		$ 7,994	
Total stockholders' equity	$ 16,872	$ 12,140		$ 17,108	

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(1) Per share numbers have been restated to reflect a 2 for 1 stock split effected as a special stock distribution and paid July 13, 1997.

Available Information. Intel is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports relating to its business, financial condition and other matters. Information, as of particular dates, concerning Intel's directors and officers, their remuneration, stock options and other matters, the principal holders of Intel's securities and any material interest of such persons in transactions with Intel is required to be disclosed in proxy statements distributed to Intel's stockholders and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the Commission and copies thereof should be obtainable from the Commission in the same manner as is set forth with respect to the Company in Section 7.

The name, business address, citizenship, present principal occupation or employment and five-year employment history of each of the executive officers of Intel and Purchaser are set forth in Schedule I hereto.

Except as described in this Offer to Purchase (i) none of Intel or Purchaser nor, to the best of Intel's and the Purchaser's knowledge, any of the persons listed in Schedule I hereto, or any associate or majority-owned subsidiary of Intel or any of the persons so listed, beneficially owns or has any right to acquire directly or indirectly any Shares or has any contract, arrangement, understanding or relationship with any other person with respect to any Shares, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any Shares, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss, or the giving or withholding of proxies, and (ii) none of Intel or Purchaser nor to the best knowledge of Intel and Purchaser, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in the Shares during the past 60 days.

Except as set forth in this Offer to Purchase, since June 30, 1994, neither Intel or Purchaser nor, to the best knowledge of Intel and Purchaser, any of the persons listed on Schedule I hereto, has had any transaction with the Company or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the Commission applicable to the Offer. Except as set forth in this Offer to Purchase, since June 30, 1994 there have been no contracts, negotiations or transactions between Intel, or any of its subsidiaries or, to the best knowledge of Intel and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and the Company or its affiliates, on the other hand, concerning a merger, consolidation or acquisition; a tender offer for or other acquisition of securities of any class of the Company; an election of directors of the Company; or a sale or other transfer of a material amount of assets of the Company or any of its subsidiaries.

9. SOURCE AND AMOUNT OF FUNDS

The total amount of funds required by Purchaser to purchase the Shares will be approximately $416 million. Purchaser plans to obtain all funds needed for the Offer through a capital contribution, which will be made by Intel to

Purchaser at the time the Shares tendered pursuant to the Offer are accepted for payment. Intel intends to use its available cash on hand to make this capital contribution. Neither the Offer nor the Merger is conditioned on obtaining financing.

10. CERTAIN TRANSACTIONS BETWEEN INTEL AND THE COMPANY

Intel has been developing a graphics component for the desktop PC market segment. Under an agreement with Lockheed-Martin Corporation dated May 3, 1996, the Company is the identified subcontractor for providing 2D and video engineering elements for that project. The project is expected to be completed by December, 1997. As consideration for the 2D and video technology being licensed, Intel agreed to pay a royalty to Lockheed-Martin Corporation for the products sold under the agreement and Lockheed-Martin Corporation agreed to pay the Company a portion of those royalties received from Intel as compensation for the Company's 2D and video technology. Intel is discussing with Lockheed-Martin Corporation amending the royalty provisions to take on the direct obligation to pay royalties on the Intel parts to the Company, rather than having those royalties flow through Lockheed-Martin Corporation.

Intel and the Company have a standing Confidential Non-Disclosure Agreement (the "CNDA"). As part of normal business practices with independent hardware vendors to the PC industry, Intel will discuss technology trends so that PC-system providers are better served. Under the CNDA, Intel has discussed certain technology trends related to mobile PC systems technology with the Company.

11. CONTACTS WITH THE COMPANY; BACKGROUND OF THE OFFER AND THE MERGER

On May 8, 1997, an initial meeting was held in San Jose, California. Attending the meeting on behalf of Intel were Leslie Vadasz, Senior Vice President of Corporate Business Development and a member of Intel's Board of Directors; Arvind Sodhani, Vice President and Treasurer; Stephen Nachtsheim, Vice President and Larry Palley, Director of Business Development, Platform Components Division. Jim Stafford, the President and Chief Executive Officer of the Company, attended the meeting on behalf of the Company. The

representatives from each company discussed the plans and goals of their respective companies in order to determine whether or not the parties had mutual interests and should proceed with further discussions.

On June 5, 1997, Pat Gelsinger, Vice President; Stephen Nachtsheim, Randy Tinsley, Assistant Treasurer responsible for Mergers & Acquisitions and Larry Palley of Intel met with Mr. Stafford, Morris Jones, Chief Technical Officer, Tim Christofferson, Chief Financial Officer, Jeffery Anne Tatum, General Counsel, and Larry Roffelson, Vice President of Engineering at the Company's headquarters in San Jose, California to learn more about the Company's business. Following this meeting, Messrs. Gelsinger, Tinsley and Palley met with Messrs. Stafford and Jones to discuss generally the goals and objectives of a possible acquisition of the Company by Intel and some of the potential general terms and conditions that might apply to such a transaction.

On June 17, 1997, Randy Tinsley visited Jim Stafford at the Company's headquarters in San Jose, California and with Pat Gelsinger participating by telephone discussed in more detail potential terms and conditions of an acquisition of the Company by Intel.

On June 25, 1997 Pat Gelsinger and Randy Tinsley met with Jim Stafford, Jeffery Anne Tatum and representatives from Hambrecht & Quist in San Jose, California to discuss issues surrounding valuation of the Company.

On July 10, 1997, Leslie Vadasz and Randy Tinsley met with Jim Stafford at the Company's headquarters in San Jose, California to further discuss issues surrounding valuation of the Company in the context of an acquisition of the Company by Intel.

On July 15, 1997, Jim Stafford met with Leslie Vadasz, Arvind Sodhani and Randy Tinsley at Intel's headquarters in Santa Clara, California to further discuss issues related to valuation and structure of a possible acquisition of the Company by Intel.

On July 16, 1997, Intel's Board of Directors reviewed the proposed transaction and granted authority to management to seek to negotiate and execute a binding agreement within certain guidelines. Following the meeting of the Board of Directors, Randy Tinsley spoke with Jim Stafford and provided to him the possible terms and conditions for a potential acquisition of the Company by Intel. Later that evening, Mr. Stafford informed Mr. Tinsley that the Company's board had instructed him to inform Intel that such terms and conditions were not acceptable to the Company.

On July 17 and 18, 1997, representatives of Hambrecht & Quist LLC had discussions with representatives of Intel.

On July 19, 1997 and July 20, 1997, Leslie Vadasz and Jim Stafford spoke several times by telephone, discussing the price and structure of a possible acquisition of the Company by Intel.

On July 21, 1997, Leslie Vadasz, Arvind Sodhani and Randy Tinsley met with Jim Stafford and Jeffery Anne Tatum to discuss issues surrounding valuation of the Company in the context of a purchase of the Company by Intel. Late in the evening of July 21, 1997, Mr. Stafford and Mr. Vadasz spoke by telephone and concluded that if an acquisition were to occur, it would have to be at a price of $17.50 per Share.

Beginning July 22, 1997 and until the signing of the Merger Agreement on July 27, 1997, representatives of Intel and the Company met daily to complete negotiations of the terms and conditions of an acquisition and to draft an acquisition agreement.

At a meeting on July 27, 1997, the Board of Directors of the Company unanimously approved the Offer and the Merger. At the same meeting, the Board unanimously (a) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, taken together, are fair to and in the best interests of the Company's stockholders, (b) adopted and approved the Merger Agreement and authorized the execution thereof by the Company, and (c) recommended that the Company's stockholders accept the Offer, tender their Shares thereunder and, if required by applicable law, adopt and approve the Merger Agreement.

12. PURPOSE OF THE OFFER; THE MERGER AGREEMENT

Purpose and Structure. The purpose of the Offer is for Intel to acquire the entire equity interest in the Company. The purpose of the Merger is for Intel to acquire all of the equity interest in the Company not acquired pursuant to the Offer. Upon consummation of the Merger, the Company will become a direct, wholly-owned subsidiary of Intel. The acquisition of the entire equity interest in the Company has been

structured as a cash tender offer followed by a cash merger in order to provide a prompt transfer of ownership of the equity interest in the Company held by the Company's stockholders from them to Intel and to provide them with cash for all of their Shares.

Under the DGCL, the approval of the Board and, under certain circumstances, the affirmative vote of the holders of a majority of the outstanding Shares are required to approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger. If Intel acquires a majority of the Shares, it will have sufficient voting power to cause the approval and adoption of the Merger Agreement and the transactions contemplated thereby without the affirmative vote of any other stockholder of the Company.

In the Merger Agreement, the Company has agreed to take all action necessary to convene a special meeting of its stockholders as promptly as practicable after the consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby, if such action is required under the DGCL. Intel has agreed that all Shares owned by it and any of its affiliates will be voted in favor of the Merger Agreement and the transactions contemplated thereby.

Under the DGCL, if, following consummation of the Offer, Intel owns at least 90% of the Shares then outstanding, Intel will be able to cause the Merger to occur without a vote of the Company's stockholders. In such event, Intel and the Company have agreed to take all necessary and appropriate action to cause the Merger to become effective as soon as reasonably practicable after consummation of the Offer without a meeting of the Company's stockholders. If, following consummation of the Offer, Intel owns less than 90% of the Shares then outstanding, a vote of the Company's stockholders will be required under the DGCL to approve the Merger, and a significantly longer period of time will be required to effect the Merger. See "THE TENDER OFFER--15. Certain Conditions of the Offer." However, if following consummation of the Offer, Intel owns less than 90% of the Shares then outstanding, the Company has granted Intel an option to purchase up to that number of authorized and unissued Shares which equals 19.99% of the Shares outstanding immediately prior to the exercise of such option. The purchase of Shares pursuant to such Option may, under certain circumstances, allow Intel to increase its ownership of Shares above 90% in order to consummate the Merger without a vote of the stockholders of the Company. In addition, Intel reserves the right to purchase additional Shares in the open market.

The Merger Agreement

The following summary of certain provisions of the Merger Agreement is presented only as a summary and is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached to the Schedule 14D-1.

The Offer. The Merger Agreement provides for the making of the Offer.

Purchaser is acting with the consent of the Company on behalf of Intel in making the Offer. The making of the Offer is Intel's responsibility under the terms of the Merger Agreement and the making of the Offer by Purchaser does not in any way reduce Intel's obligations, duties and liabilities under the Merger Agreement. Intel's obligation to accept for payment or pay for Shares is subject to the satisfaction of the conditions that are described in "THE TENDER OFFER--15. Certain Conditions of the Offer." Pursuant to the Merger Agreement, Intel expressly reserves the right to waive any of the conditions to the Offer, to the extent permitted by applicable law, and to make any change in the terms or conditions of the Offer; provided that, without the written consent of the Company, Intel may not decrease the Offer Price, modify the Minimum Condition, change the form of consideration payable, decrease the number of Shares sought, amend the conditions to the Offer to broaden the scope of such conditions, amend any other term of the Offer in a manner adverse to the holders of Shares or extend the Offer (except as permitted by the Merger Agreement) in any manner that is materially adverse to the holders of Shares. Notwithstanding the foregoing, Intel may (i) extend the expiration date from time to time if at the date of the Offer all conditions to the Offer have not been satisfied or waived, (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the Commission applicable to the Offer, and (iii) extend the Offer for any reason on one or more occasions for an aggregate period of not more than twenty (20) business days beyond the latest Expiration Date that would otherwise be permitted as described in clauses (i) or (ii) of this sentence if on such expiration date there shall not have been tendered at

least 90% of the outstanding Shares. If all conditions to the Offer are not satisfied but are reasonably capable of being satisfied, Intel shall extend the Offer until the waiver or the satisfaction of such conditions; provided that Intel shall not be required to extend the Offer beyond October 31, 1997.

The Merger. As soon as practicable after the satisfaction or waiver of the conditions to the Merger, Purchaser will be merged with and into the Company, as a result of which the separate corporate existence of Purchaser will cease and the Company will continue as the Surviving Corporation. The Effective Time will occur at the date and time that a certificate of merger in such form as is required by, and executed in accordance with, the relevant provisions of Delaware Law (the "Certificate of Merger") is filed with the Secretary of State of the State of Delaware. The Surviving Corporation shall continue its corporate existence under the laws of the State of Delaware. In the Merger, each outstanding Share (other than Shares held by Intel, Purchaser or any other subsidiary of Intel or held in the treasury of the Company or by any subsidiary of the Company, which will be canceled and retired without any payment with respect thereto, or Shares with respect to which the holder properly exercises such holder's dissenters' rights under the DGCL) will be converted into the right to receive the Offer Price, without interest thereon (the "Merger Consideration"). Each share of common stock of Purchaser issued and outstanding immediately prior to the Effective Time will be converted into one share of common stock of the Surviving Corporation. The Certificate of Incorporation of the Company at the Effective Time will be the Certificate of Incorporation of the Surviving Corporation until modified in accordance with applicable law. The Bylaws of Purchaser in effect at the Effective Time shall be the Bylaws of the Surviving Corporation. The directors of Purchaser at the Effective Time will be the directors of the Surviving Corporation until their successors are duly elected and qualified, and the officers of the Company at the Effective Time will be the officers of the Surviving Corporation until replaced in accordance with the Bylaws of the Surviving Corporation.

Stockholders' Meeting. The Merger Agreement provides that, if required by applicable law, the Company, acting through the Board, will call a meeting of its stockholders to be held as promptly as practicable following the acceptance for payment of Shares pursuant to the Offer for the purpose of considering and voting on the approval of the Merger and adoption of the Merger Agreement. Under the Merger Agreement, Intel has agreed to vote, or cause to be voted, at any such meeting all Shares owned by it, Purchaser or any other subsidiary of Intel in favor of the Merger.

Representations and Warranties. The Merger Agreement contains various representations and warranties of the parties thereto. These include representations and warranties of the Company with respect to corporate existence and power, capitalization, subsidiaries, corporate authorization relative to the Merger Agreement, governmental consents and approvals, Commission reports, financial statements, documents relating to the Offer and the Merger, the Rights Agreement and other matters. Intel and Purchaser have also made certain representations and warranties with respect to corporate existence and power, corporate authorization relative to the Merger Agreement, governmental consents and approvals, documents relating to the Offer and the Merger, financing of the Offer and the Merger, and other matters.

Conduct of Business Pending the Merger. The Company has agreed that, prior to the acceptance for payment and purchase of Shares pursuant to the Offer, unless Intel shall otherwise agree, or as otherwise contemplated in the Merger Agreement, (i) the business of the Company and its subsidiaries will be conducted only in the ordinary and usual course, (ii) the Company will not,

among other things, (a) sell or pledge or agree to sell or pledge any stock owned by it or any of its subsidiaries, (b) amend its Certificate of Incorporation or Bylaws, or (c) split, combine or reclassify the outstanding Shares or (d) declare, set aside or pay any dividend payable in cash, stock or property with respect to the Shares, and (iii) neither the Company nor any of its subsidiaries will, except under certain circumstances as set forth in the Merger Agreement, (a) issue or agree to issue any additional shares of, or rights of any kind to acquire any shares of, its capital stock of any class other than Shares issuable pursuant to presently outstanding Options, (b) transfer property or assets, (c) assume the obligations of any other person, (d) make any loans to any other person, (e) make any capital expenditures in excess of certain limits, (f) enter into employment agreements except for agreements with certain employees, (g) enter into or amend any compensation or benefit plan, (h) change any accounting principles or practices, (j) compromise any material claims; (k) make a tax election, (l) take any action which would cause the representations and warranties contained in the Merger Agreement to become

untrue, or (m) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing.

Conditions to the Merger. The obligation of each of the Company, Intel and Purchaser to consummate the Merger is subject to the satisfaction or waiver of each of the following conditions: (i) the Merger Agreement and the transactions contemplated thereby shall have been approved and adopted by the requisite vote of the stockholders, if such vote is required by applicable law, (ii) any governmental consents or approvals required to consummate the Merger shall have been obtained (except where the failure to obtain such consents or approvals would not have a material adverse effect on (a) the Company and its subsidiaries, taken as a whole, or (b) Intel's ability to consummate the transactions contemplated by the Merger Agreement), and (iii) no statute, rule, regulation, decree, order or injunction shall have been promulgated, enacted, entered or enforced by any United States governmental agency or authority or court which remains in effect and prohibits, restrains, enjoins or restricts the consummation of the Merger or makes the acquisition or holding by Intel, its subsidiaries or affiliates of the Shares or the shares of common stock of the Surviving Corporation illegal. The obligations of Intel and Purchaser to effect the Merger are also subject to (i) the representations and warranties of the Company being true as of the closing date of the Merger, and (ii) the Company having complied with the obligations to be performed by it under the Merger Agreement. The obligations of the Company to complete the Merger is also subject to (i) the representations and warranties of Intel and Purchaser being true as of the closing date of the Merger, and (ii) each of Intel and Purchaser having performed its obligations to be performed by it under the Merger Agreement.

Third Party Acquisition. Pursuant to the Merger Agreement, the Company has agreed it will not initiate, solicit or otherwise encourage or facilitate any proposal for a Third Party Acquisition (as defined) of the Company. The Company also agreed not to provide confidential information or engage in discussion with any person regarding a Third Party Acquisition unless required to do so in order to comply with the fiduciary duties of the Board of Directors of the Company. The Company agreed to promptly notify Intel regarding any proposals, negotiations or inquiries regarding a Third Party Acquisition. The Company may only accept a proposal regarding a Third Party Acquisition if (i) the Board of Directors of the Company determines in good faith that it is necessary to do so in order to comply with its fiduciary duties, (ii) such proposal, among other things, is reasonably capable of being completed and is more favorable to the Company's shareholders than the Merger, (iii) the Company has provided written notice to Intel regarding the material terms of such proposed Third Party Acquisition, (iv) Intel has not, within five business days of receiving such notice, made an offer which is as favorable to the Company's stockholders as such proposal, and (v) the Company has made the first payment to Intel described in the last sentence of the following paragraph.

Termination. The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after stockholder approval thereof, (i) by the mutual consent of Intel and the Company; (ii) by either Intel or the Company if any non-appealable order has been entered permanently restraining the Merger; (iii) by the Company if, (a) prior to the purchase of Shares pursuant to the Offer, the Company enters into a definitive agreement providing for an acquisition of the Company by a third party on terms superior to the Offer and the Company makes the first payment described in the last sentence of this paragraph, (b) Intel breaches or fails in any material respect to perform or comply with any of the material covenants and agreements in the Merger Agreement or breaches its representations and warranties in any material respect and such failure is not cured prior to the earlier of twenty days after notice of such breach is given or two days before the Offer expires, or (c) after October 31, 1997, Intel fails to purchase any Shares pursuant to the Offer, provided that the Company is not in material breach of the Merger Agreement; or (iv) by Intel if, (a) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn, or modified or changed in a manner adverse to Intel, its approval or recommendation of the Offer, the Merger Agreement or the Merger, (b) it shall have terminated the Offer without purchasing any Shares thereunder, provided that Intel has not failed to purchase

the Shares in the Offer in breach of the terms thereof, (c) there has been a material breach by the Company of any representation, warranty, covenant or agreement that is not cured within twenty days after notice of such breach is given, and (d) after January 15, 1998, the Merger has not been consummated and no material breach of the Merger Agreement by Intel is the proximate cause of such failure to consummate the Merger.

Upon the termination of the Merger Agreement under certain circumstances where a proposal for a Third Party Acquisition has been made, the Company shall pay to Intel $5,000,000 and, if a Third Party Acquisition is consummated, an additional $8,000,000.

Amendment and Waiver. The Merger Agreement can only be amended by a written agreement executed by the parties.

Expenses. Except as described below, each party will bear its own expenses in connection with the Offer and the Merger. Upon termination of the Merger Agreement, under certain circumstances the Company has agreed to pay Intel $2,000,000 to reimburse Intel for its costs and expenses in connection with the Offer and the Merger.

Rights Agreement. The Board of Directors of the Company has made a determination that the Merger Agreement and the transactions contemplated thereby are at a price and on terms which are adequate and are otherwise in the best interests of the Company and its stockholders. Therefore, the Offer is a Permitted Offer (as defined in the Rights Agreement) and the Rights shall expire upon the consummation of the Merger.

Interests of Certain Persons in the Merger

Except as described below, each outstanding stock option (an "Option") granted under the Company's Amended and Restated 1994 Stock Option Plan will be assumed and converted in accordance with the terms of the Merger Agreement and the Amended and Restated 1994 Stock Option Plan into options to purchase shares of common stock of Intel (an "Intel Option"). Each Option to purchase a share will be converted into an Intel Option to purchase 0.197656 shares of Intel's common stock and the Option's exercise price will be adjusted so that the exercise price per share of an Intel Option will equal the current Option's per share exercise price divided by 0.197656. Unvested Options to purchase 4,922 Shares held by one Director of the Company will not be assumed because the vesting of such Options will be accelerated in connection with the Merger.

It is anticipated that ten of the Company's executive officers and senior staff members will enter into employment agreements with Intel. Under these agreements unvested Options (and possibly vested Options) granted under the Amended and Restated 1994 Stock Option Plan held by such employees will not be converted into Intel Options. Instead they will be terminated voluntarily by the holders thereof at the effective time of the Merger in exchange for the establishment of non-qualified deferred compensation accounts which will vest on a schedule corresponding to the vesting schedule of their terminated Options. The employment agreements will provide for the immediate vesting of such non-qualified deferred compensation accounts upon the termination for any reason of such executive's employment. The deferred compensation accounts will be in amounts in each case equal to the difference between $17.50 and the exercise price of the executive's Options multiplied by the number of Shares covered by the executive's Options. The value of the deferred compensation accounts (based solely upon the value of unvested Options) for the five most highly compensated executive officers of the Company will be approximately as follows: Mr. Stafford ($1,287,000); Mr. Angelo ($497,023); Mr. Christopher ($452,909); Mr. Jones ($452,917); and Mr. Roffelsen ($497,023).

The Merger Agreement does not provide for the assumption of any options issued under the Company's Amended and Restated Employee Stock Purchase Plan or the Company's First Amended 1988 Non-Qualified Stock Option Plan for Outside Directors. However, the vesting of unvested options issued under the Company's First Amended 1988 Non-Qualified Stock Option Plan for Outside Directors will be accelerated prior to the Merger. All options issued and outstanding under the Company's Amended and Restated Employee Stock Purchase Plan have already vested according to the terms of such plan. All options issued under the Company's First Amended 1988 Non-Qualified Stock Option Plan for Outside Directors and the Company's Amended and Restated Employee Stock Purchase Plan will terminate unless exercised prior to the Merger.

As noted above, it is anticipated that ten of the Company's executive officers and senior staff will enter into employment agreements relating to the period following the Merger. Although these agreements have not yet been finalized, it is anticipated that they will generally have terms of from six months to two years, provide

for transition bonuses and will contain severance provisions providing for payments of up to one year's salary in connection with certain terminations of

employment. Because the compensation packages historically offered by the Company and the compensation packages offered by Intel differ in a number of material respects, comparisons between the compensation paid by the Company and the compensation paid by Intel are difficult. However, it is anticipated that the salary components of such packages will be roughly comparable and the bonuses in the Intel compensation package may, depending on the performance of Intel, result in increased compensation to such employees.

Pursuant to the Merger Agreement, the Surviving Corporation (or any successor) will indemnify, defend and hold harmless the present and former officers and directors of the Company and its subsidiaries against all losses, claims, damages, liabilities, fees, costs and expenses arising out of actions or omissions to the full extent permitted under Delaware law, subject to the Company's Certificate of Incorporation, Bylaws and indemnification agreements, all as in effect on the date of the Merger Agreement. In addition, for not less than six years after the Effective Time, Intel or the Surviving Corporation shall maintain the Company's existing officers' and directors' liability insurance (subject to certain maximum premium payments) or the Company, subject to certain limitations, may purchase such insurance prior to the consummation of the Merger.

Rights Of Stockholders In The Merger

No appraisal rights are available in connection with the Offer. If the Merger is consummated, however, stockholders of the Company who have not sold their Shares will have certain rights under the DGCL to dissent and demand appraisal of, and to receive payment in cash of the fair value of, their Shares. Stockholders who perfect such rights by complying with the procedures set forth in Section 262 of the DGCL ("Section 262") will have the fair value of their Shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) determined by the Delaware Court of Chancery and will be entitled to receive a cash payment equal to such fair value from the Surviving Corporation. In addition, such dissenting stockholders would be entitled to receive payment of a fair rate of interest from the date of consummation of the Merger on the amount determined to be the fair value of their Shares. In determining the fair value of the Shares, the court is required to take into account all relevant factors. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the Shares, including, among other things, asset values and earning capacity. In Weinberger v. UOP, Inc., the Delaware Supreme Court stated that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in an appraisal proceeding. The Weinberger court also noted that under Section 262, fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the merger." In Cede & Co. v. Technicolor, Inc., however, the Delaware Supreme Court stated that, in the context of a two-step cash merger, "to the extent that value has been added following a change in majority control before cash-out, it is still value attributable to the going concern," to be included in the appraisal process. As a consequence of the foregoing, the fair value determined in any appraisal proceeding could be the same as or more or less than the Merger Consideration.

THE FOREGOING SUMMARY OF THE RIGHTS OF DISSENTING STOCKHOLDERS DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE PROCEDURES TO BE FOLLOWED BY STOCKHOLDERS DESIRING TO EXERCISE ANY AVAILABLE APPRAISAL RIGHTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SECTION 262 INCLUDED HEREWITH IN ANNEX A. THE PRESERVATION AND EXERCISE OF APPRAISAL RIGHTS ARE CONDITIONED ON STRICT ADHERENCE TO THE APPLICABLE PROVISIONS OF THE DGCL.

Going Private Transactions

The Merger would have to comply with any applicable Federal law operating at the time of its consummation. Rule 13e-3 under the Exchange Act is applicable to certain "going private" transactions. Purchaser does not believe that Rule 13e-3 will be applicable to the Merger unless the Merger is consummated more than one year after the Offer. If applicable, Rule 13e-3 would require, among other things,

that certain financial information concerning the Company and certain information relating to the fairness of the Merger and the consideration offered to minority stockholders be filed with the Commission and disclosed to minority stockholders prior to the consummation of the Merger.

13. DIVIDENDS AND DISTRIBUTIONS

According to the Company's 1996 Annual Report on Form 10-K, the Company has not paid cash dividends to date and intends to retain any future earnings for use in its business. Pursuant to the terms of the Merger Agreement, the Company will not split, combine or reclassify the outstanding Shares or declare, set aside or pay any dividend payable in cash, stock or property with respect to the Shares.

If on or after the date of the Merger Agreement the Company should declare

or pay any cash or stock dividend or other distribution on, or issue any rights with respect to, the Shares, payable or distributable to stockholders of record on a date prior to the transfer to the name of Purchaser or its nominees or transferees on the Company's stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to Purchaser's rights under Section 15 of this Offer to Purchase, (i) the purchase price per Share payable by Purchaser pursuant to the Offer may, in the sole discretion of Purchaser, be reduced by the amount of any such cash dividend or distribution, and (ii) any non-cash dividend, distribution or right to be received by the tendering stockholders will (a) be received and held by the tendering stockholders for the account of Purchaser and will be required to be promptly remitted and transferred by each tendering stockholder to the Depositary for the account of Purchaser, accompanied by appropriate documentation of transfer, or (b) at the direction of Purchaser, be exercised for the benefit of Purchaser, in which case the proceeds of such exercise will promptly be remitted to Purchaser. Pending such remittance, Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right or such proceeds and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by Purchaser in its sole discretion.

14. EFFECTS OF THE OFFER ON THE MARKET FOR SHARES; NASDAQ NATIONAL MARKET AND EXCHANGE ACT REGISTRATION

The purchase of Shares by Purchaser pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and the number of holders of Shares and could thereby adversely affect the liquidity and market value of the remaining publicly held Shares.

Nasdaq National Market Listing

Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards for continued inclusion on the Nasdaq National Market. According to the Nasdaq National Market's current published guidelines, the Shares would not be eligible to be included for continued listing if, among other things, the number of publicly held Shares falls below 200,000, the number of holders of Shares falls below 400 or the aggregate market value of such publicly held Shares falls below $1,000,000. If these standards are not met, the Shares would no longer be admitted to quotation on the Nasdaq National Market. In that event, the Shares might continue to be listed on the Nasdaq SmallCap Market, but if the number of holders of the Shares falls below 300, or if the number of publicly held shares falls below 100,000, or if the aggregate market value of such publicly held Shares does not exceed $200,000 or there are not at least two registered and active market makers, one of which may be a market maker entering a stabilizing bid, the Nasdaq SmallCap Market rules provide that the securities would no longer qualify for inclusion in the Nasdaq SmallCap Market and the Nasdaq SmallCap Market would cease to provide any quotations. Shares held directly or indirectly by an officer or director of the Company or by a beneficial owner of more than 10% of the Shares will ordinarily not be considered as being publicly held for purposes of these standards. Nasdaq has published proposed listing guidelines which, if adopted, would increase the requirements for listing of securities on the Nasdaq National Market and the Nasdaq SmallCap Market. In the event the Shares are no longer eligible for the Nasdaq National Market or Nasdaq SmallCap Market quotation, quotations might still be available from other sources. However, the extent of the public market for the Shares and the availability of such quotations would depend upon the number of holders of such Shares remaining at such time, the interest

in maintaining a market in such Shares on the part of securities firms, the possible termination of registration of such Shares under the Exchange Act, as described herein and other factors. Based upon the Company's most recent Annual Report on Form 10-K, as of June 30, 1996, there were approximately 933 holders of record of the Shares.

Margin Regulations

The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such Shares for the purpose of buying, carrying or trading in securities ("Purpose Loans"). Depending upon factors similar to those described above regarding the continued listing, public trading and market quotations of the Shares, it is possible that, following the purchase of the Shares pursuant to the Offer, the Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for Purpose Loans made by brokers.

Exchange Act Registration

The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the Commission if the Shares are not listed on a national securities exchange and there are fewer than 300 record holders. The termination of the registration of the Shares

under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Shares and to the Commission and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirements of furnishing a proxy statement in connection with stockholders' meetings and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or be eligible for Nasdaq National Market or Small Cap Market reporting. Intel currently intends to seek to cause the Company to terminate the registration of the Shares under the Exchange Act as soon after consummation of the Offer as the requirements for termination of registration are met.

15. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer or the Merger Agreement, and subject to any applicable rules and regulations of the Commission, including Rule 14e-1(c) relating to Intel's obligation to pay for or return tendered Shares after termination of the Offer, Intel shall not be required to accept for payment or pay for any Shares, shall delay the acceptance for payment of any Shares and if required by Section 1.1(b) of the Merger Agreement, shall extend the Offer by one or more extensions until October 31, 1997, and may terminate the Offer at any time after October 31, 1997 if (i) less than a majority of the outstanding Shares on a fully-diluted basis has been tendered pursuant to the Offer by the Expiration Date and not withdrawn, (ii) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), has not expired or terminated, (iii) approval of all necessary government officials and agencies (See Section 16) shall not have been obtained on terms and conditions reasonably satisfactory to Intel, or (iv) at any time after July 27, 1997 and before acceptance for payment of any Shares, any of the following events shall occur or shall be determined by Intel in good faith to have occurred and be continuing on or after October 31, 1997:

(a) there shall have been any action taken, or any statute, rule, regulation, judgment, order or injunction promulgated, entered, enforced, enacted, issued or deemed applicable to the Offer or the Merger by any domestic or foreign governmental regulatory or administrative agency or authority or court or legislative body or commission which directly or indirectly (1) prohibits, or imposes any material limitations on, Intel's ownership or operation (or that of any of its subsidiaries or affiliates) of all or a material portion of its or the Company's businesses or assets, or compels Intel or its subsidiaries or

affiliates to dispose of or hold separate any material portion of the business or assets of the Company or Intel and its subsidiaries, in each case taken as a whole, (2) prohibits, or makes illegal, the acceptance for payment, payment for or purchase of Shares or the consummation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement, (3) results in the delay in or restricts the ability of Intel, or renders Intel unable, to accept for payment, pay for or purchase some or all of the Shares, (4) imposes material limitations on the ability of Intel effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased on all matters properly presented to the Company's stockholders, or (5) otherwise has a Company Material Adverse Effect (as defined);

(b) (1) the representations and warranties of the Company set forth in the Merger Agreement shall not be true and correct in any material respect as of the date of the Merger Agreement and as of consummation of the Offer as though made on or as of such date, but only if the respects in which the representations and warranties made by the Company (without giving effect to any "materiality" limitations or references to "material adverse effect" set forth therein) are inaccurate would in the aggregate have a Company Material Adverse Effect, (2) the Company shall have failed to comply with its covenants and agreements under the Merger Agreement in all material respects, or (3) there shall have occurred any events or changes which are likely to have a Company Material Adverse Effect;

(c) it shall have been publicly disclosed or Intel shall have otherwise learned that (i) any Person or "group" (as defined in Section 13(d)(3) of the Exchange Act) shall have acquired or entered into a definitive agreement or agreement in principle to acquire beneficial ownership of more than 20% of the Shares or any other class of Capital Stock of the Company, through the acquisition of stock, the formation of a group or otherwise, or shall have been granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 20% of the Shares, and (ii) such Person or group shall not have tendered such Shares pursuant to the Offer;

(d) the Board of Directors of the Company shall have withdrawn,

modified or changed in a manner adverse to Intel (including by amendment of the Schedule 14D-9) its recommendation of the Offer, the Merger Agreement, or the Merger, or recommended another proposal or offer, or the Board of Directors of the Company shall have resolved to do any of the foregoing; or

(e) the Merger Agreement shall have terminated in accordance with its terms; which in the good faith judgment of Intel, in any such case, and regardless of the circumstances (including any action or inaction by Intel) giving rise to such condition makes it inadvisable to proceed with the Offer or the acceptance for payment of or payment for the Shares.

The foregoing conditions (the "Offer Conditions"), other than the Minimum Condition, are for the sole benefit of Intel and may be waived by Intel, in whole or in part at any time and from time to time in the sole discretion of Intel. The failure by Intel at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

16. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS

General

Except as described below, Intel is not aware of any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares pursuant to the Offer, or of any approval or other action by any governmental, administrative or regulatory agency or authority or public body, domestic or foreign, that would be required for the acquisition or ownership of Shares pursuant to the Offer. Should any such approval or other action be required, it is presently contemplated that such approval or action would be sought except as described below in this Section under "State Takeover Statutes." While, except as otherwise expressly described herein, Intel does not currently intend to delay acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or

other action, if needed, would be obtained without substantial conditions or that adverse consequences might not result to the Company's business or that certain parts of the Company's business might not have to be disposed of in the event that such approvals were not obtained or such other actions were not taken or in order to obtain any such approval or other action, any of which could cause Intel to decline to accept for payment or pay for any Shares tendered. Intel's obligation under the Offer to accept for payment and pay for shares is subject to the Offer Conditions, including conditions relating to legal matters discussed in this Section 16.

Antitrust

Under the HSR Act and the rules that have been promulgated thereunder by the Federal Trade Commission ("FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the FTC and certain waiting period requirements have been satisfied. The acquisition of Shares pursuant to the Offer is subject to such requirements.

Intel expects to file a Notification and Report Form with respect to the Offer under the HSR Act as soon as practicable following commencement of the Offer. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m. Washington D.C. City time, on the 15th day after the date such form is filed, unless early termination of the waiting period is granted. In addition, the Antitrust Division or the FTC may extend such waiting periods by requesting additional information or documentary material from Intel. If such a request is made with respect to the Offer, the waiting period related to the Offer will expire at 11:59 p.m. Washington D.C. time on the 10th day after substantial compliance by Intel with such request. With respect to each acquisition, the Antitrust Division or the FTC may issue only one request for additional information. In practice, complying with a request for additional information or material can take a significant amount of time. In addition, if the Antitrust Division or the FTC raises substantive issues in connection with a proposed transaction, the parties may engage in negotiations with the relevant governmental agency concerning possible means of addressing those issues and may agree to delay consummation of the transaction while such negotiations continue. Expiration or termination of applicable waiting periods under the HSR Act is a condition to the obligation to accept for payment and pay for Shares tendered pursuant to the Offer.

The Antitrust Division and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the proposed purchase of the Shares pursuant to the Offer. At any time before or after such purchase, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the transaction or seeking divestiture of the Shares so acquired or divestiture of substantial assets of Intel or the Company. Litigation seeking similar relief

could be brought by private parties.

Intel does not believe that consummation of the Offer and the other transactions contemplated by the Merger Agreement will result in violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the Offer and the other transactions contemplated by the Merger Agreement on antitrust grounds will not be made, or if such a challenge is made, what the result will be. See Section 15 for certain conditions to the purchase of the Shares, including conditions with respect to litigation and certain governmental actions.

State Takeover Statutes

The Company is incorporated under the laws of the State of Delaware. In general, Section 203 of the DGCL prevents an "interested stockholder" (generally, a person who owns or has the right to acquire 15% or more of a corporation's outstanding voting stock, or an affiliate or associate thereof) from engaging in a "business combination" (defined to include mergers and certain other transactions) with a Delaware corporation for a period of three years following the date such person became an interested stockholder unless, among other things, prior to such date the board of directors of the corporation approved either the business combination or the transaction in which the interested director became an interested stockholder. Purchaser is not an interested stockholder. Accordingly, Section 203 is inapplicable to the Offer and the Merger.

A number of states have adopted "takeover" statutes that purport to apply to attempts to acquire corporations that are incorporated in such states, or whose business operations have substantial economic effects in such states, or which have substantial assets, security holders, employees, principal executive offices or places of business in such states.

In Edgar v. MITE Corporation, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Act, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquirer from voting on the affairs of a target corporation without prior approval of the remaining stockholders, provided that such laws were applicable only under certain conditions, in particular, that the corporation has a substantial number of stockholders in the state and is incorporated there.

Based on information supplied by the Company, Intel does not believe that any state takeover statutes purport to apply to the Offer or the Merger. Neither Purchaser nor Intel has currently complied with any state takeover statute or regulation. Intel reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer or the Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer or the Merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the Offer or the Merger and if an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, Intel might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Intel might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in consummating the Offer or the merger. In such case, Intel may not be obliged to accept for payment or pay for any shares tendered pursuant to the Offer.

17. FEES AND EXPENSES

Intel has retained D.F. King & Co., Inc. to act as the Information Agent and Citibank, N.A. to serve as the Depositary in connection with the Offer. The Information Agent and the Depositary each will receive reasonable and customary compensation for their services and be reimbursed for certain reasonable out-of-pocket expenses. Intel has also agreed to indemnify the Information Agent and the Depositary against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws.

Intel will not pay any fees or commissions to any broker or dealer or any other person for soliciting tenders of Shares pursuant to the Offer (other than to the Information Agent). Brokers, dealers, commercial banks, trust companies and other nominees will, upon request, be reimbursed by Intel for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers.

18. MISCELLANEOUS

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. Purchaser may, in its discretion,

however, take such action as it may deem necessary to make the Offer in-any jurisdiction and extend the Offer to holders of Shares in any such jurisdiction.

The Company has informed Intel that a complaint has been filed by a stockholder, on its own behalf and on behalf of the other stockholders of the Company, against the Company and its directors in the Court of Chancery of the State of Delaware in a lawsuit captioned, New York Apple Sales Inc., Profit Sharing Plan v. Chips and Technologies, Inc., et al. The complaint alleges, among other things, breaches of the fiduciary duties of the directors of the Company in connection with the Merger and seeks monetary damages and injunctive relief.

No person has been authorized to give any information or to make any representation on behalf of Purchaser not contained herein or in the Letter of Transmittal and, if given or made, such information or

representation must not be relied upon as having been authorized. Neither the delivery of this Offer to Purchase nor any purchase pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the affairs of Purchaser, Intel or the Company since the date as of which information is furnished or the date of this Offer to Purchase.

Purchaser and Intel have filed with the Commission a Tender Offer Statement on Schedule 14D-1, together with exhibits, pursuant to Rule 14d-3 under the Exchange Act, furnishing certain additional information with respect to the Offer. In addition, the Company has filed with the Commission a Solicitation/Recommendation Statement on Schedule 14D-9, together with exhibits, pursuant to Rule 14d-9 under the Exchange Act, setting forth the recommendations of the Board with respect to the Offer and the reasons for such recommendations and furnishing certain additional related information. Such Schedules and any amendments thereto, including exhibits, may be inspected and copies may be obtained from the Commission in the manner set forth in Section 7 (except that they will not be available at the regional offices of the Commission).

INTEL ENTERPRISE CORPORATION

August 1, 1997

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF INTEL AND PURCHASER

The following table sets forth the name, business or residence address, principal occupation or employment at the present time and during the last five years, and the name of any corporation or other organization in which such employment is conducted or was conducted of each executive officer or director of Intel. Except as otherwise indicated, all of the persons listed below are citizens of the United States of America. Each occupation set forth opposite a person's name, unless otherwise indicated, refers to employment with Intel. Unless otherwise indicated, the principal business address of each director or executive officer is Intel Corporation, 2200 Mission College Boulevard, Santa Clara, California 95052.

<TABLE>
<CAPTION>

NAME, CITIZENSHIP AND CURRENT BUSINESS ADDRESS	PRESENT OCCUPATION OR EMPLOYMENT	MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
<S>	<C>	<C>
Craig R. Barrett.....	President and Chief Operating Officer since 1997; Director -- Intel since 1992	Executive Vice President from 1990- 1997; Chief Operating Officer since 1993; Director -- Komag, Incorporated since 1990
John Browne..... British Citizenship The British Petroleum Company p.l.c. Britannic House 1 Finsbury Circus London EM2M 7BA England	Managing Director and Group Chief Executive -- The British Petroleum Company since 1995; Director -- Intel since 1997	Managing Director -- The British Petroleum Company since 1991; Director -- SmithKline Beecham since 1996; Trustee -- British Museum
Winston H. Chen..... Paramitas Foundation 3945 Freedom Circle, Suite 760 Santa Clara, CA 95054	Chairman -- Paramitas Foundation since 1992; Director -- Intel since 1993	President, Chief Executive Officer and Chairman -- Solectron Corporation from 1978 to 1994; Member of Board of Trustees -- Stanford University since 1994; Member of Board of Trustees -- Santa Clara University since 1992; Director -- Edison

		International since 1994
Andrew S. Grove.....	Chief Executive Officer and Chairman since 1997; Director -- Intel since 1974	President from 1979 to 1997; Chief Executive Officer since 1987
D. James Guzy..... The Arbor Company 295 North Bernardo Mountain View, CA 94043	President -- The Arbor Company since 1969; Director -- Intel since 1969	Director -- Cirrus Logic, Inc. since 1984; Director -- Micro Component Technology, Inc. since 1993; Director -- Novellus Systems, Inc. since 1990; Director -- Davis Selected Group of Mutual Funds since 1981; Director -- Alliance Capital Management Technology Fund

NAME, CITIZENSHIP AND CURRENT BUSINESS ADDRESS	PRESENT OCCUPATION OR EMPLOYMENT	MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Gordon E. Moore.....	Chairman Emeritus -- Intel since 1997; Director -- Intel since 1968	Chairman from 1979 to 1997; Director -- Gilead Sciences, Inc. since 1996; Director -- Varian Associates, Inc. since 1983; Chairman, Board of Trustees -- California Institute of Technology since 1994; Director -- Conservation International since 1990
Arthur Rock..... Arthur Rock & Company One Maritime Plaza, Suite 1220 San Francisco, CA 94111	Principal -- Arthur Rock & Company since 1969; Director -- Intel since 1968	Director -- Argonaut Group, Inc. since 1986; Director -- AirTouch Communications, Inc. since 1994; Director -- Echelon Corporation since 1989; Trustee -- California Institute of Technology since 1988
Jane E. Shaw..... 1040 Noel Drive, Suite 107 Menlo Park, CA 94025	Founder -- The Stable Network since 1995; Director -- Intel since 1993	President and Chief Operating Officer -- ALZA Corporation from 1987 to 1994; Chairman of the Board -- IntraBiotics Pharmaceuticals since 1996; Director -- Aviron since 1996; Director -- McKesson Corporation since 1994; Director -- Boise Cascade Corporation since 1994;
Leslie L. Vadasz.....	Senior Vice President, Corporate Business Development since 1991; Director -- Intel since 1989	N/A
David B. Yoffie..... Harvard Business School Morgan Hall 215 Boston, MA 02163	Professor -- Harvard Business School since 1981; Director -- Intel since 1989	Director -- Evolve Software, Inc. since 1996; Director -- Physiologica, Inc. since 1995; Director -- Bion, Inc. since 1995
Charles E. Young..... University of California, Los Angeles 405 Hilgard Avenue Los Angeles, CA 90024	Chancellor Emeritus -- University of California, Los Angeles since 1997; Director -- Intel since 1974	Chancellor -- University of California, Los Angeles from 1968 to 1997; Chairman of the Board of Governors Foundation -- International Exchange of Scientific and Cultural Information by Telecommunications since 1987; Trustee -- Nicholas-Applegate Mutual Funds from 1991 to 1997; Director -- Nicholas-Applegate Fund, Inc. from 1993 to 1997
Frank C. Gill..... 5200 N.E. Elam Young Parkway Hillsboro, OR 97124	Executive Vice President; General Manager, Internet and Communications Group since 1996	Senior Vice President and General Manager, Intel Products Group from 1991 to 1996; Senior Vice President and General Manager, Microprocessor Products Group from 1992 to 1994; Vice President and General Manager, Microprocessor Products Group from 1991 to 1992

NAME, CITIZENSHIP AND CURRENT BUSINESS ADDRESS	PRESENT OCCUPATION OR EMPLOYMENT	MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS

<S>	<C>	<C>
Paul S. Otellini.....	Executive Vice President; Director, Sales and Marketing Group since 1996	Senior Vice President, Director, Sales and Marketing Group from 1994 to 1996; Senior Vice President and General Manager, Microprocessor Products Group from 1992 to 1994; Vice President and General Manager, Microprocessor Products Group from 1991 to 1992
Gerhard H. Parker.....	Executive Vice President and General Manager, Technology and Manufacturing Group since 1996	Senior Vice President, General Manager, Technology and Manufacturing Group from 1992 to 1996; Vice President and General Manager, Technology and Manufacturing Group from 1990 to 1992
Ronald J. Whittier.....	Senior Vice President and General Manager, Content Group since 1995	Senior Vice President and General Manager, Intel Architecture Laboratories from 1993 to 1995; Vice President and General Manager, Software Technology Group from 1991 to 1992
Albert Y.C. Yu.....	Senior Vice President and General Manager, Microprocessor Products Group since 1993	Vice President and General Manager, Microprocessor Products Group from 1991 to 1993
Michael A. Aymar.....	Vice President and General Manager; Desktop Products Group since 1995	Vice President and General Manager, Intel486 Microprocessor Division from 1994 to 1995; Vice President and General Manager, Mobile Computing Group from 1991 to 1994
Andy D. Bryant.....	Vice President and Chief Financial Officer since 1994	Vice President, Intel Products Group from 1990 to 1994
Dennis L. Carter.....	Vice President, Director, Sales and Marketing Group since 1996	Vice President, Director, Corporate Marketing Group from 1992 to 1996
F. Thomas Dunlap, Jr.....	Vice President, General Counsel and Secretary since 1987	N/A
Patrick P. Gelsinger.....	Vice President and General Manager, Desktop Products Group since 1996	Vice President, Internet and Communications Group and General Manager ICG Product Development from 1995 to 1996; Vice President, Intel Products Group and General Manager, Personal Conferencing Division from 1993 to 1995; Vice President, Intel Products Group and General Manager, PC Enhancement Division-Business Communications from 1992 to 1993; General Manager, MD 6, Microprocessor Development from 1991 to 1992

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NAME, CITIZENSHIP AND CURRENT BUSINESS ADDRESS	PRESENT OCCUPATION OR EMPLOYMENT	MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
<S>	<C>	<C>
John H. F. Miner..... 15520 N.W. Greenbriar Parkway Beaverton, OR 97006	Vice President and General Manager, Enterprise Server Group since 1996	Vice President, Desktop Products Group and General Manager, OEM Products and Services Division from 1995 to 1996; General Manager, OEM Products and Services Division from 1993 to 1995; General Manager, OEM Modules Operation from 1992 to 1993
Stephen P. Nachtsheim....	Vice President and General Manager, Mobile/Handheld Products Group since 1995	Vice President and General Manager, Mobile & Home Products Group from 1994 to 1995; Vice

		President, European General Manager from 1992 to 1994; General Manager of European Intel Products Group from 1990 to 1992
Ronald J. Smith.....	Vice President and General Manager, Computing Enhancement Group since 1996	Vice President Desktop Products Group and General Manager, PCI Components Division from 1995 to 1996; General Manager, Programmable Logic Device Operation and General Manager, Gate Array Operation from 1992 to 1995
Arvind Sodhani.....	Vice President and Treasurer	N/A
Michael R. Splinter.....	Vice President, Assistant General Manager, Technology and Manufacturing Group since 1996	Vice President, Components Manufacturing Group from 1993 to 1996; Vice President of Components Manufacturing Group from 1990 to 1993

</TABLE>

The following table sets forth the name, business or residence address, principal occupation or employment at the present time and during the last five years, and the name of any corporation or other organization in which such employment is conducted or was conducted of each executive officer or director of Purchaser. Except as otherwise indicated, all of the person listed below are citizens of the United States of America. Each occupation set forth opposite a person's name, unless otherwise indicated, refers to employment with Intel. Unless otherwise indicated, the principal business address of each director or executive officer is Intel Corporation, 2200 Mission College Boulevard, Santa Clara, California 95052.

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NAME, CITIZENSHIP AND CURRENT BUSINESS ADDRESS	PRESENT OCCUPATION OR EMPLOYMENT	MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
<S>	<C>	<C>
Cary I. Klafter.....	Director of Corporate Affairs since 1996; President Intel Enterprise Corporation since 1997; Director -- Intel Enterprise Corporation	Partner, Morrison & Foerster from prior to 1992 to 1996.
Suzan A. Miller.....	Senior Attorney since 1991; Vice President -- Intel Enterprise Corporation since 1997; Director -- Intel Enterprise Corporation	N/A
Patrice C. Scatena.....	Senior Attorney and Assistant Secretary since 1994; Secretary -- Intel Enterprise Corporation since 1997; Director -- Intel Enterprise Corporation	Associate -- Gibson, Dunn & Crutcher LLP from 1989 to 1994
Arvind Sodhani.....	Vice President and Treasurer; Treasurer -- Intel Enterprise Corporation since 1997	N/A

</TABLE>

ANNEX A

TEXT OF SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

262 APPRAISAL RIGHTS. (a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to (sec.) 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in-a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to (sec.) 251 (other than a merger effected pursuant to (sec.) 251(g) of this title), (sec.) 252, (sec.) 254, (sec.) 257, (sec.) 258, (sec.) 263 or (sec.) 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of (sec.) 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to (secs.) 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock or depository receipts in respect thereof at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under (sec.) 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate

of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of his shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each

stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to sec.228 or sec.253 of this title, each constituent corporation, either before the effective date of the merger or consolidation or within ten days thereafter, shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section; provided that, if the notice is given on or after the effective date of the merger or consolidation, such notice shall be given by the surviving or resulting corporation to all such holders of any class or series of stock of a constituent corporation that are entitled to appraisal rights. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise

entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw his demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after his written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or

resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by one or more publications at least one week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an-appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted his certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that he is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may-be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded his appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of his demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

Manually signed facsimile copies of the Letter of Transmittal will be accepted. Letters of Transmittal and certificates for Shares should be sent or delivered by each stockholder of the Company or his broker, dealer, commercial bank or trust company to the Depositary at one of its addresses set forth below:

<TABLE>
<S> <C> <C>

The Depositary for the Offer is:

CITIBANK, N.A.

By Mail:	By Overnight Courier:	By Hand:
CITIBANK, N.A.	CITIBANK, N.A.	CITIBANK, N.A.
C/O CITICORP DATA DISTRIBUTION, INC.	C/O CITICORP DATA DISTRIBUTION, INC.	CORPORATE TRUST WINDOW
P.O. BOX 7072	404 SETTE DRIVE	111 WALL STREET, 5TH FLOOR
PARAMUS, NEW JERSEY 07653	PARAMUS, NEW JERSEY 07652	NEW YORK, NEW YORK 10043

By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 262-3240

Confirm by Telephone:
(800) 422-2077

</TABLE>

Any questions or requests for assistance may be directed to the Information Agent at its address and telephone numbers set forth below. Requests for additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Depositary. Stockholders may also contact their brokers, dealers, commercial banks or trust companies for assistance concerning the Offer.

The Information Agent for the Offer is:

D.F. KING & CO., INC.

77 Water Street
New York, New York 10005-4495

(212) 269-5550 (call collect)

or

CALL TOLL-FREE (800) 758-7358

EXHIBIT (A)(2)

LETTER OF TRANSMITTAL

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
CHIPS AND TECHNOLOGIES, INC.
AT
$17.50 NET PER SHARE
PURSUANT TO THE OFFER TO PURCHASE DATED AUGUST 1, 1997
OF
INTEL ENTERPRISE CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
INTEL CORPORATION

- - ---

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997, UNLESS THE OFFER IS EXTENDED.

- - ---

The Depositary for the Offer is:
CITIBANK, N.A.

<TABLE>
<S> <C> <C>

By Mail:	By Overnight Courier:	By Hand:
Citibank, N.A.	Citibank, N.A.	Citibank, N.A.
c/o Citicorp Data Distribution, Inc.	c/o Citicorp Data Distribution, Inc.	Corporate Trust Window
P.O. Box 7072	404 Sette Drive	111 Wall Street, 5th Floor
Paramus, New Jersey 07653	Paramus, New Jersey 07652	New York, New York 10043

By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 262-3240

Confirm by Telephone:
(800)-422-2077
</TABLE>

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN ONE LISTED ABOVE DOES NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE PROVIDED THEREFOR, WITH SIGNATURE GUARANTEE IF REQUIRED, AND COMPLETE THE SUBSTITUTE FORM W-9 SET FORTH BELOW. SEE INSTRUCTION 1.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be used either if certificates are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase) is utilized, if delivery is to be made by book-entry transfer to the account maintained by the Depositary at The Depository Trust Company or the Philadelphia Depository Trust Company (individually, a "Book-Entry Transfer Facility" and collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 2 of the Offer to Purchase. Stockholders whose certificates are not immediately available or who cannot deliver their certificates or deliver confirmation of the book-entry transfer of their Shares (as defined below) into the Depositary's account at a Book-Entry Transfer Facility ("Book-Entry Confirmation") and all other documents required hereby to the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase) must tender their Shares according to the guaranteed delivery procedures set forth in Section 2 of the Offer to Purchase. See Instruction 2. DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Holders of Shares will be required to tender one Right (as defined in the Offer to Purchase) for each Share tendered to effect a valid tender of such Share. Unless and until the Distribution Date (as defined in the Offer to Purchase) occurs, the Rights are represented by and transferred with the Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date, a tender of Shares will constitute a tender of the associated Rights. If, however, pursuant to the Rights Agreement or otherwise, a Distribution Date does occur, certificates representing a number of Rights equal to the

number of Shares being tendered must be delivered to the Depositary in order for such Shares to be validly tendered. If a Distribution Date has occurred, a tender of Shares without Rights constitutes an agreement by the tendering stockholder to deliver certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depositary within three Nasdaq National Market trading days after the date such certificates are distributed. The Purchaser reserves the right to require that it receive such

certificates prior to accepting Shares for payment. Payment for Shares tendered and purchased pursuant to the Offer will be made only after timely receipt by the Depositary of, among other things, such certificates, if such certificates have been distributed to holders of Shares. The Purchaser will not pay any additional consideration for the Rights tendered pursuant to the Offer.

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH A BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution:

Check box of Book-Entry Transfer Facility:

[ ] The Depository Trust Company

[ ] Philadelphia Depository Trust Company

Account Number

Transaction Code Number

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s):

Window Ticket Number (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Institution that Guaranteed Delivery:

If Delivered by Book-Entry Transfer, Check box of Book-Entry Transfer Facility:

[ ] The Depository Trust Company

[ ] Philadelphia Depository Trust Company

Account Number

Transaction Code Number

<TABLE>
<S> <C> <C> <C>

DESCRIPTION OF SHARES TENDERED			
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK)	SHARE CERTIFICATE(S) AND SHARE(S) TENDERED (ATTACH ADDITIONAL LIST IF NECESSARY)		
	SHARE CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)	NUMBER OF SHARES TENDERED**
	TOTAL SHARES		

</TABLE>

* Need not be completed by stockholders tendering by book-entry transfer.
** Unless otherwise indicated, it will be assumed that all Shares being delivered to the Depositary are being tendered. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ CAREFULLY THE ACCOMPANYING INSTRUCTIONS.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to Intel Enterprise Corporation, a Delaware corporation (the "Purchaser"), which is a wholly-owned subsidiary of Intel Corporation, a Delaware corporation, the above described shares of Common Stock, par value $.01 per share (the "Common Stock"), of Chips and Technologies, Inc., a Delaware corporation (the "Company"), and the associated Rights, as defined in the Offer to Purchase (collectively, the "Shares"), pursuant to Purchaser's offer to purchase all of the outstanding Shares upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 1, 1997 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which together constitute the "Offer"), at the purchase price of $17.50 per Share, net to the tendering stockholder in cash.

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer, the undersigned hereby sells, assigns, and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after July 27, 1997) and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and any such other Shares or securities) with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and any such other Shares or securities), or transfer ownership of such Shares (and any such other Shares or securities) on the account books maintained by a Book-Entry Transfer Facility, together in either such case with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser upon receipt by the Depositary, as the undersigned's agent, of the purchase price (adjusted, if appropriate, as provided in the Offer to Purchase), (b) present such Shares (and any such other Shares or securities) for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any such other Shares or securities), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints each designee of Purchaser as the attorney-in-fact and proxy of the undersigned, each with full power of substitution, to vote in such manner as each such attorney and proxy or his substitute shall in his sole discretion deem proper, and otherwise act (including pursuant to written consent) with respect to all the Shares tendered hereby which have been accepted for payment by Purchaser prior to the time of such vote or action (and any and all other Shares or securities issued or issuable in respect thereof on or after July 27, 1997), which the undersigned is entitled to vote at any meeting of stockholders (whether annual or special and whether or not an adjourned meeting) of the Company, or consent in lieu of any such meeting, or otherwise. This proxy is coupled with an interest in the Company and in the Shares and is irrevocable and is granted in consideration of, and is effective upon, the deposit by Purchaser with the Depositary of the purchase price for such Shares in accordance with the terms of the Offer. Such acceptance for payment shall revoke all prior proxies granted by the undersigned at any time with respect to such Shares (and any such other Shares or other securities) and no subsequent proxies will be given (and if given will be deemed not to be effective) with respect thereto by the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after July 27, 1997) and that, when the same are accepted for payment by Purchaser, Purchaser will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claim. The undersigned, upon request, will execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby (and any and all such other Shares or other securities).

All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall not be affected by, and shall survive, the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 2 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price or any certificates for Shares not tendered or accepted for payment in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price or return any certificates for Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature. In the event that both the Special Delivery

Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price or any certificates for Shares not tendered or accepted for payment in the name of, and deliver such check or return such certificates to the person or persons so indicated. Stockholders delivering Shares by book-entry transfer may request that any Shares not accepted for payment be returned by crediting such account maintained at a Book-Entry Transfer Facility as such stockholder may designate by making an appropriate entry under "Special Payment Instructions." The undersigned recognizes that Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be issued in the name of someone other than the undersigned, or if Shares delivered by book-entry transfer which are not purchased are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than that designated above.

Issue check and/or certificate to:

Name

(PLEASE PRINT)

Address

(INCLUDING ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)

[ ] Credit unpurchased Shares delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

Check appropriate box.

[ ] The Depository Trust Company

[ ] Philadelphia Depository Trust Company

(ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 4, 5, 6 AND 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Issue check and/or certificate to:

Name

(PLEASE PRINT)

Address

(INCLUDING ZIP CODE)

(TAX IDENTIFICATION OF SOCIAL SECURITY NUMBER)

SIGN HERE
(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

X
- - ---

X
- - ---
(SIGNATURE(S) OF OWNER(S))

Dated:
- - ---------- , 1997

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock

certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information. See Instructions 1 and 5.)

Name(s) ----------

- - ----------
(PLEASE PRINT)

Capacity (Full Title)

(SEE INSTRUCTION 5)

ADDRESS

- - ----------
(INCLUDE ZIP CODE)

Area Code and Telephone Number ( )

Employer Identification or Social Security Number

(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

GUARANTEE OF SIGNATURE(S)
(IF REQUIRED--SEE INSTRUCTIONS 1 AND 5)

Authorized Signature

Name ----------
(PLEASE PRINT)

Title----------

Name of Firm

Address----------
(INCLUDE ZIP CODE)

Area Code and Telephone Number ( )

Dated:
- - ---------- , 1997

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. No signature guarantee on this Letter of Transmittal is required (i) if this Letter of Transmittal is signed by the registered holder of the Shares (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered herewith, unless such holder has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the reverse hereof, or (ii) if such Shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES. This Letter of Transmittal is to be completed by stockholders either if certificates are to be forwarded herewith or if tenders of Shares are to be made pursuant to the procedures for delivery by book-entry transfer set forth in Section 2 of the Offer to Purchase. Certificates for all physically tendered Shares, or any Book-Entry Confirmation of Shares, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof), unless an Agent's Message (as defined in the Offer to Purchase) is utilized, and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). Stockholders whose certificates for Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary on or prior to the Expiration Date may tender their Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed

delivery procedure set forth in Section 2 of the Offer to Purchase. Pursuant to such procedure, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, must be received by the Depositary prior to the Expiration Date, and (iii) the certificates for all physically tendered Shares or Book-Entry Confirmation of Shares, as the case may be, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), unless an Agent's Message is utilized, and any other documents required by this Letter of Transmittal, must be received by the Depositary within three Nasdaq National Market trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in Section 2 of the Offer to Purchase.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE CERTIFICATE FOR SHARES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH A BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER AND, EXCEPT AS OTHERWISE PROVIDED IN THIS INSTRUCTION 2, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate signed schedule attached hereto.

4. PARTIAL TENDERS. (Not applicable to stockholders who tender by book-entry transfer.) If fewer than all the Shares evidenced by any certificate submitted are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such case, new certificate(s) for the remainder of the Shares that were evidenced by your old certificate(s) will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL, STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any certificates or stock powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of such person's authority so to act must be submitted.

When this Letter of Transmittal is signed by the registered owner(s) of the Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment or certificates for Shares not tendered or purchased are to be issued to a person other than the registered owner(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered owner(s) of the Shares listed, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

6. STOCK TRANSFER TAXES. Except as set forth in this Instruction 6, Purchaser will pay or cause to be paid any stock transfer taxes with respect to the transfer and sale of purchased Shares to it or its order pursuant to the Offer. If payment of the purchase price is to be made to, or if certificates for Shares not tendered or purchased are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATES LISTED IN THIS LETTER OF TRANSMITTAL.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check or certificates for unpurchased Shares are to be issued in the name of a person other than the signer of this Letter of Transmittal or if a check is to be sent or such certificates are to be returned to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Stockholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account maintained at a Book-Entry Transfer Facility as such stockholder may designate hereon. If no such instructions are given, such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Requests for assistance may be directed to, or additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from, the Information Agent at its respective address set forth below or from your broker, dealer, commercial bank or trust company.

9. WAIVER OF CONDITIONS. Subject to the terms of the Merger Agreement (as defined in the Offer to Purchase), the conditions of the Offer may be waived by Purchaser, in whole or in part, at any time and from time to time in the Purchaser's sole discretion, in the case of any Shares tendered.

10. SUBSTITUTE FORM W-9. The tendering stockholder is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify whether the stockholder is subject to backup withholding of Federal income tax. If a tendering stockholder is subject to backup withholding, the stockholder must cross out item (2) of the Certification box of the Substitute Form W-9. Failure to provide the information on the Substitute Form W-9 may subject the tendering stockholder to 31% Federal income tax withholding on the payment of the purchase price. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, he or she should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I, the Depositary will withhold 31% on all payments of the purchase price, but such withholdings will be refunded if the tendering stockholder provides a TIN within 60 days.

11. LOST, DESTROYED OR STOLEN CERTIFICATES. If any certificate(s) representing Shares or Rights has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary. The stockholder will then be instructed as to the steps that must be taken in order to replace the certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A FACSIMILE THEREOF), TOGETHER WITH CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY, OR THE NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY, ON OR PRIOR TO THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under Federal income tax law, a stockholder whose tendered Shares are accepted for payment is required to provide the Depositary with such stockholder's correct TIN on Substitute Form W-9 below. If such stockholder is an individual, the TIN is his or her social security number. If a tendering stockholder is subject to backup withholding, he or she must cross out item (2) of the Certification box on the Substitute Form W-9. If the Depositary is not provided with the correct TIN, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that stockholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements may be obtained from the Depositary. Exempt stockholders, other than foreign individuals, should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9 below and sign, date and return the Substitute Form W-9 to the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment

of taxes, a refund may be obtained.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of his or her correct TIN by completing the form below certifying that the TIN provided on the Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN).

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidelines on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the stockholder should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I, the Depositary will withhold 31% on all payments of the purchase price, but such withholdings will be refunded if the tendering stockholder provides a TIN within 60 days.

<TABLE>
<C> <S> <C>

	PAYOR'S NAME:	
SUBSTITUTE FORM W-9	PART I -- Please provide your TIN in the box at right and certify by signing and dating below.	Social Security Number or Employer Identification Number (if awaiting TIN write "Applied For")
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART II -- For Payees exempt from backup withholding, see the attached Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein.	
PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")	Certification -- Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me) and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service ("IRS") or Social Security Administration office or (b) I intend to mail or deliver an application in the near future. (I understand that if I do not provide a Taxpayer Identification Number to the Depository, 31% of all reportable payments made to me will be withheld, but will be refunded if I provided a certified Taxpayer Identification Number within 60 days); and (2) I am not subject to backup withholding either because I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding. CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.) Signature Date: _____	

</TABLE>

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

THE INFORMATION AGENT FOR THE OFFER IS:

D.F. KING & CO., INC.
77 WATER STREET, NEW YORK, NY 10005-4495

(212) 269-5550 (CALL COLLECT)
OR
CALL TOLL FREE (800) 758-7358

EXHIBIT (a)(3)

NOTICE OF GUARANTEED DELIVERY

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
CHIPS AND TECHNOLOGIES, INC.
TO
INTEL ENTERPRISE CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
INTEL CORPORATION

- - ---

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997, UNLESS THE OFFER IS EXTENDED.

- - ---

This form, or one substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates representing shares of common stock, par value $.01 per share (including the associated Rights, as defined in the Offer to Purchase) (collectively, the "Shares"), of Chips and Technologies, Inc., a Delaware corporation, are not immediately available, if the procedure for Book-Entry transfer cannot be completed on a timely basis, or if time will not permit all required documents to reach the Depositary (as defined in the Offer to Purchase) prior to the Expiration Date (as defined in the Offer to Purchase). Such form may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary. See Section 2 of the Offer to Purchase.

The Depositary for the Offer is:

<TABLE>
<S> <C> <C>

CITIBANK, N.A.

By Mail:	By Overnight Courier:	By Hand:
Citibank, N.A.	Citibank, N.A.	Citibank, N.A.
c/o Citicorp Data Distribution, Inc.	c/o Citicorp Data Distribution, Inc.	Corporate Trust Window
P.O. Box 7072	404 Sette Drive	111 Wall Street, 5th Floor
Paramus, New Jersey 07653	Paramus, New Jersey 07652	New York, New York 10043

By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 262-3240

Confirm by Telephone:
(800) 422-2077

</TABLE>

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

Ladies and Gentlemen:

The undersigned hereby tenders to Intel Enterprise Corporation, a Delaware corporation and a wholly owned subsidiary of Intel Corporation, a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 1, 1997 and the related Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged, the number of Shares indicated below pursuant to the guaranteed delivery procedures set forth in Section 2 of the Offer to Purchase.

Certificate No(s). (if available)

Number of Shares:

Check ONE box if Shares will be tendered by book-entry transfer:

[ ] The Depository Trust Company

[ ] Philadelphia Depository Trust Company

Account Number

Dated _____, 1997

Name(s) of Record Holder(s)

(PLEASE TYPE OR PRINT)

Address(es)

ZIP CODE

Area Code and Tel. No.

Signature(s)

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, (a) represents that the above named person(s) "own(s)" the Shares tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) represents that such tender of Shares complies with Rule 14e-4 under the Exchange Act, and (c) guarantees delivery to the Depositary, at one of its addresses set forth above, of certificates representing the Shares tendered hereby in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's accounts at The Depository Trust Company or Philadelphia Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof), and any other required documents, within three Nasdaq National Market trading days after the date hereof.

<TABLE>
<S>
Name of Firm: _____

Address: _____

_____
ZIP CODE

AREA CODE AND
TELEPHONE NUMBER: _____

<C>
_____
AUTHORIZED SIGNATURE

_____
TITLE

Name: _____
PLEASE TYPE OR PRINT

TITLE: _____

DATED: _____, 1997
</TABLE>

NOTE: DO NOT SEND SHARE CERTIFICATES WITH THIS NOTICE. SHARE CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

EXHIBIT (A)(4)

LETTER TO BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES AND OTHER NOMINEES

D.F. KING & CO., INC.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
CHIPS AND TECHNOLOGIES, INC.
AT

$17.50 NET PER SHARE
BY
INTEL ENTERPRISE CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
INTEL CORPORATION

- - ---

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT,
NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997 (THE "EXPIRATION DATE"),
UNLESS THE OFFER IS EXTENDED.

- - ---

August 1, 1997

To Brokers, Dealers, Commercial Banks,
Trust Companies And Other Nominees:

We have been engaged to act as Information Agent in connection with the offer by Intel Enterprise Corporation, a Delaware corporation and a wholly owned subsidiary of Intel Corporation, a Delaware corporation ("Purchaser"), to purchase all outstanding shares of common stock, par value $.01 per share (including the associated Rights, as defined in the Offer to Purchase) (collectively, the "Shares"), of Chips and Technologies, Inc., a Delaware corporation (the "Company"), at $17.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in Purchaser's Offer to Purchase dated August 1, 1997 (the "Offer to Purchase") and the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THE SATISFACTION OR WAIVER OF CERTAIN CONDITIONS TO THE OBLIGATIONS OF PURCHASER AND THE COMPANY TO CONSUMMATE THE OFFER, INCLUDING (1) THERE BEING VALIDLY TENDERED BY THE EXPIRATION DATE AND NOT WITHDRAWN A NUMBER OF SHARES WHICH REPRESENTS AT LEAST A MAJORITY OF SHARES ON A FULLY-DILUTED BASIS AND (2) RECEIPT BY PURCHASER AND THE COMPANY OF CERTAIN GOVERNMENTAL AND REGULATORY APPROVALS.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, or who hold Shares registered in their own names, we are enclosing the following documents:

1. Offer to Purchase dated August 1, 1997;

2. Letter of Transmittal to tender Shares for your use and for the information of your clients. Facsimile copies of the Letter of Transmittal may be used to tender Shares;

3. Letter to Clients which may be sent to your clients for whose account you hold Shares in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;

4. Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date (as defined in the Offer to Purchase) or if the procedures for book-entry transfer, as set forth in the Offer to Purchase, cannot be completed on a timely basis;

5. The Letter to Stockholders of the Company from James F. Stafford, the President and Chief Executive Officer of the Company, accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9.

6. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. Return envelope addressed to Citibank, N.A., as Depositary.

Upon the terms and subject to the satisfaction or waiver (where applicable) of the conditions of the Offer, Purchaser will purchase, by accepting for payment, and will pay for, all Shares validly tendered on or prior to the Expiration Date promptly after the Expiration Date. For purposes of the Offer,

Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for Shares or timely confirmation of a book-entry transfer of such Shares, if such procedure is available, into the Depositary's account at a Book-Entry Transfer Facility (as defined in the Offer to Purchase) pursuant to the procedures set forth in Section 2 of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined in the Offer to Purchase) and (iii) any other documents required by the Letter of Transmittal.

Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Depositary and the Information Agent as described in the Offer to Purchase) in connection with the solicitation of tenders of Shares pursuant to the Offer. However, Purchaser will upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

Purchaser will pay or cause to be paid any stock transfer taxes payable on the transfer of Shares to it, except as otherwise provided in Instruction 6 of the enclosed Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal and any other required documents should be sent to the Depositary and certificates representing the tendered Shares should be delivered, or such Shares should be tendered by book-entry transfer, all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the expiration of the Offer, a tender may be effected by following the guaranteed delivery procedures specified under Section 2 in the Offer to Purchase.

Any inquiries you may have with respect to the Offer or requests for additional copies of the enclosed materials should be addressed to the Information Agent at the address and telephone number set forth on the back cover page of the enclosed Offer to Purchase.

Very truly yours,

D.F. King & Co., Inc.

Enclosures

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF PURCHASER, THE DEPOSITARY OR THE INFORMATION AGENT OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

EXHIBIT (A)(5)

LETTER TO CLIENTS FOR USE BY BROKERS, DEALERS, COMMERCIAL BANKS,
TRUST COMPANIES AND OTHER NOMINEES

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
CHIPS AND TECHNOLOGIES, INC.
AT
$17.50 NET PER SHARE
BY
INTEL ENTERPRISE CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
INTEL CORPORATION

- - ---

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT,
NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997, UNLESS THE OFFER IS
EXTENDED.

- - ---

August 1, 1997

To Our Clients:

Enclosed for your consideration is an Offer to Purchase dated August 1, 1997 and the related Letter of Transmittal (which together constitute the "Offer") relating to an offer by Intel Enterprise Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Intel Corporation, a Delaware corporation ("Intel"), to purchase all outstanding shares of common stock, par value $.01 per share (including the associated Rights, as defined in the Offer to Purchase) (collectively, the "Shares"), of Chips and Technologies, Inc., a Delaware corporation (the "Company"), at a purchase price of $17.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer. We are the holder of record of Shares held by us for your account. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares. A tender for such Shares can be made only by us as the holder of record and pursuant to your instructions.

We request instructions as to whether you wish to tender any or all of such Shares held by us for your account, pursuant to the terms and conditions set forth in the Offer.

Your attention is directed to the following:

1. The tender price is $17.50 per Share, net to the seller in cash.

2. The Offer is being made for all outstanding Shares.

3. This Offer is being made pursuant to the terms of an Agreement and Plan of Merger, dated as of July 27, 1997 (the "Merger Agreement") by and among the Company, Purchaser and Intel. The Merger Agreement provides, among other things, for the making of the Offer by Purchaser, and further provides that, following the purchase of Shares pursuant to the Offer and promptly after the satisfaction or waiver of certain conditions, Purchaser will be merged with and into the Company (the "Merger"). The Company will continue as the surviving corporation after the Merger and will be a wholly owned subsidiary of Intel.

4. The Board of Directors of the Company has approved the Offer, the Merger and the other transactions contemplated by the Merger Agreement, has determined that the Offer, the Merger and the other transactions contemplated by the Merger Agreement are fair to and in the best interests of the

Company's stockholders and recommends that stockholders of the Company accept the Offer and tender their Shares.

5. The Offer and withdrawal rights will expire at Midnight, New York City time, on Thursday, August 28, 1997, unless extended.

6. THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THE SATISFACTION OR WAIVER OF CERTAIN CONDITIONS TO THE OBLIGATIONS OF PURCHASER AND THE COMPANY TO CONSUMMATE THE OFFER, INCLUDING (1) THERE BEING VALIDLY TENDERED BY THE EXPIRATION DATE AND NOT WITHDRAWN A NUMBER OF SHARES WHICH REPRESENTS AT LEAST A MAJORITY OF SHARES ON A FULLY-DILUTED BASIS AND (2) RECEIPT BY PURCHASER AND THE COMPANY OF CERTAIN GOVERNMENTAL AND REGULATORY APPROVALS.

7. Stockholders who tender Shares will not be obligated to pay brokerage commissions or, except as set forth in Instruction 6 of the

Letter of Transmittal, transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer.

If you wish to have us tender any or all of your Shares, please complete, sign and return the form set forth on the reverse side of this letter. Your instructions to us should be forwarded in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

INSTRUCTIONS WITH RESPECT TO THE OFFER
TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF
COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
CHIPS AND TECHNOLOGIES, INC.
AT

$17.50 NET PER SHARE
BY
INTEL ENTERPRISE CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
INTEL CORPORATION

The undersigned acknowledge(s) receipt of your letter enclosing the Offer to Purchase, dated August 1, 1997, of Intel Enterprise Corporation, a Delaware corporation and a wholly owned subsidiary of Intel Corporation ("Purchaser"), and the related Letter of Transmittal, relating to shares of common stock, par value $.01 per share (including the associated Rights, as defined in the Offer to Purchase) (collectively, the "Shares"), of Chips and Technologies, Inc., a Delaware corporation.

This will instruct you to tender to Purchaser the number of Shares indicated below held by you for the account of the undersigned, on the terms and subject to the conditions set forth in the Offer to Purchase and Letter of Transmittal.

NUMBER OF SHARES TO BE TENDERED:

_____ SHARES

Account Number:
- - ----------

Dated:
- - ---------- , 1997
SIGN HERE

- - ----------

- - ----------
Signature(s)

- - ----------

- - ----------
Please print name(s) and address(es) here

- - ----------
Tax Identification or Social Security Number

- - ----------

* Unless otherwise indicated, it will be assumed that all of your Shares held by us for your account are to be tendered.

EXHIBIT (A)(6)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

<TABLE>
<C> <S> <C>

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)
8. Sole proprietorship account	The owner(4)

FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
9. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Religious, charitable, or educational organization	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

</TABLE>

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's social security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner.
(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER OF SUBSTITUTE FORM W-9

OBTAINING A NUMBER
If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for an Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING
Payees specifically exempted from backup withholding on ALL payments include the following:
- A corporation.
- A financial institution.
- An organization exempt from tax under Section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or
- any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in Section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:
- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:
- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments, other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES
(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail

to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS.--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an underpayment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

EXHIBIT (A)(7)

SUMMARY ADVERTISEMENT, DATED AUGUST 1, 1997

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase dated August 1, 1997, and the related Letter of Transmittal and is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction.

NOTICE OF OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)

OF

CHIPS AND TECHNOLOGIES, INC.
AT
$17.50 NET PER SHARE
BY
INTEL ENTERPRISE CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
INTEL CORPORATION

Intel Enterprise Corporation, a Delaware corporation (the "Purchaser") and a wholly owned subsidiary of Intel Corporation, a Delaware corporation ("Intel"), is offering to purchase all outstanding shares of Common Stock, par value $.01 per share (the "Shares"), of Chips and Technologies, Inc., a Delaware corporation (the "Company"), together with the associated rights (the "Rights") to purchase Common Stock issued pursuant to the Company's Rights Agreement dated August 23, 1989 (the "Rights Agreement"), at $17.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 1, 1997 and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). Unless the context otherwise requires, all references to Shares include the associated Rights, and all references to the Rights include the benefits that may inure to holders of the Rights pursuant to the Rights Agreement.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 28, 1997, UNLESS EXTENDED.

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Offer such number of Shares that would constitute at least a majority of the outstanding Shares (determined on a fully diluted basis) (the "Minimum Condition"), and (ii) any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, applicable to the purchase of Shares pursuant to the Offer having expired or been terminated.

The Offer is being made pursuant to an Agreement and Plan of Merger dated as of July 27, 1997 (the "Merger Agreement"), among Intel, the Purchaser and the Company pursuant to which, following the consummation of the Offer, the Purchaser will be merged with and into the Company (the "Merger"). On the effective date of the Merger, each outstanding Share (other than Shares owned by the Company or by any subsidiary of the Company, Intel, the Purchaser or any other subsidiary of Intel or by stockholders, if any, who are entitled to and who properly exercise appraisal rights under Delaware Law) will be converted into the right to receive $17.50, in cash, without interest.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE OFFER AND THE MERGER AND DETERMINED THAT THE TERMS OF THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTEREST OF, THE STOCKHOLDERS OF THE COMPANY, AND UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to the Purchaser and not properly withdrawn as, if and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance for payment of such Shares. Upon the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price therefore with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from the Purchaser and transmitting payment to tendering stockholders whose Shares have been accepted for payment. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (a) certificates for such Shares or

timely confirmation of book-entry transfer of such Shares into the Depositary's

account at a Book-Entry Transfer Facility (as defined in the Offer to Purchase) pursuant to the procedures set forth in Section 2 of the Offer to Purchase, (b) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) and (c) any other documents required by the Letter of Transmittal. Under no circumstance will interest be paid by the Purchaser on the purchase price of the Shares to be paid by the Purchaser, regardless of any extension of the Offer or any delay in making such payment.

The term "Expiration Date" means midnight, New York City time, on Thursday, August 28, 1997, unless and until the Purchaser extends the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date on which the Offer, as so extended by the Purchaser, shall expire. The Purchaser expressly reserves the right, subject to the terms of the Merger Agreement, at any time or from time to time, and regardless of whether or not any of the events set forth in Section 15 of the Offer to Purchase shall have occurred, (i) to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and the payment for, any Shares, by giving oral or written notice of such extension to the Depositary and (ii) to amend the Offer in any other respect permitted under the Merger Agreement by giving oral or written notice of such amendment to the Depositary. The Purchaser shall not have any obligation to pay interest on the purchase price for tendered Shares, whether or not the Purchaser exercises its right to extend the Offer. Except as set forth in the Merger Agreement, there can be no assurance that the Purchaser will extend the Offer. Any such extension will be followed by a public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering stockholder to withdraw such stockholder's Shares.

Except as otherwise provided below, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by the Purchaser pursuant to the Offer, may also be withdrawn at any time after September 29, 1997. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase and must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates for Shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary, and, unless Shares have been tendered by an Eligible Institution (as defined in Section 2 of the Offer to Purchase), the signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If shares have been delivered pursuant to the procedures for book-entry transfer as set forth in Section 2 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will thereafter be deemed not validly tendered for the purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 2 of the Offer to Purchase at any time prior to the Expiration Date. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding.

The Offer to Purchase and the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and furnished to brokers, dealers, banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) of the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

THE OFFER TO PURCHASE AND LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

Requests for copies of the Offer to Purchase, the Letter of Transmittal and all other tender offer materials may be directed to the Information Agent, as set forth below, and copies will be furnished promptly at the Purchaser's expense.

The Information Agent for the Offer is:
D.F. KING & CO., INC.

77 Water Street, 20th Floor

New York, New York 10005-4495

(212) 269-5550 (Call Collect)
or
Call Toll-Free (800) 758-7358

August 1, 1997

EXHIBIT (A)(8)

PRESS RELEASES, DATED JULY 28, 1997 AND AUGUST 1, 1997, ISSUED BY INTEL

CONTACT: Gordon Casey
INTEL CORPORATION
(408) 765-1679

FOR IMMEDIATE RELEASE:

INTEL CORPORATION COMMENCES CHIPS AND TECHNOLOGIES, INC.
TENDER OFFER

SANTA CLARA, CA, August 1, 1997--Intel Corporation today commenced its previously announced tender offer for the purchase of all outstanding shares of Common Stock of Chips and Technologies, Inc. (Nasdaq: CHPS) not currently owned by Intel Corporation or its affiliates at a price of $17.50 net per share in cash. The offer is being made pursuant to the previously announced merger agreement between Intel Corporation and Chips and Technologies, Inc. under which, if the tender offer is consummated, Intel Corporation will be obligated to acquire any remaining Chips and Technologies, Inc. shares in a cash merger at the same price as paid in the tender offer. Intel Corporation and its affiliates currently own none of the outstanding shares of Chips and Technologies, Inc. Common Stock and no options for such stock.

The offer and withdrawal rights will expire at Midnight, New York City time, on Thursday, August 28, 1997, unless Intel Corporation elects (subject to the terms of its agreement with Chips and Technologies, Inc.) to extend the offer. D.F. KING & Co., Inc. ("King") is acting as information agent. King may be contacted (toll-free) at (800) 758-7358.

<TABLE>
<S>
CONTACT: Tom Waldrop (Intel)
(408) 765-8478

<C>
Bruce LeBoss
(Chips and Technologies)
(408) 541-8744
</TABLE>

INTEL TO ACQUIRE CHIPS AND TECHNOLOGIES, INC.

INVESTS IN ADVANCED GRAPHICS TO
ACCELERATE VISUAL COMPUTING IN MOBILE PCS

SANTA CLARA, Calif., July 28, 1997--Intel Corporation today announced it has entered into a definitive agreement to acquire Chips and Technologies, Inc., based in San Jose, California. The acquisition is aimed at advancing capabilities for graphics and visual computing in mobile personal computers.

The terms of the agreement provide for Intel to commence a cash tender offer in the near future for all outstanding shares of Chips and Technologies at a price of $17.50 per share. The terms further provide for a merger of Chips and Technologies with a subsidiary of Intel in which all remaining outstanding shares of Chips and Technologies will be converted into the right to receive $17.50 per share. The transaction is subject to regulatory approval and other conditions.

"As we aggressively drive improved visual computing capabilities to the personal computer, graphics solutions are an increasingly important part of mobile PC platforms," noted Craig R. Barrett, Intel's president and chief operating officer. "Intel and Chips and Technologies already share an excellent working relationship based on our joint efforts in graphics accelerators. Intel's acquisition of Chips and Technologies will provide us with the ability to bring strong graphics solutions to the mobile marketplace."

"The need for advanced graphics in mobile systems is significant," stated Jim Stafford, Chips and Technologies president and chief executive officer. "We look forward to being a part of Intel and to working together to accelerate the establishment of advanced graphics technologies and standards for the mobile industry."

INNOVATORS IN ADVANCED DISPLAY CAPABILITIES FOR MOBILE COMPUTERS

Chips and Technologies is currently the market segment leader for notebook graphics accelerator chips. The company has industry-leading technology, such as HiQColor in graphics accelerators for the mobile computing market segment and flat panel displays. Chips and Technologies is currently sampling graphics accelerators with integrated memory.

Chips and Technologies will become a wholly owned subsidiary of Intel Corporation and part of Intel's Graphics Components Division. Jim Stafford, Chips and Technologies president and chief executive officer, will join Intel as a vice president of the Company's Desktop Products Group. He will team with

Avtar Saini, vice president and general manager of the Platform Components Division, to co-manage Intel's Graphics Component Division in Folsom and San Jose, California.

Current Chips and Technologies employees will become employees of Intel. Intel does not anticipate any immediate changes to Chips and Technologies product line, and Chips and Technologies will continue to manufacture and provide its products to customers under existing arrangements for the foreseeable future.

Intel, the world's largest chip maker, is also a leading manufacturer of personal computer, networking, and communications products. Additional information is available at www.intel.com/pressroom.

AGREEMENT AND PLAN OF MERGER

AMONG

CHIPS AND TECHNOLOGIES, INC.,

INTEL CORPORATION

AND

INTEL ENTERPRISE CORPORATION

DATED AS OF JULY 27, 1997

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter called this "Agreement"), dated as of July 27, 1997, among CHIPS AND TECHNOLOGIES, INC., a Delaware corporation (the "Company"), INTEL CORPORATION, a Delaware corporation ("Parent"), and INTEL ENTERPRISE CORPORATION, a Delaware corporation and a direct, wholly-owned subsidiary of Parent ("Merger Sub"; the Company and Merger Sub sometimes being hereinafter together referred to as the "Constituent Corporations").

RECITALS

WHEREAS, the respective Boards of Directors of each of Parent, Merger Sub and the Company have approved the merger of Merger Sub with and into the Company (the "Merger") and approved the Merger upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, in furtherance thereof, it is proposed that Parent shall, within five (5) Business Days after the public announcement hereof, commence a tender offer (the "Offer") to acquire all of the outstanding shares of common stock, par value $.01 per share, of the Company (the "Shares"), together with the associated Rights (as defined in Section 4.1(a)), at a price of $17.50 per Share, net to the seller in cash, less any required withholding taxes (such amount, or any greater amount per share paid pursuant to the Offer, being hereinafter referred to as the "Offer Price"), in accordance with the terms and subject to the conditions provided herein; and

WHEREAS, Parent, Merger Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

THE OFFER

1.1. The Offer.

(a) Provided that this Agreement shall not have been terminated and subject to the terms hereof, as promptly as practicable, but in no event later than five (5) Business Days after the public announcement of the execution hereof by the parties, Parent shall commence (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), the Offer for any and all of the Shares, at the Offer Price. The obligation of Parent to accept for payment and to pay for any Shares tendered shall be subject only to (i) the condition that at least a majority of Shares on a fully-diluted basis (including for purposes of such calculation all Shares issuable upon exercise of all vested and unvested stock options) be validly tendered (the "Minimum Condition"), and (ii) the other conditions set forth in Annex A. Parent expressly reserves the right to increase the Offer Price or to make any other changes in the terms and conditions of the Offer (provided that, unless previously approved by the Company in writing, no change may be made which (i) decreases the Offer Price, (ii) changes the form of consideration to be paid in the Offer, (iii) reduces the maximum number of Shares to be purchased in the Offer, (iv) imposes conditions to the Offer in addition to those set forth in Annex A, (v) amends the conditions set forth in Annex A to broaden the scope of such conditions, (vi) amends any other term of the Offer in a manner adverse to the holders of the Shares, (vii) extends the Offer except as provided in Section 1.1(b)), or (viii) amends the Minimum Condition. It

is agreed that the conditions set forth in Annex A are for the sole benefit of Parent and may be waived by Parent, in whole or in part at any time and from time to time, in its sole discretion other than the Minimum Condition, as to which prior written Company approval is required. The failure by Parent at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right

which may be asserted at any time and from time to time. The Company agrees that no Shares held by the Company or any of its Subsidiaries (as defined in Section 9.2) will be tendered in the Offer.

(b) Subject to the terms and conditions thereof, the Offer shall expire at midnight, New York City time, on the date that is twenty (20) Business Days after the date the Offer is commenced; provided, however, that without the consent of the Company's Board of Directors, Parent may (i) from time to time extend the Offer, if at the scheduled expiration date of the Offer any of the conditions to the Offer shall not have been satisfied or waived, until such time as such conditions are satisfied or waived; (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer; or (iii) extend the Offer for any reason on one or more occasions for an aggregate period of not more than twenty (20) Business Days beyond the latest expiration date that would otherwise be permitted under clause (i) or (ii) of this sentence if on such expiration date there shall not have been tendered at least 90% of the outstanding Shares. Parent agrees that if all of the conditions to the Offer set forth on Annex A are not satisfied on any scheduled expiration date of the Offer then, provided that all such conditions are reasonably capable of being satisfied prior to October 31, 1997, Parent shall extend the Offer from time to time until such conditions are satisfied or waived, provided that Parent shall not be required to extend the Offer beyond October 31, 1997. Subject to the terms and conditions of the Offer and this Agreement, Parent shall accept for payment, and pay for, all Shares validly tendered and not withdrawn pursuant to the Offer that Parent becomes obligated to accept for payment and pay for pursuant to the Offer, as promptly as practicable after the expiration of the Offer.

(c) As soon as practicable on the date the Offer is commenced, Parent shall file with the SEC a Tender Offer Statement on Schedule 14D-1 (together with all amendments and supplements thereto, and including all exhibits thereto, the "Schedule 14D-1") with respect to the Offer. The Schedule 14D-1 shall contain as an exhibit or incorporate by reference the Offer to Purchase (or portions thereof) and forms of the related letter of transmittal and summary advertisement. Parent and Merger Sub agree that the Schedule 14D-1, the Offer to Purchase and all amendments or supplements thereto (which together constitute the "Offer Documents") shall comply in all material respects with the Exchange Act and the rules and regulations thereunder and other applicable Laws (as defined in Section 5.1(i)). Parent and Merger Sub further agree that the Offer Documents, on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation or warranty is made by Parent or Merger Sub with respect to information supplied by the Company or any of its stockholders specifically for inclusion or incorporation by reference in the Offer Documents. The Company agrees that the information provided by the Company for inclusion or incorporation by reference in the Offer Documents shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of Parent, Merger Sub and the Company agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and Parent and Merger Sub further agree to take all steps necessary to cause the Schedule 14D-1 as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to the Company's stockholders, in each case as and to the extent required by applicable federal securities laws. The Company and its counsel shall be given reasonable opportunity to review and comment on the Offer Documents prior to the filing thereof with the SEC. Parent agrees to provide the Company and its counsel in writing with any comments Parent or its counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after receipt of such comments.

1.2. Company Actions.

(a) The Company hereby approves of and consents to the Offer and represents that its Board of Directors, at a meeting duly called and held, has, subject to the terms and conditions set forth herein, (i) after evaluating the Merger in accordance with all of the provisions of Article Ninth of the Company's

certificate of incorporation, determined that this Agreement and the transactions contemplated hereby, including the Offer and the Merger, taken together, are at a price and on terms which are adequate and are otherwise in the best interests of the Company and its stockholders (other than Parent and its Affiliates), (ii) approved this Agreement and the transactions contemplated hereby, including the Offer and the Merger, in all respects and such approval constitutes approval of the Offer, this Agreement and the Merger for purposes of (x) Section 203 of the Delaware General Corporation Law (the "DGCL"), (y) similar provisions of any other similar state statutes that might be deemed applicable to the transactions contemplated hereby and (z) the Rights Agreement (as defined in Section 5.1(b)), (iii) resolved to recommend that the stockholders of the Company accept the Offer, tender their Shares thereunder to Parent and approve and adopt this Agreement and the Merger, and (iv) in accordance with the applicable provisions of the Assumed Stock Option Plan (as defined in Section 2.4), approved the assumption of the Assumed Stock Option Plan by Parent as contemplated by Section 6.8(c) and the conversion of the options under the Assumed Stock Option Plan outstanding at the Effective Time of the Merger. The Company consents to the inclusion of such recommendation and approval in the Offer Documents. The Company also represents that its Board of Directors has reviewed the opinion of Hambrecht & Quist LLC, financial advisor to the Board of Directors (the "Financial Advisor"), that, as of July 27, 1997, the consideration to be received pursuant to this Agreement is fair to the stockholders of the Company (other than Parent and its Affiliates) from a financial point of view (the "Fairness Opinion"). The Company has been authorized by the Financial Advisor to permit, subject to the prior review and consent by the Financial Advisor (such consent not to be unreasonably withheld), the inclusion of the fairness opinion (or a reference thereto) in the Offer Documents, the Schedule 14D-9 and the Proxy Statement.

(b) The Company shall file with the SEC, concurrently with the filing of the Schedule 14D-1, a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto, and including all exhibits thereto, the "Schedule 14D-9") containing the recommendations described in Section 1.2(a) and shall mail the Schedule 14D-9 to the stockholders of the Company promptly after the commencement of the Offer. The Company agrees that the Schedule 14D-9 shall comply in all material respects with the Exchange Act and the rules and regulations thereunder and other applicable Laws. The Company further agrees that Schedule 14D-9, on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation or warranty is made by the Company with respect to information supplied by the Parent or Merger Sub specifically for inclusion or incorporation by reference in Schedule 14D-9. Each of the Company, Parent and Merger Sub agrees promptly to correct any information provided by it for use in the Schedule 14D-9 or the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and be disseminated to the Company's stockholders, in each case as and to the extent required by applicable federal securities laws. Parent and its counsel shall be given reasonable opportunity to review and comment on the Schedule 14D-9 prior to the filing thereof with the SEC.

(c) In connection with the Offer, the Company shall, or shall cause its transfer agent to, promptly furnish Parent with such information, including updated lists of the stockholders of the Company, mailing labels and updated lists of security positions, and such assistance as Parent or its agents may reasonably request in communicating the Offer to the record and beneficial holders of Shares. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent and Sub and their agents shall hold in confidence the information contained in any such labels, listings and files, will use such information only in connection with the Offer and the Merger and, if this Agreement shall be terminated, will deliver, and will use their reasonable efforts to cause their agents to deliver, to the Company all copies and any extracts or summaries from such information then in their possession or control.

(d) Solely in connection with the tender and purchase of Shares pursuant to the Offer and the consummation of the Merger, the Company hereby waives any and all rights of first refusal it may have with respect to Shares owned by, or issuable to, any Person, other than rights to repurchase unvested shares, if any, that may be held by Persons following exercise of employee stock options.

1.3. Boards of Directors and Committees; Section 14(f).

(a) Promptly upon the purchase by Parent of Shares pursuant to the Offer and from time to time thereafter, if the Minimum Condition has been met, and subject to the second to last sentence of this Section 1.3(a), Parent shall be entitled to designate up to such number of directors, rounded up to the next whole number, on the Board of Directors of the Company as will give Parent representation on such Board equal to the product of the number of directors on such Board (giving effect to any increase in the number of directors pursuant to this Section 1.3) and the percentage that such number of Shares so purchased bears to the total number of outstanding Shares on a fully-diluted basis, and the Company shall use its best efforts to, upon request by Parent, promptly, at the Company's election, either increase the size of its Board of Directors (subject to the provisions of Article Sixth of the Company's certificate of incorporation) or secure the resignation of such number of directors as is necessary to enable Parent's designees to be elected to such Board and to cause Parent's designees to be so elected. At such times, and subject to the second to last sentence of this Section 1.3(a), the Company will use its best efforts to cause persons designated by Parent to constitute the same percentage as is on the Company's Board of Directors of (i) each committee of such Board (other than any committee of such Board established to take action under this Agreement), (ii) each Board of Directors of each Subsidiary of the Company and (iii) each committee of each such Board. Notwithstanding the foregoing, the Company shall use its best efforts to ensure that three of the members of its Board of Directors as of the date hereof ("Continuing Directors") shall remain members of such Board until the Effective Time (as defined in Section 2.3). In the event a Continuing Director resigns from the Company's Board of Directors, Parent, Merger Sub and the Company shall permit the remaining Continuing Director or Directors to appoint the resigning director's successor who shall be deemed to be a Continuing Director.

(b) The Company's obligation to appoint designees to its Board of Directors shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. The Company shall promptly take all action required pursuant to such Section and Rule in order to fulfill its obligations under this Section 1.3 and shall include in the Schedule 14D-9 such information with respect to the Company and its officers and directors as is required under such Section and Rule in order to fulfill its obligations under this Section 1.3. Parent will supply to the Company in writing and be solely responsible for any information with respect to itself and its nominees, officers, directors and Affiliates required by such Section and Rule.

(c) Following the election or appointment of Parent's designees pursuant to this Section 1.3 and prior to the Effective Time, if there shall be any Continuing Directors, any amendment of this Agreement, any termination of this Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Parent or any waiver of any of the Company's rights hereunder, will require the concurrence of a majority of such Continuing Directors.

ARTICLE II

THE MERGER; CLOSING; EFFECTIVE TIME

2.1. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined in Section 2.3) Merger Sub shall be merged with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the laws of the State of Delaware, and the separate corporate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger, except as set forth in Article III. At the election of Parent, to the extent that such action would not

cause a failure of a condition to the Offer of the Merger, the Merger may be structured so that the Company shall be merged with and into Merger Sub with the result that Merger Sub shall become the "Surviving Corporation." The Merger shall have the effects specified in the DGCL. Parent, as the sole stockholder of Merger Sub, hereby approves the Merger and this Agreement.

2.2. Closing. The closing of the Merger (the "Closing") shall take place (i) at the offices of Gibson, Dunn & Crutcher LLP, One Montgomery Street, San Francisco, California at 9:00 am., Pacific time, on the first Business Day after the day on which the last to be fulfilled or waived of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement or (ii) at such other place and time and/or on such other date as the Company and Parent may agree in writing (the "Closing Date").

2.3. Effective Time. As soon as practicable following the Closing, the Company and Parent will cause a Certificate of Merger (the "Delaware Certificate of Merger") to be executed, acknowledged and filed with the Secretary of State of Delaware as provided in Section 251 of the DGCL. The Merger shall become effective at the time when the Delaware Certificate of Merger has been duly filed with the Secretary of State of Delaware (the "Effective Time").

2.4. Options. At the Effective Time, options under the Company's Amended and Restated 1994 Stock Option Plan (the "Assumed Stock Option Plan") to purchase Shares (each, a "Company Option"), which are then outstanding and unexercised, shall cease to represent a right to acquire Shares and shall be converted automatically into options to purchase shares of common stock, par value $.001 per share, of Parent ("Parent Common Stock"), and Parent shall assume each such Company Option subject to the terms of the Assumed Stock Option Plan, in each case as heretofore amended or restated, as the case may be, and the agreements evidencing grants thereunder; provided, however, that from and after the Effective Time, (i) the number of shares of Parent Common Stock purchasable upon exercise of such Company Option shall be equal to the number of Shares that were purchasable under such Company Option immediately prior to the Effective Time multiplied by the Exchange Ratio (as hereinafter defined), and rounding to the nearest whole share, and (ii) the per share exercise price under each such Company Option shall be adjusted by dividing the per share exercise price of each such Company Option by the Exchange Ratio, and rounding down to the nearest cent. The terms of each Company Option shall, in accordance with its terms, be subject to further adjustment as appropriate to reflect any stock split, stock dividend, recapitalization or other similar transaction with respect to Parent Common Stock on or subsequent to the Effective Date. Notwithstanding the foregoing, each Company Option which is intended to be an "incentive stock option": (as defined in Section 422 of the Internal Revenue Code of 1986, as amended, (the "Code")) shall be adjusted in accordance with the requirements of Section 424 of the Code. Accordingly, with respect to any incentive stock options, fractional shares shall be rounded down to the nearest whole number of shares and the per share exercise price shall be rounded down to the nearest cent. The Exchange Ratio is 0.197656.

ARTICLE III

CERTIFICATE OF INCORPORATION AND BY-LAWS OF THE SURVIVING CORPORATION; OFFICERS AND DIRECTORS OF THE SURVIVING CORPORATION

3.1. Certificate of Incorporation. The certificate of incorporation of the Company as in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation (the "Charter"), until duly amended as provided therein or by applicable Law, except that Article Fourth of the Charter shall be amended to read in its entirety as follows: "The aggregate number of shares that the Corporation shall have the authority to issue is 1,000 shares of Common Stock, par value $.01 per share."

3.2. By-Laws. The by-laws of Merger Sub in effect at the Effective Time shall be the by-laws of the Surviving Corporation (the "By-Laws"), until thereafter amended as provided therein or by applicable Law.

3.3. Directors. The directors of Merger Sub at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and By-Laws.

3.4. Officers. The officers of the Company at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and By-Laws.

ARTICLE IV

EFFECT OF THE MERGER ON CAPITAL STOCK; EXCHANGE OF CERTIFICATES FOR MERGER CONSIDERATION

4.1. Effect on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of the holder of any Capital Stock (as defined in Section 9.2) of the Company:

(a) Merger Consideration. Each Share issued and outstanding immediately prior to the Effective Time (other than Shares owned by Parent, Merger Sub or any other direct or indirect Subsidiary of Parent or Shares that are owned by the Company or any direct or indirect Subsidiary of the Company (collectively, the "Excluded Shares")) shall be converted into, and become exchangeable for the Offer Price, without interest (the "Merger Consideration"). Unless the context otherwise clearly requires, each reference in this Agreement to the Shares shall include the associated

"Rights" as defined in and issued pursuant to the Rights Agreement (the "Rights"). At the Effective Time, all Shares shall no longer be outstanding and shall be canceled and retired and shall cease to exist, and each certificate (a "Certificate") formerly representing any of such Shares (other than Excluded Shares) shall thereinafter represent only the right to receive the Merger Consideration.

(b) Cancellation of Excluded Shares. Each Excluded Share issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, shall be canceled and retired without payment of any consideration therefor and shall cease to exist.

(c) Merger Sub. At the Effective Time, each share of Common Stock, par value $.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one share of Common Stock of the Surviving Corporation.

4.2. Exchange of Certificates for Payment.

(a) Exchange Agent. As of the Effective Time, Parent shall deposit, or shall cause to be deposited, with an exchange agent selected by Parent (the "Exchange Agent"), for the benefit of the holders of Shares, cash in U.S. dollars in an amount equal to the Merger Consideration multiplied by the aggregate outstanding Shares (other than Excluded Shares) to be paid pursuant to Section 4.1(a) in exchange for outstanding Shares upon due surrender of the Certificates (or affidavits of loss in lieu thereof) pursuant to the provisions of this Article IV (such aggregate cash amount when paid to the Exchange Agent being hereinafter referred to as the "Merger Fund").

(b) Exchange Procedures. Promptly after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of record of Shares (other than holders of Excluded Shares) (i) a letter of transmittal (which shall, among other matters, specify that delivery of the Certificates shall be effected, and risk of loss and title to the Certificates shall pass, only upon actual receipt of the Certificates (or affidavits of loss in lieu thereof) by the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration due and payable to such holder. Upon surrender of a Certificate for cancellation to the Exchange Agent together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor a check in the amount (after giving effect to any required tax withholdings) of the Merger Consideration due and payable in respect of such holder's Shares and the Certificate so surrendered shall forthwith be canceled. No interest will be paid or accrued on any amount payable upon

due surrender of the Certificates. All Merger Consideration paid upon surrender for exchange of Shares in accordance with the terms of this Agreement shall be deemed to have been paid in full satisfaction of all rights pertaining to such Shares. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, a check for the amount of cash to be paid upon due surrender of the Certificate may be delivered to such a transferee if the Certificate formerly representing such Shares is presented to the Exchange Agent, accompanied by all documents required by the Exchange Agent to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

(c) Transfers. After the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Shares that were outstanding immediately prior to the Effective Time.

(d) Termination of Merger Fund. Any portion of the Merger Fund (including the proceeds of any investments thereof) that remains unclaimed by the stockholders of the Company for 180 days after the Effective Time shall be paid to Parent. Any stockholders of the Company who have not theretofore complied with this Article IV shall thereafter look only to Parent for payment of their Merger Consideration payable pursuant to Section 4.1 upon due surrender of their Certificates (or affidavits of loss in lieu thereof), in each case, without any interest thereon. Notwithstanding the foregoing, neither Parent, the Surviving Corporation, the Exchange Agent nor any other Person shall be liable to any former holder of Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws. Any amounts remaining unclaimed by holders of Shares on the two (2) year anniversary of the Effective Time (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become property of any Governmental Entity (as defined in Section 5.1(d)) shall, to the extent permitted by applicable Law, become the property of Parent, free and clear of any claims or interest of any Person previously entitled thereto.

(e) Return of Consideration. Any portion of the Merger Fund representing Merger Consideration payable in respect of Dissenters' Shares (as defined in Section 4.3) for which appraisal rights have been perfected shall be returned to Parent, upon demand.

(f) Lost, Stolen or Destroyed Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in an amount determined by Parent as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration payable pursuant to Section 4.1 upon due surrender of the Certificate representing such Shares pursuant to this Agreement.

4.3. Dissenters' Shares. Notwithstanding Section 4.1, Shares outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such Shares in accordance with the DGCL ("Dissenters' Shares") shall not be converted into a right to receive the Merger Consideration, unless such holder fails to perfect or withdraws or otherwise loses such holder's right to appraisal. If after the Effective Time such holder fails to perfect or withdraws or loses such holder's right to appraisal, such Dissenters' Shares shall be treated as if they had been converted as of the Effective Time into a right to receive the Merger Consideration. The Company shall give Parent prompt notice of any demands received by the Company for appraisal of Dissenters' Shares, and Parent shall have the right to participate in all negotiations and proceedings with respect to such demands. The Company shall not, except with the prior written consent of Parent, make any payment with respect to, or settle or offer to settle, any such demands.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

5.1. Representations and Warranties of the Company. The Company hereby represents and warrants to Parent and Merger Sub as follows:

(a) Organization, Good Standing, Corporate Power and Qualification; Subsidiaries and Other Interests.

(i) Each of the Company and its Subsidiaries (x) is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization, (y) has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and (z) is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties or conduct of its business requires such qualification, except where the failure to be so qualified or in good standing, individually or in the aggregate, has not had and is not reasonably likely to have a Company Material Adverse Effect (as defined in Section 9.2). The Company has made available to Parent a complete and correct copy of the Company's and its Subsidiaries' certificates of incorporation and by-laws (or comparable governing documents), each as amended to the date hereof. The Company's and its Subsidiaries' certificates of incorporation and by-laws (or comparable governing documents) made available are in full force and effect.

(ii) Schedule 5.1(a) contains a correct and complete list of each of the Company's Subsidiaries, the jurisdiction where each of such Subsidiaries is organized and the percentage of outstanding Capital Stock of such Subsidiaries that is directly or indirectly owned by the Company. The Company or another Subsidiary of the Company owns its shares of the Capital Stock of each Subsidiary of the Company free and clear of all Liens except Permitted Liens (as defined in Section 9.2). Schedule 5.1(a) sets forth a true and complete list of each equity investment in an amount of $2,000,000 or more or which represents a 5% or greater ownership interest in the subject of such investment made by the Company or any of its Subsidiaries in any other Person other than the Company's Subsidiaries ("Other Interests"). The Other Interests are owned by the Company, by one or more of the Company's Subsidiaries or by the Company and one or more of its Subsidiaries, in each case free and clear of all Liens, except for Permitted Liens and Liens that may be created by any partnership or joint venture agreements for Other Interests.

(b) Capital Structure. The authorized Capital Stock of the Company consists of (i) one hundred million (100,000,000) Shares, of which 22,003,195 were outstanding as of the close of business on July 27, 1997, and (ii) five million (5,000,000) shares of Preferred Stock, par value $.01 per share (the "Preferred Shares"), none of which is outstanding. All of

the outstanding Shares have been duly authorized and are validly issued, fully paid and nonassessable. The Company has no Preferred Shares reserved for issuance. Schedule 5.1(h) contains a correct and complete list as of July 27, 1997 of each outstanding purchase right or option (each a "Company Option") to purchase Shares, including all Company Options issued under the Company's Amended and Restated Employee Stock Purchase Plan, the Company's Amended and Restated 1994 Stock Option Plan and the Company's First Amended 1988 Nonqualified Stock Option Plan for Outside Directors, in each case as amended to the date hereof (collectively, the "Stock Option Plans"), including the holder, date of grant, exercise price and number of Shares subject thereto. The Stock Option Plans are the only plans under which any Company Options are outstanding. As of July 27, 1997, other than (1) the 3,983,598 Shares reserved for issuance upon exercise of outstanding Company Options and (2) Shares reserved for issuance pursuant to the Rights Agreement, dated as of August 23, 1989, between the Company and Bank of America, NT & SA, as Rights Agent (the "Rights Agreement"), there are no Shares reserved for issuance or any commitments for the Company to issue Shares. Each of the outstanding shares of Capital Stock or other securities of each of the Company's Subsidiaries directly or indirectly owned by the Company is duly authorized, validly issued, fully paid and nonassessable and owned by the Company or by a direct or indirect Subsidiary of the Company, free and clear of any limitation or restriction (including any restriction on the

right to vote or sell the same except as may be provided as a matter of Law). Except for Company Options, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements or commitments to issue or sell any shares of Capital Stock or other securities of the Company or any of its Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of Capital Stock or other securities of the Company or any of its Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding. The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter ("Voting Debt"). If Parent takes the actions provided for in Section 6.8(c) hereof, after the Effective Time, the Surviving Corporation will have no obligation to issue, transfer or sell any shares of Capital Stock or other securities of the Surviving Corporation pursuant to the Stock Option Plans. The Shares constitute the only class of securities of the Company or any of its Subsidiaries registered or required to be registered under the Exchange Act.

(c) Corporate Authority; Approval and Fairness.

(i) The Company has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement and to consummate, subject (if required by law) only to approval of this Agreement by the holders of a majority of the outstanding Shares (the "Company Requisite Vote"), the Merger. Assuming due execution and delivery by Parent and Merger Sub, this Agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws or creditors' rights generally or by general principles of equity.

(ii) The Board of Directors of the Company has unanimously approved this Agreement and the Merger and the other transactions contemplated hereby including, without limitation, the Offer and the assumption referred to in Section 6.8(c), has received and reviewed the Fairness Opinion and duly taken all other actions described in Sections 1.2(a), 5.1(j) and 5.1(p).

(d) Governmental Filings; No Violations.

(i) Other than the filings and/or notices (A) pursuant to Section 1.2, (B) with the Delaware Secretary of State, (C) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") and the Exchange Act, (D) to comply with state securities or "blue sky" laws and (E) with the National Association of Securities Dealers (the "NASD"), no notices, reports or other filings are required to be made nor are any consents, registrations, approvals, permits or authorizations (collectively, "Government Consents") required to be obtained by the Company from any court or other governmental or regulatory authority, agency, commission, body or other governmental entity (a "Governmental Entity"), in connection with the execution and delivery of this Agreement by the Company and the consummation by the Company of the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse

Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement.

(ii) The execution, delivery and performance of this Agreement by the Company does not, and the consummation by the Company of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of or a default under, the certificate of incorporation or by-laws of the Company or the comparable governing instruments of any of its Subsidiaries, (B) a breach or violation of, or a default under, the acceleration of any obligations or the creation of any Lien on the assets of the Company or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any agreement, lease, contract, note, mortgage, indenture or other obligation (a "Contract") binding upon the Company or any of its Subsidiaries or any order, writ, injunction, decree of any court or any Law or governmental or non-governmental permit or

license to which the Company or any of its Subsidiaries is subject or (C) any change in the rights or obligations of any party under any Contract, except, in the case of clause (B) or (C) above, for any breach, violation, default, acceleration, creation or change that, individually or in the aggregate, is not reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement. Except as set forth on Schedule 5.1(d), there are no Contracts of the Company or its Subsidiaries which are material to the Company and its Subsidiaries, taken as a whole, pursuant to which consents or waivers are or may be required prior to consummation of the Offer or the Merger and the other transactions contemplated by this Agreement.

(e) Company Reports; Financial Statements. The Company has made available to Parent each registration statement, report, proxy statement or information statement filed with the SEC by it since June 30, 1996 (the "Audit Date"), including the Company's Annual Report on Form 10-K for the year ended June 30, 1996 (the "Company 10-K") in the form (including exhibits, annexes and any amendments thereto) filed with the SEC (collectively, including any such reports filed subsequent to the date hereof, the "Company Reports"). As of their respective dates, the Company Reports complied, and any Company Reports filed with the SEC after the date hereof will comply, as to form in all material respects with the applicable requirements of the Exchange Act and the Securities Act of 1933, as amended (the "Securities Act"), and the Company Reports did not, and any Company Reports filed with the SEC after the date hereof will not, at the time of their filing, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents, or will fairly present, the consolidated financial position of the Company and its Subsidiaries as of its date and each of the consolidated statements of income and of changes in financial position included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents, or will fairly present, the results of operations, retained earnings and changes in financial position, as the case may be, of the Company and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that will not be material in amount or effect), in each case in accordance with United States generally accepted accounting principles ("GAAP") consistently applied during the periods involved, except as may be noted therein. The Company has heretofore made available or promptly will make available to Parent a complete and correct copy of all amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC to the Company Reports, agreements, documents or other instruments which previously had been filed by the Company with the SEC pursuant to the Exchange Act. For purposes of this Agreement, "Balance Sheet" means the consolidated balance sheet of the Company as of June 30, 1996 set forth in the Company 10-K. Except as set forth in Company Reports filed with the SEC prior to the date hereof or as incurred in the ordinary course of business since the date of the most recent financial statements included in the Company Reports, neither the Company nor any of its subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) which would be required under GAAP to be set forth on a consolidated balance sheet of the Company and its subsidiaries taken as a whole and which individually or in the aggregate would have a Company Material Adverse Effect.

(f) Absence of Certain Changes. Except as disclosed in Schedule 5.1(f) or in the Company Reports filed prior to the date hereof, since the Audit Date, the Company and its Subsidiaries have conducted their respective businesses in all material respects only in, and have not engaged in any

material transaction other than according to, the ordinary and usual course of such businesses consistent with past practices, and there has not been any (i) change in the financial condition, properties, business or results of operations of the Company and its Subsidiaries, except for those changes that, individually or in the aggregate, have not had and are not reasonably likely to have a Company Material Adverse Effect; (ii) material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company or any of its Subsidiaries, not covered by insurance;

(iii) declaration, setting aside or payment of any dividend or other distribution in respect of the Capital Stock of the Company or any of its Subsidiaries (other than wholly-owned Subsidiaries) or any repurchase, redemption or other acquisition by the Company or any of its Subsidiaries of any outstanding shares of Capital Stock or other securities of, or other ownership interests in, the Company or any of its Subsidiaries; (iv) amendment of any material term of any outstanding security of the Company or any of its Subsidiaries; (v) incurrence, assumption or guarantee by the Company or any of its Subsidiaries of any indebtedness for borrowed money other than in the ordinary course of business and in amounts and on terms consistent with past practices; (vi) creation or assumption by the Company or any of its Subsidiaries of any Lien (other than Permitted Liens) on any material asset other than in the ordinary course of business consistent with past practices; (vii) making of any loan, advance or capital contributions by the Company or any of its Subsidiaries to, or investment in, any Person other than (x) loans or advances to employees in connection with business-related travel (y) loans made to employees consistent with past practices which are not in the aggregate in excess of $250,000, and (z) loans, advances or capital contributions to or investments in wholly-owned Subsidiaries, and in each case made in the ordinary course of business consistent with past practices; (viii) transaction or commitment made, or any contract or agreement entered into, by the Company or any of its Subsidiaries relating to its assets or business (including the acquisition or disposition of any assets) or any relinquishment by the Company or any of its Subsidiaries of any Contract or other right, in either case, material to the Company and its Subsidiaries, taken as a whole, other than transactions and commitments in the ordinary course of business consistent with past practices and those contemplated by this Agreement; (ix) labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees; or (x) change by the Company or any of its Subsidiaries in accounting principles, practices or methods. Since the Audit Date, except as disclosed in the Company Reports filed prior to the date hereof or increases in the ordinary course of business consistent with past practices, there has not been any increase in the compensation payable or that could become payable by the Company or any of its Subsidiaries to (a) officers of the Company or any of its Subsidiaries or (b) any employee of the Company or any of its Subsidiaries whose annual cash compensation is $150,000 or more, or any amendment of any of the Compensation and Benefit Plans (as defined in Section 5.1(h)).

(g) Litigation and Liabilities. Except as disclosed in Schedule 5.1(g) or in the Company Reports filed prior to the date hereof, and except for matters which, individually or in the aggregate, have not had and are not reasonably likely to have a Company Material Adverse Effect or prevent, delay or impair the ability of the Company to consummate the transactions contemplated by this Agreement, there are no (i) civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries or (ii) obligations or liabilities, whether or not accrued, contingent or otherwise and whether or not required to be disclosed, including those relating to matters involving any Environmental Law (as defined in Section 5.1(k)) or any other facts or circumstances of which the Company has knowledge that are reasonably likely to result in any claims against, or material obligations or liabilities of, the Company or any of its Subsidiaries.

(h) Employee Benefits.

(i) For purposes of this Agreement, "Compensation and Benefit Plans" means, collectively, each bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, employment, termination, severance, compensation, medical, health, or other plan, agreement, policy or arrangement, whether written or oral, that covers employees or directors of the Company or any of its Subsidiaries, or pursuant to which former employees or directors of the Company or any of its Subsidiaries are entitled to current or future benefits. The Company has made available to Parent copies of all "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) (sometimes referred to

herein as "Pension Plans"),

"employee welfare benefit plans" (as defined in Section 3(1) of ERISA) and all other Compensation and Benefit Plans maintained, or contributed to, by the Company or of its subsidiaries or any person or entity that, together with the Company and its subsidiaries, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended (the "Code") (the Company and each such other person or entity, a "Commonly Controlled Entity") for the benefit of any current employees, officers or directors of the Company or any of its subsidiaries. The Company has also made available to Parent true, complete and correct copies of (1) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Compensation and Benefit Plan (if any such report was required), (2) the most recent summary plan description for each Compensation and Benefit Plan for which such summary plan description is required and (3) each trust agreement and group annuity contract related to any Compensation and Benefit Plan. Except as would not have a material adverse effect on the Company, each Compensation and Benefit Plan has been administered in accordance with its terms. Except as would not have a Company Material Adverse Effect, each of its subsidiaries and all the Compensation and Benefit Plans are all in compliance with applicable provisions of ERISA and the Code.

(ii) Except as would not have a Company Material Adverse Effect, all Pension Plans have been the subject of determination letters from the Internal Revenue Service to the effect that such Pension Plans are qualified and exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and no such determination letter has been revoked nor has any event occurred since the date of its most recent determination letter or application therefor that would adversely affect its qualification or materially increase its costs.

(iii) Neither the Company, nor any of its Subsidiaries, nor any Commonly Controlled Entity has maintained, contributed or been obligated to contribute to any Benefit Plan that is subject to Title IV of ERISA.

(iv) Schedule 5.1(h) lists all outstanding Stock Options as of July 27, 1997, showing for each such option: (1) the number of shares issuable, (2) the number of vested shares, (3) the date of expiration and (4) the exercise price.

(v) All contributions required to be made under the terms of any Compensation and Benefit Plan as of the date hereof have been timely made.

(vi) Except as provided by this Agreement or in Schedule 5.1(h), no employee of the Company or any of its Subsidiaries will be entitled to any additional compensation or benefits or any acceleration of the time of payment or vesting of any compensation or benefits under any Benefit Plan as a result of the transactions contemplated by this Agreement.

(vii) All Compensation and Benefit Plans covering current or former non-U.S. employees of the Company or any of its Subsidiaries comply in all material respects with applicable local Laws. The Company and its Subsidiaries have no unfunded liabilities with respect to any Pension Plan that covers such non-U.S. employees.

(viii) Each Compensation and Benefit Plan complies in all material respects with all applicable requirements of (i) the Age Discrimination in Employment Act of 1967, as amended, and the regulations thereunder and (ii) Title VII of the Civil Rights Act of 1964, as amended, and the regulations thereunder and all other applicable laws. All amendments and actions required to bring each of the Employee Benefit Plans into conformity with all of the applicable provisions of ERISA and other applicable laws have been made or taken except to the extent that such amendments or actions are not required by law to be made or taken until a date after the Closing Date and are disclosed on Schedule 5.1(h).

(ix) Each group medical plan sponsored by the Company materially complies with the health care continuation provisions of COBRA and (ii) the Medicare Secondary Payor Provisions of Section 1826 (b) of the Social Security Act, and the regulations promulgated thereunder.

(i) Compliance with Laws. Except as set forth in the Company Reports filed prior to the date hereof, the businesses of each of the Company and its Subsidiaries have not been, and are not being, conducted in violation of any law, ordinance, regulation, judgment, order, injunction, decree, arbitration award, license or permit of any Governmental Entity (collectively, "Laws"), except for violations or possible violations that, individually or in the aggregate, have not had and are not reasonably

likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement. Except as set forth in the Company Reports filed prior to the date hereof, no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, threatened, nor has any Governmental Entity indicated an intention to conduct the same, except for those the outcome of which are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement.

(j) Takeover Statutes. No "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or regulation (each a "Takeover Statute") is applicable to the Company, the Shares, the Offer, the Merger or any of the other transactions contemplated by this Agreement. The Board of Directors of the Company has approved the Offer, the Merger and this Agreement, and such approval is sufficient to render inapplicable to the Offer, the Merger, this Agreement, and the transactions contemplated by this Agreement the provisions of Section 203 of DGCL to the extent, if any, such Section is applicable to the Offer, the Merger, this Agreement and the transactions contemplated by this Agreement.

(k) Environmental Matters.

(i) The term "Environmental Laws" means any Federal, state, local or foreign statute, treaty, ordinance, rule, regulation, policy, permit, consent, approval, license, judgment, order, decree or injunction relating to: (A) Releases (as defined in 42 U.S.C. sec. 9601(22) and California Health and Safety Code sec. 25501(r)) or threatened Releases of Hazardous Material (as hereinafter defined) into the environment, (B) the generation, treatment, storage, presence disposal, use, handling, manufacturing, transportation or shipment of Hazardous Material, (C) the health or safety of employees in the workplace environment, (D) natural resources, or (E) the environment, and includes all "Environmental Laws" as they are defined in any indemnification provision in any contract, lease, or agreement to which Company is a party. The term "Hazardous Material" means (1) hazardous substances (as defined in 42 U.S.C. sec. 9601(14)) and California Health and Safety Code sec. 25501(o), including "hazardous waste" as defined in California Health and Safety Code sec. 25501(p), (2) petroleum, including crude oil and any fractions thereof, (3) natural gas, synthetic gas and any mixtures thereof, (4) asbestos and/or asbestos containing materials, (5) PCBs or materials containing PCBs and (6) any material regulated as a medical waste or infectious waste but excludes commonly available office and janitorial supplies, (7) lead containing paint, (8) radioactive materials, and (9) "Hazardous Substance" or "Hazardous Material" as those terms are defined in any indemnification provision in any contract, lease, or agreement to which the Company is a party.

(ii) During the period of ownership or operation by the Company and its Subsidiaries of any of their current or previously owned or leased properties, there have been no Releases of Hazardous Material by the Company or any of its Subsidiaries in, on, under or affecting such properties or any surrounding site, and neither the Company nor any of its Subsidiaries has disposed of any Hazardous Material in a manner that has led, or could reasonably be anticipated to lead to a Release, except in each case for those which individually or in the aggregate would not have a Company Material Adverse Effect, and except as disclosed in the Company Reports. Except as set forth on Schedule 5.1(k), to the Company's knowledge there have been no Releases of Hazardous Material by the Company or any of its Subsidiaries in, on, under or affecting such properties or any surrounding site at times outside of such periods of ownership, operation, or lease or by any other party except in each case for those which individually on in the aggregate would not have a Company Material Adverse Effect. The Company and its Subsidiaries have not received any written notice of, or entered into

any order, settlement or decree relating to: (A) any violation of any Environmental Laws or the institution or pendency of any suit, action, claim, proceeding or investigation by any Governmental Entity or any third party in connection with any alleged violation of Environmental Laws, (B) the response to or remediation of Hazardous Material at or arising from any of the Company's properties or any Subsidiary's properties. To the Company's knowledge there have been no violations of any Environmental Laws which violations individually or in the aggregate would have a Company Material Adverse Effect.

(l) Intellectual Property.

(i) The Company and its subsidiaries own, or are validly licensed or otherwise have the right to use all (i) foreign and United States federal and state patents, trademarks, trade names, service marks and

copyright registrations, (ii) foreign and United States federal and state patent, trademark, trade name, service mark and copyright applications for registration, (iii) common law claims to trademarks, service marks and trade names, (iv) claims of copyright which exist although no registrations have been issued with respect thereto, (v) fictitious business name filings with any state or local Governmental Entity and (vi) inventions, concepts, designs, improvements, original works of authorship, computer programs, know-how, research and development, techniques, modifications to existing copyrightable works of authorship, data and other proprietary and intellectual property rights (whether or not patentable or subject to copyright, mask work or trade secret protection), in each case which are material to the conduct of the business of the Company and its Subsidiaries (collectively, the "Intellectual Property Rights"). There are no Liens other than Permitted Liens on the Intellectual Property Rights. There are no outstanding and, to the Company's knowledge, no threatened disputes or disagreements with respect to any Contract in respect of the Intellectual Property Rights.

(ii) Neither the Company nor any of its Subsidiaries is, nor has it during the three (3) years preceding the date of this Agreement been, a party to any litigation or arbitral or other proceeding, nor, to the knowledge of the Company, is any such proceeding threatened as to which there is a reasonable possibility of a determination adverse to the Company or one of its Subsidiaries, that involved a claim of infringement by the Company or one of its Subsidiaries or any other Person (including any Governmental Entity) of any Intellectual Property Right. No Intellectual Property Right is subject to any outstanding order, judgment, decree, stipulation or agreement restricting the use thereof by the Company or any of its Subsidiaries or, in the case of any Intellectual Property Right owned by the Company or its Subsidiaries licensed to others, restricting the sale, transfer, assignment or licensing thereof by the Company or any of its Subsidiaries to any other Person. Except as set forth on Schedule 5.1(ii), the Company has no knowledge that would cause it to believe that its or any Subsidiary's use of any Intellectual Property Right conflicts with, infringes upon or violates any patent, patent license, trademark, tradename, copyright, service mark, brand mark or brand name, or any trade secret of any Person.

(iii) Schedule 5.1(l) (iii) sets forth a complete list of (a) any material contracts related to the Intellectual Property Rights and (b) all documents which license or otherwise convey any of the Intellectual Property Rights owned by the Company or any of its Subsidiaries to a third party.

(iv) All employees and independent contractors of the Company or any of its Subsidiaries involved with the development of graphics and video controllers for portable computers, desktop PC motherboard products and other products and computer software in connection therewith (collectively, "Products") for the Company or any of its Subsidiaries have executed written agreements with the Company or applicable Subsidiary that assign to the Company or such Subsidiary all rights to any Intellectual Property Rights and that otherwise appropriately protect the Intellectual Property Assets.

(m) Taxes. Except as set forth on Schedule 5.1(m), (i) the Company and its Subsidiaries have timely filed or will timely file all returns and reports required to be filed by them with any taxing authority with respect to Taxes for any period ending on or before the date hereof, taking into account any

extension of time to file granted to or obtained on behalf of the Company or any of its Subsidiaries; (ii) all Taxes shown to be payable on such returns or reports that are due prior to the date hereof have been timely paid; (iii) as of the date hereof, no deficiency for any amount of Tax has been asserted or assessed or, to the Company's knowledge, has been threatened or is likely to be assessed by a taxing authority against the Company or any of its Subsidiaries other than deficiencies as to which adequate reserves have been provided for in the Company's consolidated financial statements; and (iv) the Company has provided in accordance with GAAP adequate reserves in its consolidated financial statements for any Taxes that have not been paid, whether or not shown as being due on any returns. For purposes of this Agreement, "Taxes" means any and all taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity or other taxing authority, including taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, Capital Stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added or gains taxes; license, registration and documentation fees; and customers' duties,

tariffs and similar charges. Neither the Company nor any of its Subsidiaries is subject to any Tax sharing agreement. No payments to be made to any of the employees of the Company or any of its Subsidiaries will, as a direct or indirect result of the Offer or the consummation of the Merger, be subject to the deduction limitations of Section 280G of the Code.

(n) Labor Matters. Neither the Company nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is the Company or any of its Subsidiaries the subject of any proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization, nor is there pending or, to the knowledge of the Company, threatened, any labor strike, dispute, walkout, work stoppage, slow-down or lockout involving the Company or any of its Subsidiaries.

(o) Insurance. The Company maintains insurance policies (the "Insurance Policies") against all risks of a character and in such amounts as are usually insured against by similarly situated companies in the same or similar businesses. Each Insurance Policy is in full force and effect and is valid, outstanding and enforceable, and all premiums due thereon have been paid in full. None of the Insurance Policies will terminate or lapse (or be affected in any other materially adverse manner) by reason of the transactions contemplated by this Agreement. The Company and its Subsidiaries have complied in all material respects with the provisions of each Insurance Policy under which it is the insured party. No insurer under any Insurance Policy has canceled or generally disclaimed liability under any such policy or, to the Company's knowledge, indicated any intent to do so or not to renew any such policy. All material claims under the Insurance Policies have been filed in a timely fashion.

(p) Rights Agreement. The Company has taken all necessary action to ensure that neither the entering into of this Agreement, the making of the Offer nor the consummation of the Offer or the Merger will cause the Rights to become exercisable, cause Parent or Merger Sub to become an "Acquiring Person" (as defined in the Rights Agreement), or cause there to occur a "Distribution Date" or a "Section 11(a)(ii) Event" (each as defined in the Rights Agreement).

(q) Brokers and Finders. Neither the Company nor any of its Subsidiaries, officers, directors, or employees or other Affiliates has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the Offer, the Merger or the other transactions contemplated by this Agreement, except that the Company has employed the Financial Advisor, the arrangements with which have been disclosed to Parent prior to the date hereof.

(r) Certain Business Practices. Neither the Company, any of its Subsidiaries nor any directors, officers, agents or employees of the Company or any of its Subsidiaries has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or

domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iii) made any other payment prohibited by applicable Law.

(s) Product Warranties. Schedule 5.1(s) sets forth complete and accurate copies of the written, and descriptions of all oral, warranties and guaranties by the Company or any of its Subsidiaries currently in effect with respect to the Products. There have not been any material deviations from such warranties and guaranties, and none of the Company's or any of its Subsidiaries' salesmen, employees, distributors and agents is authorized to undertake obligations to any customer or to other third parties in excess of such warranties or guaranties.

(t) Suppliers and Customers. The documents and information supplied by the Company to Parent, Merger Sub or any of their representatives in connection with this Agreement with respect to relationships and volumes of business done with significant suppliers and customers was accurate in all material respects.

(u) Backlog Information. None of the documents or information delivered to Parent, Merger Sub or any of their respective counsel, accountants and other agents and representatives in connection with backlog and billing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading.

5.2. Representations and Warranties of Parent and Merger Sub. Parent and

Merger Sub each hereby represents and warrants to the Company as follows:

(a) Organization, Good Standing and Qualification. Each of Parent and Merger Sub (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and (iii) is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties or conduct of its business requires such qualification, except where the failure to be so qualified or in such good standing, when taken together with all other such failures, has not had and is not reasonably likely to have a Parent Material Adverse Effect (as defined in Section 9.2). Parent has made available to the Company a complete and correct copy of Parent's certificate or incorporation and by-laws, as amended to the date hereof. Parent's certificate of incorporation and by-laws so delivered are in full force and effect.

(b) Ownership of Merger Sub. All of the issued and outstanding Capital Stock of Merger Sub is, and at the Effective Time will be, owned by Parent, and there are no (i) other outstanding shares of Capital Stock or other voting securities of Merger Sub, (ii) securities of Merger Sub convertible into or exchangeable for shares of Capital Stock or other voting securities of Merger Sub or (iii) options or other rights to acquire from Merger Sub, and no obligations of Merger Sub to issue, any Capital Stock, other voting securities or securities convertible into or exchangeable for Capital Stock or other voting securities of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the transactions contemplated hereby, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

(c) Corporate Authority. Each of Parent and Merger Sub has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement and to consummate the Offer and the Merger. Assuming due execution and delivery by the Company, this Agreement is a valid and binding agreement of Parent and Merger Sub, enforceable against each of them in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws or creditors' rights generally or by general principles of equity.

(d) Governmental Filings; No Violations.

(i) Other than the filings and/or notices (A) pursuant to Section 1.2, (B) under the HSR Act and the Exchange Act, (C) to comply with state securities or "blue sky" laws, and (D) required to be made with the NASD, no notices, reports or other filings are required to be made by Parent or Merger Sub with, nor are any Government Consents required to be obtained by Parent or Merger

Sub from, any Governmental Entity, in connection with the execution and delivery of this Agreement by Parent and Merger Sub, the Offer and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of the Parent or Merger Sub to consummate the transactions contemplated by this Agreement.

(ii) The execution, delivery and performance of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate or by-laws of Parent or Merger Sub, (B) a breach or violation of, or a default under, the acceleration of or the creation of a Lien, on the assets of Parent or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any Contract binding upon Parent or any of its Subsidiaries or any Law to which Parent or any of its Subsidiaries is subject or (C) any change in the rights or obligations of any party under any such Contract, except, in the case of clause (B) or (C) above, for any breach, violation, default, acceleration, creation or change that, individually or in the aggregate, is not reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of the Parent or Merger Sub to consummate the transactions contemplated by this Agreement.

(e) Brokers and Finders. Neither Parent nor Merger Sub, nor any of their respective officers, directors, employees or other Affiliates, has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the Offer, the Merger or the other transactions contemplated by this Agreement.

(f) Financing. At the expiration of the Offer and at the Effective Time, Parent and Merger Sub will have available all the funds necessary for the acquisition of all Shares pursuant to the Offer and to perform their respective obligations under this Agreement, including without limitation payment in full for all Shares validly tendered or outstanding as of the Effective Time.

ARTICLE VI

COVENANTS

6.1. Interim Operations. The Company covenants and agrees as to itself and its Subsidiaries that, after the date hereof and prior to the Effective Time (unless Parent shall otherwise approve in writing, which approval shall not be unreasonably withheld, and except as otherwise expressly contemplated by this Agreement):

(a) the business of it and its Subsidiaries shall be conducted in the ordinary and usual course consistent with past practices and, to the extent consistent therewith, it and its Subsidiaries shall use commercially reasonable efforts to preserve its business organization intact and maintain its existing relations and goodwill with customers, suppliers, distributors, creditors, lessors, employees and business associates;

(b) it shall not, (i) issue, sell otherwise dispose of or subject to Lien (other than Permitted Liens) any of its Subsidiaries' Capital Stock owned by it; (ii) amend its charter, by-laws or, except for any amendment which will not hinder, delay or make more costly to Parent the Offer or the Merger; the Rights Agreement; (iii) split, combine or reclassify its outstanding shares of Capital Stock; (iv) declare, set aside or pay any dividend payable in cash, stock or property in respect of any Capital Stock other than the issuance of Rights in connection with the issuance of Capital Stock upon the exercise of Company Options; (v) repurchase, redeem or otherwise acquire or permit any of its Subsidiaries to purchase or otherwise acquire, any shares of its Capital Stock; or any securities convertible into or exchangeable or exercisable for any shares of its Capital Stock; or (vi) adopt a plan of complete or partial liquidation or dissolution, merger or otherwise restructure or recapitalize or consolidate with any Person other than Merger Sub or another wholly-owned Subsidiary of Parent;

(c) neither it nor any of its Subsidiaries shall (i) authorize for issuance or issue, sell or otherwise dispose of or subject to any Lien (other than Permitted Liens) any shares of, or securities convertible into or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its Capital Stock of any class or any Voting Debt (other than Shares issuable pursuant to Company Options outstanding on the date hereof, the grant of Company Options to newly hired employees in accordance with a benefit matrix previously provided to Parent and after notification of Parent and automatic grants of director stock options as mandated by the Company's First Amended 1988 Nonqualified Stock Option Plan for Outside Directors); (ii) other than in the ordinary and usual course of business consistent with past practices, transfer, lease, license, guarantee, sell or otherwise dispose of or subject to any Lien (other than Permitted Liens) any other property or assets or incur or modify any material indebtedness or other liability (except for additional borrowings in the ordinary course under lines of credit in existence on the date hereof); (iii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person except in the ordinary course of business consistent with past practices and except for obligations of Subsidiaries of the Company incurred in the ordinary course of business; (iv) make any loans to any other Person (other than to Subsidiaries of the Company or, customary loans or advances to employees in connection with business-related travel in the ordinary course of business consistent with past practices); or (v) make any commitments for, make or authorize any capital expenditures other than in amounts less than $150,000 individually and $3,000,000 in the aggregate or, by any means, make any acquisition of, or investment in, assets or stock of any other Person;

(d) except as may be required to comply with applicable law or by existing contractual commitments, neither it nor any of its Subsidiaries shall (i) enter into any new agreements or commitments for any severance or termination pay to, or enter into any employment or severance agreement with, any of its directors, officers or employees or consultants except for (a) specific arrangements with ten of the Company's employees and one of its directors which have been previously disclosed to Parent and (b) reasonable severance payments made to employees in the ordinary course of business and consistent with past practices, or (ii) terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any Compensation and Benefit Plan or increase or accelerate the salary, wage, bonus or other compensation of any employees or directors

(except for increases occurring in the ordinary and usual course of business, which shall include normal periodic performance reviews and related compensation and benefit increases, but not any general across-the-board increases) or consultants or pay or agree to pay any pension, retirement allowance or other employee benefit not required by any existing Compensation and Benefit Plan;

(e) neither it nor any of its Subsidiaries shall, except as may be required as a result of a change in law or in GAAP, change any of the accounting principles or practices used by it;

(f) neither it nor any of its Subsidiaries shall revalue in any respect any of its material assets, including writing down the value of inventory or writing-off notes or accounts receivable, other than in the ordinary course of business consistent with past practices;

(g) neither it nor any of its Subsidiaries shall settle or compromise any material claims or litigation or terminate or materially amend or modify any of its material Contracts or waive, release or assign any material rights or claims;

(h) neither it nor any of its Subsidiaries shall make any Tax election or permit any insurance policy naming it as a beneficiary or loss-payable payee to be canceled or terminated;

(i) neither it nor any of its Subsidiaries shall take any action or omit to take any action that would cause any of its representations and warranties herein to become untrue in any material respect; and

(j) neither it nor any of its Subsidiaries will authorize or enter into any agreement to do any of the foregoing.

6.2. Third Party Acquisitions.

(a) The Company agrees that neither it nor any of its Subsidiaries nor any of its or its Subsidiaries' employees or directors shall, and it shall direct and use its best efforts to cause its and its Subsidiaries' agents and representatives (including the Financial Advisor or any other investment banker and any attorney or accountant retained by it or any of its Subsidiaries (collectively, "Company Advisors")) not to, directly or indirectly, initiate, solicit, encourage or otherwise facilitate any inquiries in respect of, or the making of any proposal for, a Third Party Acquisition (as defined in Section 6.2(b)). The Company further agrees that neither it nor any of its Subsidiaries nor any of its or its Subsidiaries' employees or directors shall, and it shall direct and use its best efforts to cause all Company Advisors not to, directly or indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any Third Party (as defined in Section 6.2(b)) relating to the proposal of a Third Party Acquisition, or otherwise facilitate any effort or attempt to make or implement a Third Party Acquisition; provided, however, that if at any time prior to the acceptance for payment of Shares pursuant to the Offer, the Board of Directors of the Company determines in good faith, after consultation with outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to the Company's stockholders under applicable law, the Company may, in response to an inquiry, proposal or offer for a Third Party Acquisition which was not solicited subsequent to the date hereof, (x) furnish only such information with respect to the Company to any such person pursuant to a customary confidentiality agreement as was delivered to Parent prior to the execution of this Agreement and (y) participate in the discussions and negotiations regarding such inquiry, proposal or offer; and further provided, that nothing contained in this Agreement shall prevent the Company or its Board of Directors from complying with Rules 14d-9 and 14e-2 promulgated under the Exchange Act with regard to any proposed Third Party Acquisition. The Company shall immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Third Parties conducted heretofore with respect to any of the foregoing. The Company shall take the necessary steps to promptly inform all Company Advisors of the obligations undertaken in this Section 6.2(a). The Company agrees to notify Parent promptly if (i) any inquiries relating to or proposals for a Third Party Acquisition are received by the Company, any of its Subsidiaries or any of the Company Advisors, (ii) any confidential or other non-public information about the Company or any of its Subsidiaries is requested from the Company, any of its Subsidiaries or any of the Company Advisors, or (iii) any negotiations or discussions in connection with a possible Third Party Acquisition are sought to be initiated or continued with the Company, any of its Subsidiaries or any of the Company Advisors indicating, in connection with such notice, the principal terms and conditions of any proposals or offers, and thereafter shall keep Parent informed in writing, on a reasonably current basis, on the status and terms of any such proposals or offers and the status of any such negotiations or discussions. The Company also agrees promptly to request each Person that has heretofore executed a confidentiality agreement in connection with its

consideration of acquiring the Company or any of its Subsidiaries, if any, to return all confidential information heretofore furnished to such Person by or on half of the Company or any of its Subsidiaries.

(b) Except as permitted by this Section 6.2(b), the Board of Directors of the Company shall not withdraw its recommendation of the Offer or the Merger and other transactions contemplated hereby or approve or recommend, or cause the Company to enter into any agreement with respect to, any Third Party Acquisition. Notwithstanding the preceding sentence, if the Board of Directors of the Company determines in its good faith judgment, after consultation with legal counsel, that it is necessary to do so in order to comply with its fiduciary duties, the Board of Directors may withdraw its recommendation of the Offer or the Merger and the other transactions contemplated hereby, or approve or recommend or cause the Company to enter into an agreement with respect to a Superior Proposal (as defined below), but in each case only (i) after providing written notice to Parent (a "Notice of Superior Proposal") advising Parent that the Board of Directors has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the Person making such Superior Proposal and (ii) if Parent does not, within five (5) Business Days (or within two (2) Business Days with respect to any amendment to any Superior Proposal which was noticed at least five (5) Business Days prior to such amendment) after Parent's receipt of the Notice of Superior Proposal, make an offer which the Board of

Directors of the Company determines in its good faith judgment (based on the advice of the Financial Advisor or another financial adviser of nationally recognized reputation) to be as favorable to the Company's stockholders as such Superior Proposal; provided, however, that the Company shall not be entitled to enter into any agreement with respect to a Superior Proposal unless this Agreement is concurrently terminated by its terms pursuant to Section 8.3(b). For purposes of this Agreement, "Third Party Acquisition" means the occurrence of any of the following events: (i) the acquisition of the Company by merger or otherwise by any Person (which includes a "person" as such term is defined in Section 13(d)(3) of the Exchange Act) other than Parent, Merger Sub or any Affiliate thereof (a "Third Party"); (ii) the acquisition by a Third Party of 20% or more of the total assets of the Company and its Subsidiaries, taken as a whole (other than the purchase of the Company's products in the ordinary course of business); (iii) the acquisition by a Third Party of 20% or more of the outstanding Shares; (iv) the adoption by the Company of a plan of partial or complete liquidation or the declaration or payment of an extraordinary dividend; (v) the repurchase by the Company or any of its Subsidiaries of 20% or more of the outstanding Shares; or (vi) the acquisition by the Company or any of its Subsidiaries by merger, purchase of stock or assets, joint venture or otherwise of a direct or indirect ownership interest or investment in any business whose annual revenues, net income or assets is equal to or greater than 20% of the annual revenues, net income or assets of the Company and its Subsidiaries, taken as a whole. For purposes of this Agreement, a "Superior Proposal" means any bona fide proposal to acquire directly or indirectly for consideration consisting of cash and/or securities more than 50% of the Shares then outstanding or all or substantially all the assets of the Company and its Subsidiaries, taken as a whole, and otherwise on terms which the Board of Directors of the Company by a majority vote determines in its good faith judgment (based on consultation with the Financial Advisor or another financial adviser of nationally recognized reputation) to be reasonably capable of being completed (taking into account all legal, financial, regulatory and other aspects of the proposal and the Person making the proposal, including the availability of financing therefor) and more favorable to the Company's stockholders than the Merger.

6.3. Filings; Other Actions; Notification.

(a) If a vote of the Company's stockholders is required by law, the Company shall promptly, following the acceptance for payment of Shares by Parent, pursuant to the Offer, prepare and file with the SEC the Proxy Statement, which shall include the recommendation of the Board of Directors of the Company that stockholders of the Company vote in favor of the approval and adoption of this Agreement and the written opinion of the Financial Advisor that the cash consideration to be received by the stockholders of the Company pursuant to the Merger is fair to such stockholders from a financial point of view. The Company shall use all reasonable efforts to have the Proxy Statement cleared by the SEC as promptly as practicable after such filing, and promptly thereafter mail the Proxy Statement to the stockholders of the Company. The Company shall also use its best efforts to obtain all necessary state securities law or "blue sky" permits and approvals required in connection with the Merger and to consummate the other transactions contemplated by this Agreement and will pay all expenses incident thereto.

(b) Upon and subject to the terms and conditions set forth in this Agreement, the Company and Parent shall cooperate with each other and use

(and shall cause their respective Subsidiaries to use) all reasonable efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable under this Agreement and applicable Laws to consummate and make effective the Offer, the Merger and the other transactions contemplated by this Agreement as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary applications, notices, petitions, filings and other documents and to obtain as promptly as practicable all permits, consents, approvals and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Offer, the Merger or any of the other transactions contemplated by this Agreement; provided, however, that nothing in this Section 6.3 shall require, or be construed to require, Parent to proffer to, or agree to, sell or hold separate and agree to sell, before or after the Effective Time, any material assets, businesses or any interest in any material assets or

businesses of Parent, the Company or any of their respective Affiliates (or to consent to any sale, or agreement to sell, by the Company of any of its material assets or businesses) or to agree to any material change in or restriction on the operations of any such assets or businesses; provided further, that nothing in this Section 6.3 shall require, or be construed to require, a proffer or agreement that would, in the good faith judgment of Parent, be likely to have a significant adverse effect on the benefits to Parent of the transactions contemplated by this Agreement. Subject to applicable Laws relating to the exchange of information, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Parent or the Company, as the case may be, and any of their respective Subsidiaries, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Offer, the Merger and the other transactions contemplated by this Agreement, including the Proxy Statement. In exercising the foregoing right, the Company and Parent shall act reasonably and as promptly as practicable.

(c) Each of the Company and Parent shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement or any other statement, filing, notice or application made by or on behalf of Parent, the Company or any of their respective Subsidiaries to any Governmental Entity or other Person (including the NASD) in connection with the Offer, the Merger and the other transactions contemplated by this Agreement.

(d) Each of the Company and Parent shall keep the other apprised of the status of matters relating to completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by Parent or the Company, as the case may be, or any of their respective Subsidiaries, from any third party and/or any Governmental Entity with respect to the Offer, the Merger and the other transactions contemplated by this Agreement. Each of the Company and Parent shall give prompt notice to the other of any change that is reasonably likely to have a Company Material Adverse Effect or a Parent Material Adverse Effect, respectively.

6.4. Information Supplied. Each of Parent and the Company agrees, as to information provided by itself and its Subsidiaries, that none of the information included or incorporated by reference in the proxy statement delivered by the Company to its stockholders in connection with the Merger and any amendment or supplement thereto (the "Proxy Statement") will, at the time the Proxy Statement is cleared by the SEC, at the date of mailing to stockholders of the Company, and at the time of the Stockholders Meeting (as defined in Section 6.5),contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6.5. Stockholders Meeting.

(a) If a vote of the Company's stockholders is required by law, the Company will, following the acceptance for payment of Shares by Parent pursuant to the Offer, take, in accordance with applicable Law and its certificate of incorporation and by-laws, all action necessary to convene a meeting of holders of Shares (the "Stockholders Meeting") as promptly as practicable after the Proxy Statement is cleared by the SEC to consider and vote upon the approval of this Agreement. The Proxy Statement shall, include a statement that the Board approved this Agreement and recommended that Stockholders vote in favor of this Merger, and the Company shall use all reasonable and customary efforts to solicit such approval. Notwithstanding the foregoing, if Parent, Merger Sub and/or any other Subsidiary of Parent shall acquire at least 90% of the outstanding Shares,

the parties shall take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the expiration of the Offer without a Stockholders Meeting in accordance with Section 253 of the DGCL.

(b) Parent agrees to cause all Shares purchased pursuant to the Offer and all other Shares owned by Parent or any Subsidiary of Parent to be voted in favor of the Merger.

6.6. Access. Upon reasonable notice, and except as may otherwise be required by applicable law or relevant contractual provisions contained in such agreements, the Company shall (and shall cause its Subsidiaries to) (i) afford Parent's officers, employees, counsel, accountants and other authorized representatives (collectively, "Representatives") access, during normal business hours throughout the period prior to the Effective Time, to its properties, books, contracts and records and, during such period, (ii) furnish promptly to Parent all information concerning its business, properties and personnel as may reasonably be requested; provided, however, that no investigation pursuant to this Section 6.6 shall affect or be deemed to modify any representation or warranty made by the Company. All requests for information made pursuant to this Section 6.6 shall be directed to an executive officer of the Company or such Person as may be designated by its officers. Notwithstanding the foregoing, the parties shall comply with, and shall cause their respective Representatives to comply with, all their respective obligations under the Confidentiality Agreement, dated July 22, 1997, between the Company and Parent.

6.7. Publicity. The initial press release concerning the Merger has been approved by Parent and the Company and thereafter the Company and its Subsidiaries, on the one hand, and Parent and Merger Sub, on the other hand, shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Merger and the other transactions contemplated by this Agreement and prior to making any filings with any Governmental Entity or other Person (including the NASD) with respect hereto, except as may be required by law or by obligations pursuant to any listing agreement with the National Market.

6.8. Status of Company Employees; Company Stock Options; Employee Benefits.

(a) Except as contemplated by this Agreement, Parent agrees that, for a period of twelve (12) months following the Effective Time, the Surviving Corporation shall maintain employee benefits plans and arrangements (directly or in conjunction with Parent) which, in the aggregate, will provide a level of benefits to Continuing Employees of the Surviving Corporation and its Subsidiaries similar to those provided under the Compensation and Benefit Plans as in effect immediately prior to the Effective Time (other than discretionary benefits); provided, however, that Parent may cause modifications to be made to such employee benefit plans and arrangements to the extent necessary to comply with applicable Law or to reflect widespread adjustments in benefits (or costs thereof) provided to employees under compensation and benefit plans of Parent and its Subsidiaries, and no specific Compensation and Benefit Plans need be provided. Parent shall use Continuing Employee's hire date with Company as the basis for determining eligibility and vesting of Parent's defined benefit and Supplemental Employee Retirement Medical Account (SERMA) plans. Parent shall use Effective Time as the basis for determining eligibility under the Parent's sabbatical plan and for determining benefit accruals under Parent's defined benefit and SERMA plans. For purposes of determining eligibility and vesting with respect to all other benefits maintained by Parent, Parent shall use Continuing Employee's hire date with the Company. Nothing in this Section 6.8(a) shall be construed or applied to restrict the ability of the Surviving Corporation and its Subsidiaries to establish such types and levels of compensation and benefits as they determine to be appropriate.

(b) From and after the date hereof, the Company agrees that, except with respect to grants in connection with offers of employment outstanding on July 22, 1997, it will not grant additional stock options under the Assumed Stock Option Plan and its Board of Directors will take all actions necessary to provide that all options outstanding under the Assumed Stock Option Plan can be assumed by Parent.

(c) The Board of Directors of Parent will adopt a resolution assuming on behalf of Parent the obligations and rights of the Company under all options outstanding under the Assumed Stock Option Plan.

6.9. Expenses. The Surviving Corporation shall pay all charges and expenses, including those of the Exchange Agent, in connection with the transactions contemplated in Article IV. Except as otherwise provided in Sections 8.5, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the Merger and the other transactions contemplated by this Agreement shall be paid by the party incurring such expense.

6.10. Indemnification; Directors' and Officers' Insurance.

(a) From and after the Effective Time, the Surviving Corporation shall indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date of this Agreement or who becomes prior to the Effective Time a director or officer of the Company or any of its Subsidiaries (when acting in such capacity) (the "Indemnified Parties"), against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, demands, liabilities, damages or liabilities (collectively, "Costs") incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal or administrative arising out of matters existing or occurring prior to or after the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, which is based in whole or in part on, or arising in whole or in part out of the fact that such person is or was a director or officer of the Company or any of its Subsidiaries including, without limitation, all losses, claims, damages, costs, expenses, liabilities, judgments or settlement amounts based in whole or in part on, or arising in whole or in part out of, or pertaining to this Agreement or the transactions contemplated hereby to the fullest extent that the Company would have been permitted under the DGCL and its certificate of incorporation, by-laws and other agreements in effect on the date hereof to indemnify such individual.

(b) Any Indemnified Party wishing to claim indemnification under subsection (a) of this Section 6.10, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify Parent and the Surviving Corporation thereof (but the failure so to notify the Surviving Corporation shall not relieve it from any liability which it may have under this Section 6.10 except to the extent such failure materially prejudices such party). In the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), (i) the Surviving Corporation shall have the right to assume the defense thereof and the Surviving Corporation shall not be liable to any such Indemnified Party for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, (ii) the Indemnified Party will cooperate in all respects as requested by the Surviving Corporation in the defense of any such matter and (iii) the Surviving Corporation shall not be liable for any settlement effected without its prior written consent which consent shall not be unreasonably withheld; provided, however, that the Surviving Corporation shall not have any obligation hereunder to any Indemnified Party if and when a court shall ultimately determine, and such determination shall have become final, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by Law.

(c) Parent and the Surviving Corporation shall maintain the Company's and its Subsidiaries' existing officers' and directors' liability insurance ("D&O Insurance") for a period of six (6) years after the Effective Time so long as the annual premium therefor is not in excess of 150% of the last annual premium paid prior to the date hereof (the "Current Premium"); provided, however, that if the existing D&O Insurance expires, is terminated or canceled during such six-year period, the Surviving Corporation will use its commercially reasonable efforts to obtain as much D&O Insurance as can be obtained for the remainder of such period for a premium not in excess (on an annualized basis) of 150% of the Current Premium; provided further, that, in lieu of maintaining such existing D&O Insurance as provided above, Parent may cause coverage to be provided under any policy maintained for the benefit of Parent or any of its Subsidiaries, so long as the terms are no less advantageous to the intended beneficiaries thereof than the existing D&O Insurance. In lieu of the purchase of such insurance by Parent or the Surviving Corporation, the Company may purchase a six-year extended reporting period endorsement ("reporting tail coverage") under its existing directors' and liability insurance coverage, provided that the total cost of the reporting tail coverage shall not exceed $350,000, and provided that such reporting tail coverage shall extend the director and officer liability coverage in force as of the date hereof for a period of six (6) years from the Effective Time for any claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving wrongful acts or omissions occurring on or prior to the Effective Time, including without limitation all claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving the Offer, the Merger and any and all related transactions or related events.

(d) The provisions of this Section 6.10 are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties and their respective heirs and estates. Nothing in this Section 6.10 shall limit in any way any other rights to indemnification that any current or former director or officer of the Company may have by contract or

otherwise.

(e) From and after the Effective Time, the Surviving Corporation shall fulfill, assume and honor in all respects the obligations of the Company pursuant to the Company's Certificate of Incorporation, Bylaws and any indemnification agreement between the Company and any of the Company's directors and officers existing and in force as of the Effective Time. The Company agrees that the indemnification obligations set forth in the Company's Certificate of Incorporation and Bylaws, in each case as of the date of this Agreement, shall survive the Merger (and, as of or prior to the Effective Time, Parent shall cause the Bylaws of Sub to reflect such previsions) and shall not be amended, repealed or otherwise modified for a period of six (6) years after the Effective Time in any manner that would adversely affect the rights thereunder of the Indemnified Parties.

(f) If the Surviving Corporation or any of its successors or assigns (i) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or Person of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any Person, then and in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Corporation shall assume all of the obligations set forth in this Section 6.10.

6.11. Other Actions by the Company and Parent.

(a) Rights Agreement. Prior to the Effective Time, the Board of Directors of the Company shall take all necessary action to ensure that the representation and warranty in Section 5.1(p) is true and correct.

(b) Takeover Statutes. If any Takeover Statute is or may become applicable to the Merger or the other transactions contemplated by this Agreement, each of Parent and the Company and their respective Boards of Directors shall grant such approvals and take such lawful actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement or by the Merger and otherwise act to eliminate or minimize the effects of such statute, and any regulations promulgated thereunder, on such transactions.

6.12. Parent Stock Option; Exercise; Adjustments.

(a) Subject to the terms and conditions set forth herein, the Company hereby grants to Parent an irrevocable option (the "Parent Option") to purchase that number of authorized and unissued shares of Common Stock equal to 19.99% of the outstanding Shares immediately prior to the exercise of the Parent Option (the "Option Shares") at a purchase price of $17.50 per Option Share (the "Option Price"). Subject to the conditions set forth in Subsection (c) below, the Parent Option may be exercised by Parent, in whole or in part, at any time or from time to time after the date on which Parent has accepted for payment the Shares tendered pursuant to the Offer and prior to the termination of this Agreement pursuant to Article VIII. If Parent wishes to exercise the Parent Option, Parent shall send a written notice to the Company (the "Exercise Notice") specifying a date (not earlier than the next Business Day following the date such notice is given) for the closing of such purchase and containing a representation by Parent that upon the issuance and delivery of the Option Shares, there will be no further conditions precedent that need to be satisfied for Parent and Merger Sub to effect the Merger, and that Parent and Merger Sub will take all actions required on their respective parts to effect the Merger.

(b) In the event of any change in the number of issued and outstanding Shares by reason of any stock dividend, stock split, split-up, recapitalization, merger or other change in the corporate or capital structure of the Company, the number of Option Shares and the Option Price shall be appropriately adjusted to restore Parent to its rights hereunder.

(c) The Company's obligation to issue and deliver the Option Shares upon exercise of the Parent Option is subject only to the following conditions:

(i) No preliminary or permanent injunction or other order issued by any federal or state court of competent jurisdiction in the United States prohibiting the delivery of the Option Shares shall be in effect;

(ii) Any applicable waiting periods under the HSR Act, or other applicable United States or foreign Laws shall have expired or been terminated; and

(iii) The number of Option Shares plus the number of Shares accepted for payment by Parent pursuant to the Offer will, upon issuance of the Option Shares, constitute at least ninety percent (90%) of the Company's issued and outstanding shares of Common Stock.

(d) Any closing hereunder shall take place on the date specified by Parent in its Exercise Notice delivered pursuant to subsection (a) above at 9:00 a.m., California time, or the first day thereafter on which all of the conditions in subsection (c) above are met, at the offices of Parent's counsel, or at such other time and place as the parties may agree (the "Option Closing Date"). On the Option Closing Date, the Company will deliver to Parent a certificate or certificates representing the Option Shares in the denominations designated by Parent in its Exercise Notice and Parent will purchase such Option Shares from the Company at a price per Option Share equal to the Option Price. Any payment made by Parent to the Company pursuant to this subsection (d) shall be made by certified, cashier's or bank check or by wire transfer of immediately available funds to an account designated by the Company. The certificates representing the Option Shares may bear an appropriate legend relating to the fact that such Option Shares have not been registered under the Securities Act.

ARTICLE VII

CONDITIONS

7.1. Conditions to Each Party's Obligation to Effect Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver at or prior to the Closing of each of the following conditions:

(a) Stockholder Approval. If required by applicable law this Agreement shall have been duly approved by holders of the number of Shares constituting at least the Company Requisite Vote.

(b) Regulatory Consents. The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated and, other than filing the Delaware Certificate of Merger, all filings with any Governmental Entity required to be made prior to the Effective Time by the Company or Parent or any of their respective Subsidiaries, with, and all Government Consents required to be obtained prior to the Effective Time by the Company or Parent or any of their respective Subsidiaries in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by the Company, Parent and Merger Sub shall have been made or obtained (as the case may be), except where the failure to so make or obtain will not result in either a Company Material Adverse Effect or a Parent Material Adverse Effect.

(c) Litigation. No court or other Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the transactions contemplated by this Agreement (collectively, an "Order"), and no Governmental Entity shall have instituted any proceeding or formally threatened to institute any proceeding seeking any such Order and such proceeding or threat remains unresolved.

7.2. Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver by Parent prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though made on and as of the Closing Date it being understood that representations and warranties shall be deemed to be true and correct unless the respects in which the representations and warranties (without giving effect to any "materiality" limitations or references to "material adverse effect" set forth therein) are untrue or incorrect in the aggregate is likely to have a Company Material Adverse Effect.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

7.3. Conditions to Obligations of the Company. The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver by the Company prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though made on and as of the

Closing Date it being understood that representations and warranties shall be deemed to be true and correct unless the respects in which the representations and warranties (without giving effect to any "materiality" limitations or references to "material adverse effect" set forth therein) are untrue or incorrect in the aggregate is likely to have a Parent Material Adverse Effect.

(b) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

ARTICLE VIII

TERMINATION

8.1. Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after its approval by the Company Requisite Vote, by mutual written consent of the Company (through the Continuing Directors or their designated successors), Parent and Merger Sub.

8.2. Termination by Either Parent or the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by either Parent or the Company if any Order permanently restraining, enjoining or otherwise prohibiting the Merger shall be entered (whether before or after the approval by the stockholders of the Company) and such Order is or shall have become nonappealable.

8.3. Termination by the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after its approval by the Company Requisite Vote, by the Company if:

(a) after October 31, 1997, Parent shall have failed to pay for Shares pursuant to the Offer; provided, however, that the right to terminate this Agreement pursuant to this subsection (a) shall not be available to the Company if it has breached in any material respects its obligations under this Agreement that in any manner shall have proximately contributed to the failure referenced in this clause (a);

(b) prior to Parent's purchase of Shares pursuant to the Offer, (i) the Company enters into a binding written agreement concerning a Superior Proposal after fully complying with the procedures set forth in Section 6.2 and (ii) the Company concurrently with such termination pays to Parent in immediately available funds all expense reimbursements due Parent pursuant to Section 8.5(a) and the first installment of the Termination Fee pursuant to Section 8.5(b); or

(c) there has been a material breach by Parent or Merger Sub of any representation, warranty, covenant or agreement contained in this Agreement that is not curable or, if curable, is not cured prior to the earlier of (i) twenty (20) days after written notice of such breach is given by the Company to Parent and (ii) two (2) Business Days before the date on which the Offer expires.

8.4. Termination by Parent and Merger Sub. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after its approval by the Company Requisite Vote, by Parent and Merger Sub if:

(a) the Merger shall not have been consummated by January 15, 1998; provided, however, that the right to terminate this Agreement pursuant to this subsection (a) shall not be available to Parent and Merger Sub if either of them has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the occurrence of the failure referred to in this subsection;

(b) the Board of Directors of the Company shall have withdrawn or adversely modified its approval or recommendation of this Agreement;

(c) there has been a material breach by the Company of any representation, warranty, covenant or agreement contained in this Agreement that is not curable or, if curable, is not cured within twenty (20) days after written notice of such breach is given by Parent to the Company and which is likely to have a Company Material Adverse Effect; or

(d) Parent shall have terminated the Offer in accordance with the provisions of Annex A; provided, however, that the right to terminate this Agreement pursuant to this subsection (d) shall not be available to Parent and Merger Sub if either of them has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the termination of the Offer.

8.5. Effect of Termination and Abandonment.

(a) If this Agreement is terminated and the Merger abandoned pursuant to this Article VIII, this Agreement (other than as set forth in Section 9.1) shall become void and of no further effect with no liability of any party hereto (or any of its directors, officers, employees, agents, stockholders, legal, accounting and financial advisors or other representatives); provided, however, that, except as otherwise provided herein, no such termination shall relieve any party hereto of any liability or damages resulting from any breach of this Agreement; provided further, that the Company shall reimburse Parent in the amount of $2,000,000 as reimbursement for all of its costs and expenses in connection with this Agreement, the Offer and the Merger unless: (i) the Agreement has been terminated by the parties pursuant to Section 8.1 or by either party pursuant to Section 8.2; (ii) the Company has terminated this Agreement pursuant to Sections 8.3(a) or 8.3(c); or (iii) the Parent has terminated this Agreement pursuant to Section 8.4(a) or Section 8.4(d) and, further, the Company has not breached in any material respect its obligations under this Agreement in any manner which proximately contributed to the failure to close the Merger or Parent's termination of the Offer, respectively.

(b)(i) In lieu of any liability or obligation to pay damages (other than the obligation to reimburse Parent for expenses pursuant to Section 8.5(a)), if (A) there shall be a proposal by a Third Party for a Third Party Acquisition existing at the time of termination of the Agreement by Parent and Merger Sub, and (B) Parent and Merger Sub shall have terminated this Agreement pursuant to Section 8.4(b) or (c) or (d) and, with respect to a termination pursuant to Section 8.4(d), the Company has breached in any material respect its obligations under this Agreement in any manner which proximately contributed to Parent and Merger Sub's termination of the Offer, the Company shall pay to Parent (i) within two (2)

business days after such termination $5,000,000 and (ii) an additional $8,000,000 upon consummation, if any, of any Third Party Acquisition with a Person who had proposed a Third Party Acquisition prior to the time of the termination of this Agreement by the Parent and Merger Sub.

(ii) In lieu of any liability or obligation to pay damages (other than the obligation to reimburse Parent for expenses pursuant to Section 8.5(a)), (A) if there shall not have been a material breach of any representation, warranty, covenant or agreement on the part of Parent or Merger Sub and (B) the Company shall have terminated this Agreement pursuant to Section 8.3(b), the Company shall pay to Parent (i) concurrently with such termination $5,000,000 and (ii) an additional $8,000,000 upon consummation, if any, of either the Superior Proposal giving right to terminate this Agreement under Section 8.3 (b) or any Third Party Acquisition with a Person who had proposed a Third party Acquisition prior to the termination of this Agreement under section 8.3(b). (Such amounts payable pursuant to Section 8.5(b)(i) or this Section 8.5(b)(ii) are referred to in the aggregate in this Agreement as the "Termination Fee".)

(c) The Company acknowledges that the agreements contained in Section 8.5 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, Parent and Merger Sub would not enter into this Agreement; accordingly, if the Company fails promptly to pay the amounts required pursuant to Section 8.5 and, in order to obtain such payment Parent or Merger Sub commences a suit which results in a final nonappealable judgment against the Company for such amounts, the Company shall pay to Parent or Merger Sub (i) its costs and expenses (including attorneys' fees) in connection with such suit and (ii) if (and only if) this Agreement has been terminated pursuant to Section 8.3(b) or 8.4(c), interest on the amount at the rate announced by Bank of America, NT & SA as its "reference rate" in effect on the date such payment was required to be made.

8.6. Procedure for Termination. A termination of this Agreement pursuant to this Article VIII shall, in order to be effective, require in the case of Parent, Merger Sub or the Company, action by its Board of Directors.

ARTICLE IX

MISCELLANEOUS

9.1. Survival. This Article IX and the agreements of the Company, Parent and Merger Sub contained in Sections 6.8 (Benefits), 6.9 (Expenses) and 6.10 (Indemnification; Directors' and Officers' Insurance) shall survive the consummation of the Merger. This Article IX and the agreements of the Company, Parent and Merger Sub contained in Section 6.9 (Expenses) and Section 8.5 (Effect of Termination and Abandonment) shall survive the termination of this Agreement. All other representations, warranties, agreements and covenants in this Agreement and in any certificate or schedule delivered pursuant hereto shall not survive the consummation of the Merger or the termination of this

Agreement.

9.2. Certain Definitions. For the purposes of this Agreement each of the following terms shall have the meanings set forth below:

(a) "Affiliate" means a Person that, directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with the first-mentioned Person.

(b) "Business Day" means any day other than a day on which banks in the State of California are authorized to close or the NASDAQ National Market is closed.

(c) "Capital Stock" means common stock, preferred stock, partnership interests, limited liability company interests or other ownership interests entitling the holder thereof to vote with respect to matters involving the issuer thereof.

(d) "Company Material Adverse Effect" means a material adverse effect on the financial condition, properties, business or results of operations of the Company and its Subsidiaries, taken as a whole it being understood that none of the following shall be deemed by itself or by themselves, either alone or in

combination, to constitute a Company Material Adverse Effect: (a) a change in the market price or trading volume of the Company Common Stock, (b) a failure by the Company to meet internal earnings or revenue projections or the revenue or earnings predictions of equity analysts as reflected in the First Call consensus estimate, or any other revenue or earnings predictions or expectations, for any period ending (or for which earnings are released) on or after the date of this Agreement and prior to the Effective Date, (c) conditions affecting the semi-conductor industry as a whole or the U.S. economy as a whole, (d) any disruption of customer or supplier relationships arising primarily out of or resulting primarily from actions contemplated by the parties in connection with, or which is primarily attributable to, the announcement of this Agreement and the transactions contemplated hereby, to the extent so attributable.

(e) "Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest, encumbrance, hypothecation, title defect or adverse claim of any kind in respect of such asset.

(f) "Parent Material Adverse Effect" means a material adverse effect on the ability of Parent or Merger Sub to conduct the Offer or consummate the Merger or any of the other material transactions contemplated by this Agreement

(g) "Permitted Liens" means (i) Liens for Taxes or other governmental assessments, charges or claims the payment of which is not yet due; (ii) statutory liens of landlords and liens of carriers, warehousemen, mechanics, materialmen and other similar Persons and other liens imposed by applicable Law incurred in the ordinary course of business for sums not yet delinquent or immaterial in amount and being contested in good faith; (iii) liens specifically identified as such in the Balance Sheet or the notes thereto; (iv) liens constituting or securing executory obligations under any lease that constitutes an "operating lease" under GAAP; and (v) any other Lien arising in the ordinary course of business, the imposition of which would not constitute a Company Material Adverse Effect; provided, however, that, with respect to each of the foregoing clauses (i) through (iv), to the extent that any such lien arose prior to the Audit Date and relates to, or secures the payment of, a liability that is required to be accrued on the Balance Sheet under GAAP, such lien shall not be a Permitted lien unless accruals for such liability have been established therefor on the Balance Sheet in conformity with GAAP. Notwithstanding the foregoing, no lien arising under the Code or ERISA with respect to the operation, termination, restoration or funding of any Compensation and Benefit Plan sponsored by, maintained by or contributed to by the Company or any of its ERISA Affiliates or arising in connection with any excise tax or penalty tax with respect to such Compensation and Benefit Plan shall be a Permitted lien.

(h) "Person" means an individual, corporation (including not-for-profit), partnership, limited liability company, association, trust, unincorporated organization, joint venture, estate, Governmental Entity or other legal entity.

(i) "Subsidiary" or "Subsidiaries" of the Company, Parent, the Surviving Corporation or any other Person means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which the Company, Parent, the Surviving Corporation or any such other Person, as the case may be, either alone or through or together with any other Subsidiary, owns, directly or indirectly, 50% or more of the Capital Stock, the holders of which are

generally entitled to vote for the election of the Board of Directors or other governing body of such corporation or other legal entity.

9.3. No Personal Liability. This Agreement shall not create or be deemed to create any personal liability or obligation on the part of any direct or indirect stockholder of the Company, Merger Sub or Parent, or any of their respective officers, directors, employees, agents or representatives.

9.4. Modification or Amendment. Subject to the provisions of applicable Law, at any time prior to the Effective Time, the parties hereto may modify or amend this Agreement, by written agreement executed and delivered by duly authorized officers of the respective parties.

9.5. Waiver of Conditions. The conditions to each of the parties' obligations to consummate the Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Law. The failure of any party hereto to exercise any right, power or remedy provided

under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon strict compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its rights to exercise any such or other right, power or remedy or to demand such compliance.

9.6. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

9.7. GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of Delaware and the Federal courts of the United States of America located in the State of Delaware solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Delaware State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.8 or in such other manner as may be permitted by applicable Law, shall be valid and sufficient service thereof.

(b) The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE INITIAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.7.

9.8. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be deemed given if in writing and delivered personally or sent by registered or certified mail (return receipt requested) or overnight courier (providing proof of delivery), postage prepaid, or by facsimile (which is confirmed):

If to Parent or Merger Sub:

Intel Corporation.
2200 Mission College Blvd.
Santa Clara, CA 95052-8119
Attention: General Counsel
Fax: (408) 765-7636

with a copy to:

Richard A. Strong, Esq.
Gibson, Dunn & Crutcher LLP
333 So. Grand Avenue
Los Angeles, CA 90071
Fax: (213) 229-6205

If to the Company:

Chips and Technologies, Inc.
2950 Zanker Road
San Jose, CA 95134
Attention: Jeffery Anne Tatum
Fax: (408) 894-2088

with a copy to:

Bradley J. Rock, Esq.
Gray Cary Ware & Freidenrich
400 Hamilton Avenue
Palo Alto, CA 94301
Fax: (415) 327-3699

or to such other Persons or addresses as may be designated in writing by the party to receive such notice as provided above.

9.9. Entire Agreement. This Agreement (including any schedules, exhibits or annexes hereto) and the Confidentiality Agreement hereto constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof.

9.10. No Third Party Beneficiaries. Except as provided in Section 6.10 (Indemnification; Directors' and Officers' Insurance), this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

9.11. Obligations of the Company and Surviving Corporation. Whenever this Agreement requires a Subsidiary of the Company to take any action, such requirement shall be deemed to include and undertaking on the part of the Company to cause such Subsidiary to take such action and, after the Effective Time, on the part of the Surviving Corporation to cause such Subsidiary to take such action.

9.12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is illegal, invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to

other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

9.13. Interpretation. The table of contents and Article, Section and subsection headings herein are for convenience of reference only, do not constitute a part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section, Schedule, Annex or Exhibit, such reference shall be to a Section of, or Schedule, Annex or Exhibit to, this Agreement, unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined

meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns and, in the case of an individual, to his or her heirs and estate, as applicable.

9.14. Assignment. This Agreement shall not be assignable by operation of Law or otherwise and any attempted assignment of this Agreement in violation of this sentence shall be void; provided, however, that Parent may designate, by written notice to the Company, another wholly-owned, direct subsidiary to be a Constituent Corporation in lieu of Merger Sub, in the event of which, all references herein to Merger Sub shall be deemed references to such other Subsidiary except that all representations and warranties made herein with respect to Merger Sub as of the date of this Agreement shall be deemed representations and warranties made with respect to such other Subsidiary as of the date of such designation.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by duly authorized officers of the parties hereto as of the date hereof.

CHIPS AND TECHNOLOGIES, INC.

By:

Name:
Title:

INTEL CORPORATION

By:

Name:
Title:

INTEL ENTERPRISE CORPORATION

By:

Name:
Title:

ANNEX A

CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer or this Agreement, and subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) relating to Parent's obligation to pay for or return tendered shares after termination of the Offer, Parent shall not be required to accept for payment or pay for any Shares tendered pursuant to the Offer, shall delay the acceptance for payment of any Shares and if required by Section 1.1(b) of this Agreement, shall extend the Offer by one or more extensions until October 31, 1997, and may terminate the Offer at any time after October 31, 1997 if (i) less than a majority of the outstanding Shares on a fully-diluted basis (including for purposes of such calculation all Shares issuable upon exercise of all vested and unvested options) has been tendered pursuant to the Offer by the expiration of the Offer and not withdrawn; (ii) any applicable waiting period under the HSR Act has not expired or terminated; (iii) all necessary Government Consents shall not have been obtained on terms and conditions reasonably satisfactory to Parent; or (iv) at any time after the date of this Agreement, and before acceptance for payment of any Shares, any of the following events shall occur and be continuing on or after October 31, 1997:

(a) there shall have been any action taken, or any statute, rule, regulation, judgment, order or injunction promulgated, entered, enforced, enacted, issued or deemed applicable to the Offer or the Merger by any domestic or foreign court or other Governmental Entity which directly or indirectly (i) prohibits, or imposes any material limitations on, Parent's ownership or operation (or that of any of its Subsidiaries or other Affiliates) of all or a material portion of their or the Company's businesses or assets, or compels Parent or any of its Subsidiaries or other Affiliates to dispose of or hold separate any material portion of the business or assets of the Company or Parent and its respective Subsidiaries, in each case taken as a whole, (ii) prohibits, or makes

illegal, the acceptance for payment, payment for or purchase of Shares or the consummation of the Offer, the Merger or the other transactions contemplated by this Agreement, (iii) results in the delay in or restricts the ability of Parent, or renders Parent unable, to accept for payment, pay for or purchase some or all of the Shares, (iv) imposes material limitations on the ability of Parent effectively to exercise full rights of ownership of the Shares, including the right to vote the Shares purchased by it on all matters properly presented to the Company's stockholders, or (v) otherwise has a Company Material Adverse Effect;

(b) (i) the representations and warranties of the Company set forth in this Agreement shall not be true and correct in any material respect as of the date of this Agreement and as of consummation of the Offer as though made on or as of such date (except for representations and warranties made as of a specified date) but only if the respects in which the representations and warranties made by the Company (without giving effect to any "materiality" limitations or references to "material adverse effect" set forth therein) are inaccurate would in the aggregate have a Company Material Adverse Effect, (ii) the Company shall have failed to comply with its covenants and agreements contained in this Agreement in all material respects, or (iii) there shall have occurred any events or changes which have had or which are likely to have a Company Material Adverse Effect;

(c) it shall have been publicly disclosed or Parent shall have otherwise learned that (i) any Person or "group" (as defined in Section 13(d)(3) of the Exchange Act) shall have acquired or entered into a definitive agreement or agreement in principle to acquire beneficial ownership of more than 20% of the Shares or any other class of Capital Stock of the Company, through the acquisition of stock, the formation of a group or otherwise, or shall have been granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 20% of the Shares and (ii) such Person or group shall not have tendered such Shares pursuant to the Offer;

(d) the Board of Directors of the Company shall have withdrawn, or modified or changed in a manner adverse to Parent (including by amendment of the Schedule 14D-9), its recommendation of the Offer, this Agreement or the Merger, or recommended another proposal or offer, or the Board of Directors of the Company, shall have resolved to do any of the foregoing; or

(e) this Agreement shall have terminated in accordance with its terms;

which in the good faith judgment of Parent, in any such case, and regardless of the circumstances (including any action or inaction by Parent) giving rise to such condition makes it inadvisable to proceed with the Offer or the acceptance for payment of or payment for the Shares.

The foregoing conditions, other than condition (i) above are for the sole benefit of Parent and may be waived by Parent, in whole or in part at any time and from time to time, in the sole discretion of Parent. The failure by Parent at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.