

# SCHEDULE 14A INFORMATION

## Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  Confidential, for Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

# INTEL CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, If Other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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# Overview of Proposals for Intel's Annual Stockholders' Meeting

- Proposal #1- Election of Board Of Directors
- Proposal #2- Ratification of Ernst & Young as auditor

## Compensation Related

- Proposal #3- Intel Equity Incentive Plan
- Proposal #4 - Shareholder proposal requesting expensing of stock options.
- Proposal #5- Shareholder proposal requesting use of performance vesting stock (restricted stock) for senior executives
- Proposal #6- Shareholder proposal requesting the use of performance vesting stock options for senior executives

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## Strong Corporate Governance at Intel

- 8 of 11 BOD members are Independent.
- Audit, Compensation, Nominating and Corporate Governance committees consist entirely of independent members.
- Separation of CEO and Chairman.
- All directors stand for reelection every year.
- High corporate governance ratings from third parties.

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# Compensation Philosophy at Intel

- hiring and retaining high caliber employees is critical to our business success.
- employees should be motivated over the long term to think like owners, and their interests should be aligned with those of stockholders.
- compensation should vary with the performance of the company.
- treatment of employees should be egalitarian.
- compensation programs must be disciplined, which means costs should be managed and corporate governance should be strong.

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# Stock Option History at Intel

- Stock options are the core of Intel's long-term incentive and retention program and enable the company to attract and retain the talent critical for an innovative and growth focused company.
- Stock option grants have been made to executives and key employees for over 25 years
- 1997 the company expanded program to make it broad-based with annual grants now given to more than 90% of eligible employees.
- Over last 5 years only 1.2% of all option grants were made to the company's 5 most highly compensated executives.
- Over last 5 years annual dilution has averaged less than 1.7% per year.

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## Intel's 2004 Equity Incentive Plan

- 240 million shares for 2 years, terminate other plans
- Company will seek shareholder approval each year going forward
- Annual dilution target less than 2%
- Plan should allow us to reduce “overhang” in the coming years.
- Broad-based plan with <5% going to Top 5 executives.
- No re-pricing, evergreen provisions or options below FMV
- Shares for options, restricted stock and SARs

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## Stock option expensing

Proponents argue that expensing will curb stock option abuses. This is not an accounting issue but a corporate governance issue. We believe expensing is not the solution.

- Accounting standards boards are addressing this issue. It is prudent to wait for their final decision.
- Current accounting standards ensure that investors receive the underlying information requested in the proposal
- There is no proven accurate way to value employee stock options. Expensing options would impair rather than improve the usefulness of Intel's financial reports
- The cost of the option is already accurately and transparently reflected in the income statement as dilution of shares.
- Intel's stock option program is disciplined and broad-based

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## Performance vesting stock and performance based options proposals

- Intel has long history of linking employee compensations to company performance through the combination of stock options and cash incentive compensation
- Intel's compensation program already includes a higher proportion of variable compensation than our competitors
- Intel's philosophy is to pay higher than market average for excellent performance and lower than market total cash compensation in times of poor financial performance
- The company believes restricted stock would not be as effective as stock options in motivating senior executive performance and creates a mismatch with rank and file incentive compensation.
- Performance based options would require the use of consistent, accurate and transparent metrics in an industry that is fast-paced and quickly changing. Fixed priced options are directly aligned with shareholders.

The Board of Directors through a strong and independent compensation committee should be allowed to retain the flexibility to design compensation programs they believe will be most appropriate for attracting and retaining top caliber talent.



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# Summary of Proposals for Intel's Annual Stockholders' Meeting

## **The Board and Management recommend voting FOR:**

- Proposal #1- Election of Board Of Directors
- Proposal #2- Ratification of Ernst & Young as auditor
- Proposal #3- Intel Equity Incentive Plan

## **The Board and Management recommend voting AGAINST:**

- Proposal #4 - Shareholder proposal requesting expensing of stock options.
- Proposal #5- Shareholder proposal requesting use of performance vesting stock (restricted stock)
- Proposal #6- Shareholder proposal requesting the use of performance vesting stock options