

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934
For the quarterly period ended September 26, 1998

OR

----- Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 0-6217

INTEL CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

94-1672743

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

2200 Mission College Boulevard, Santa Clara, California

95052-8119

(Address of principal executive offices)

(Zip Code)

(408) 765-8080

(Registrant's telephone number, including area code)

N/A

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

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

Shares outstanding of the Registrant's common stock:

| Class | Outstanding at September 26, 1998 |
|--------------------------------|-----------------------------------|
| Common Stock, \$.001 par value | 1,667 million |

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | Sept. 26, 1998 | Sept. 27, 1997 | Sept. 26, 1998 | Sept. 27, 1997 |
| <S> | <C> | <C> | <C> | <C> |
| Net revenues | \$ 6,731 | \$ 6,155 | \$18,659 | \$18,563 |
| Costs and expenses: | | | | |
| Cost of sales | 3,192 | 2,604 | 8,968 | 7,254 |
| Research and development | 617 | 586 | 1,835 | 1,742 |
| Marketing, general and administrative | 766 | 676 | 2,148 | 2,073 |
| Purchased in-process research and development | - | - | 165 | - |
| Operating costs and expenses | 4,575 | 3,866 | 13,116 | 11,069 |
| Operating income | 2,156 | 2,289 | 5,543 | 7,494 |
| Interest expense | (8) | (6) | (23) | (20) |

| | | | | |
|--|----------|----------|----------|----------|
| Interest income and other, net | 178 | 157 | 537 | 591 |
| | ----- | ----- | ----- | ----- |
| Income before taxes | 2,326 | 2,440 | 6,057 | 8,065 |
| Provision for taxes | 767 | 866 | 2,053 | 2,863 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 1,559 | \$ 1,574 | \$ 4,004 | \$ 5,202 |
| | ===== | ===== | ===== | ===== |
| Basic earnings per common share | \$ 0.93 | \$ 0.96 | \$ 2.40 | \$ 3.18 |
| | ===== | ===== | ===== | ===== |
| Diluted earnings per common share | \$ 0.89 | \$ 0.88 | \$ 2.27 | \$ 2.89 |
| | ===== | ===== | ===== | ===== |
| Cash dividends declared per common share | \$ 0.070 | \$ 0.030 | \$ 0.100 | \$ 0.085 |
| | ===== | ===== | ===== | ===== |
| Weighted average common shares outstanding | 1,678 | 1,635 | 1,670 | 1,636 |
| Dilutive effect of: | | | | |
| Employee stock options | 75 | 102 | 80 | 105 |
| 1998 Step-Up Warrants | - | 60 | 15 | 57 |
| | ----- | ----- | ----- | ----- |
| Weighted average common shares outstanding, assuming dilution | 1,753 | 1,797 | 1,765 | 1,798 |
| | ===== | ===== | ===== | ===== |

</TABLE>

See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

<TABLE>

Intel Corporation

Consolidated Condensed Balance Sheets
(in millions)

| | Sept. 26, 1998 | Dec. 27, 1997 |
|------------------------------------|-------------------|------------------|
| | ---- | ---- |
| | (unaudited) | |
| <S> | <C> | <C> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,900 | \$ 4,102 |
| Short-term investments | 5,519 | 5,630 |
| Trading assets | 268 | 195 |
| Accounts receivable, net | 3,636 | 3,438 |
| Inventories: | | |
| Raw materials | 258 | 255 |
| Work in process | 879 | 928 |
| Finished goods | 441 | 514 |
| | ----- | ----- |
| | 1,578 | 1,697 |
| | ----- | ----- |
| Deferred tax assets | 629 | 676 |
| Other current assets | 183 | 129 |
| | ----- | ----- |
| Total current assets | 14,713 | 15,867 |
| | ----- | ----- |
| Property, plant and equipment | 20,748 | 18,127 |
| Less accumulated depreciation | 8,885 | 7,461 |
| | ----- | ----- |
| Property, plant and equipment, net | 11,863 | 10,666 |
| Long-term investments | 1,789 | 1,839 |
| Other assets | 1,023 | 508 |
| | ----- | ----- |
| TOTAL ASSETS | \$29,388 | \$28,880 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|--|--------|--------|
| Short-term debt | \$ 162 | \$ 212 |
| Long-term debt redeemable within one year | 30 | 110 |
| Accounts payable | 1,205 | 1,407 |
| Accrued compensation and benefits | 1,034 | 1,268 |
| Deferred income on shipments to distributors | 471 | 516 |
| Accrued advertising | 411 | 500 |
| Other accrued liabilities | 1,145 | 842 |
| Income taxes payable | 798 | 1,165 |
| | ----- | ----- |
| Total current liabilities | 5,256 | 6,020 |
| | ----- | ----- |
| Long-term debt | 583 | 448 |
| Deferred tax liabilities | 1,162 | 1,076 |
| Put warrants | 588 | 2,041 |
| Stockholders' equity: | | |
| Preferred stock | - | - |
| Common stock and capital in excess of par value | 4,775 | 3,311 |
| Retained earnings | 16,842 | 15,926 |

| | | |
|--|----------|----------|
| Accumulated other comprehensive income | 182 | 58 |
| | ----- | ----- |
| Total stockholders' equity | 21,799 | 19,295 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$29,388 | \$28,880 |
| | ===== | ===== |

</TABLE>

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

Item 1. Financial Statements (continued)

<TABLE>

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

| | Nine Months Ended | |
|--|-------------------|-------------------|
| | Sept. 26, 1998 | Sept. 27, 1997 |
| | ---- | ---- |
| <S> | <C> | <C> |
| Cash flows provided by (used for) operating activities: | | |
| Net income | \$ 4,004 | \$ 5,202 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,038 | 1,609 |
| Net loss on retirements of property, plant and equipment | 183 | 50 |
| Deferred taxes | 67 | 88 |
| Purchased in-process research and development | 165 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (173) | (198) |
| Inventories | 171 | (214) |
| Accounts payable | (219) | 228 |
| Accrued compensation and benefits | (234) | (108) |
| Income taxes payable | (371) | (175) |
| Tax benefit from employee stock plans | 258 | 171 |
| Other assets and liabilities | (428) | (120) |
| | ----- | ----- |
| Total adjustments | 1,457 | 1,331 |
| | ----- | ----- |
| Net cash provided by operating activities | 5,461 | 6,533 |
| | ----- | ----- |
| Cash flows provided by (used for) investing activities: | | |
| Additions to property, plant and equipment | (2,928) | (2,917) |
| Purchase of Chips and Technologies, Inc., net of cash acquired | (321) | - |
| Purchase of Digital Equipment Corporation semiconductor operations | (625) | - |
| Purchases of available-for-sale investments | (6,347) | (5,565) |
| Sales of available-for-sale investments | 109 | 95 |
| Maturities and other changes in available-for-sale investments | 6,774 | 5,062 |
| | ----- | ----- |
| Net cash (used for) investing activities | (3,338) | (3,325) |
| | ----- | ----- |
| Cash flows provided by (used for) financing activities: | | |
| (Decrease) in short-term debt, net | (71) | (172) |
| Additions to long-term debt | 63 | 68 |
| Retirement of long-term debt | - | (300) |
| Proceeds from sales of shares through employee stock plans and other | 421 | 294 |
| Proceeds from exercise of 1998 Step-Up Warrants | 1,620 | 35 |
| Proceeds from sales of put warrants | 40 | 190 |
| Repurchase and retirement of common stock | (5,248) | (2,372) |
| Payment of dividends to stockholders | (150) | (131) |
| | ----- | ----- |
| Net cash (used for) financing activities | (3,325) | (2,388) |
| | ----- | ----- |
| Net (decrease) increase in cash and cash equivalents | \$ (1,202) | \$ 820 |
| | ===== | ===== |

Supplemental disclosures of cash flow information:

| | | |
|----------------------------------|----------|----------|
| Cash paid during the period for: | | |
| Interest | \$ 28 | \$ 29 |
| Income taxes | \$ 2,095 | \$ 2,779 |

</TABLE>

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

Item 1. Financial Statements (continued)

- The accompanying interim consolidated condensed financial statements of Intel Corporation ("Intel," the "Company" or the "Registrant") have been prepared in conformity with generally accepted accounting principles, consistent in all material respects with those applied in the Annual Report on Form 10-K for the year ended December 27, 1997. The interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented. The interim financial statements should be read in connection with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
- As of the second quarter of 1998, the Company adopted a new dividend declaration schedule which will result in the Board of Directors considering two dividend declarations in the first and third quarters of the year and no declarations in each of the second and fourth quarters of the year. The new declaration schedule does not change the Company's historical quarterly dividend payment schedule. In keeping with this new schedule, no dividend was declared in the second quarter of 1998, and on July 22, 1998 the Board of Directors declared a dividend of \$.03 per share payable on September 1, 1998 to stockholders of record on August 7, 1998. On September 16, 1998, the Board of Directors declared a quarterly dividend of \$.04 per share payable on December 1, 1998 to stockholders of record on November 7, 1998.
- Interest income and other includes (in millions):

<TABLE>

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------|--------------------|-------------------|-------------------|-------------------|
| | Sept. 26, 1998 | Sept. 27, 1997 | Sept. 26, 1998 | Sept. 27, 1997 |
| <S> | <C> | <C> | <C> | <C> |
| Interest income | \$ 141 | \$ 134 | \$ 444 | \$ 403 |
| Foreign currency gains | 5 | 19 | 8 | 44 |
| Other income (expense), net | 32 | 4 | 85 | 144 |
| Total | \$ 178 | \$ 157 | \$ 537 | \$ 591 |

</TABLE>

Other income for the three and nine months ended September 26, 1998 and the nine months ended September 27, 1997 consists primarily of gains on sales of equity investments.

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

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

<TABLE>

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | Sept. 26, 1998 | Sept. 27, 1997 | Sept. 26, 1998 | Sept. 27, 1997 |
| <S> | <C> | <C> | <C> | <C> |
| Net income | \$ 1,559 | \$ 1,574 | \$ 4,004 | \$ 5,202 |
| Change in unrealized gain (loss) on available-for-sale investments | (34) | 54 | 124 | 1 |
| Total | \$ 1,525 | \$ 1,628 | \$ 4,128 | \$ 5,203 |

</TABLE>

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

Item 1. Financial Statements (continued)

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

- Between December 27, 1997 and March 14, 1998, approximately 78 million of the Company's 1998 Step-Up Warrants to purchase shares of Common Stock were exercised at a price of \$20.875 per share. Approximately 78 million shares of Common Stock were issued, and the Company received proceeds of approximately \$1.6 billion. The expiration date of these warrants was March

14, 1998.

6. During the first nine months of 1998, the Company repurchased 64.4 million shares of Common Stock under the Company's authorized repurchase program at a cost of \$5.2 billion, including \$1.2 billion to purchase 15 million shares upon the exercise of outstanding put warrants. During the first quarter of 1998, the Company's Board of Directors approved an increase in the repurchase program of up to 100 million additional shares, bringing the total authorization to 380 million shares. As of September 26, 1998, after allowing for the outstanding put warrants, approximately 94.7 million shares remained available for repurchase under the program. (See Item 2. Management's Discussion and Analysis for subsequent activity.)
7. In a series of private placements during the 1991-1998 period, the Company sold put warrants that entitle the holder of each warrant to sell to the Company, by physical delivery, one share of Common Stock at a specified price. Activity during the first nine months of 1998 is summarized as follows:

<TABLE>

| (in millions) | Cumulative Proceeds Received | Put Warrants Outstanding | |
|--------------------|---------------------------------|--------------------------|-------------------------|
| | | Number Of Warrants | Potential Obligation |
| <S> | <C> | <C> | <C> |
| December 27, 1997 | \$ 623 | 26.3 | \$ 2,041 |
| Exercises | -- | (1.7) | (127) |
| Expirations | -- | (9.8) | (729) |
| March 28, 1998 | \$ 623 | 14.8 | \$ 1,185 |
| Sales | 27 | 5.0 | 387 |
| Exercises | -- | (10.3) | (793) |
| Expirations | -- | (1.0) | (68) |
| June 27, 1998 | \$ 650 | 8.5 | \$ 711 |
| Sales | 13 | 2.5 | 201 |
| Exercises | -- | (3.0) | (279) |
| Expirations | -- | (0.5) | (45) |
| September 26, 1998 | \$ 663 | 7.5 | \$ 588 |

</TABLE>

A total of 2.5 million put warrants were sold to commercial and investment banks during August 1998. They expire on various dates between January and February 1999 and have exercise prices ranging from \$79.50 to \$82 per share, with an average exercise price of \$80. The 7.5 million put warrants outstanding on September 26, 1998 expire on various dates between October 1998 and February 1999 and have exercise prices ranging from \$70 to \$82 per share, with an average exercise price of \$78. The amount related to the Company's potential buyback obligation has been reclassified from Stockholders' Equity and recorded as put warrants. There is no material dilutive effect on earnings per share for the periods presented. (See Item 2. Management's Discussion and Analysis for subsequent activity.)

Item 1. Financial Statements (Continued)

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

8. In September 1998, the Company repriced \$80 million of the 1983 Series A Adjustable Rate Industrial Revenue Bonds ("Series A Bonds") issued by the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority. The Series A Bonds will bear interest at the rate of 4.25% through August 2003. Bondholders of approximately \$59 million agreed to retain the bonds at the adjusted interest rate. The balance of approximately \$21 million was remarketed. The bonds, which were included in current liabilities at December 27, 1997 due to the redemption option, have been reclassified to long-term debt as a result of the refinancing.
9. In January 1998, the Company acquired the outstanding shares of Chips and Technologies, Inc., a supplier of graphics accelerator chips for mobile computing products. The purchase price was approximately \$430 million (\$321 million in net cash). During the first quarter of 1998, the Company recorded a nondeductible charge of \$165 million for purchased in-process research and development, representing the appraised value of products still in the development stage that were not considered to have reached technological feasibility and had no alternative future use.

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

completion of the purchase, lawsuits between the companies that had been pending since 1997 were dismissed with prejudice.

10. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued by the Financial Accounting Standards Board in June 1998. The Standard will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The change in a derivative's fair value related to the ineffective portion of a hedge, if any, will be immediately recognized in earnings. The Company expects to adopt this Standard as of the beginning of its fiscal year 2000. The effect of adopting the Standard is currently being evaluated, but is not expected to have a material effect on the Company's financial position or results of operations.
11. In November 1997, Intergraph Corporation ("Intergraph") filed suit in U.S. District Court in Alabama generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights and alleging infringement on three Intergraph patents as well as violations of antitrust laws and various state law claims. In April 1998, the Court ordered Intel to continue to treat Intergraph as it does allegedly similarly-situated customers. In June 1998, Intel answered the Amended Complaint of Intergraph and filed counter claims against Intergraph for infringement of seven patents covering various aspects of computer system performance. Also in June, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In July, the Company received a letter stating that Intergraph believes that the patent damages will be "several billion dollars by the time of trial." In addition, Intergraph alleges that Intel's infringement is willful and that any damages awarded should be trebled. The letter also stated that Intergraph believes that antitrust, unfair competition and tort and contract damages will be "hundreds of millions of dollars by the time of trial." The Company disputes Intergraph's claims and intends to defend the lawsuit vigorously.

In March 1995, EMI Group, NA ("EMI") brought suit in U.S. District Court in Delaware alleging infringement of a U.S. patent relating to processes for manufacturing semiconductors. In May 1996, the Court granted Intel's motion for summary judgment on some of the processes in issue. In November 1996, the Court granted Intel's motion for summary judgment on the remaining processes in issue and entered judgment in favor of Intel and against EMI on the claims of the complaint. A unanimous decision by the Court of Appeals affirmed this decision in September 1998.

Item 1. Financial Statements (Continued)

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

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

12. In October 1998, the Company announced that it had entered into a definitive agreement to acquire Shiva Corporation, whose products include remote access and virtual private networking (VPN) solutions for the small to medium enterprise market segment and the remote access needs of campuses and branch offices. Intel expects that the total cash required to complete the transaction will be approximately \$185 million, before consideration of any cash to be acquired. This transaction is subject to approval by Shiva stockholders and is also subject to regulatory review.

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

Results of Operations - Third Quarter of 1998 Compared to Third Quarter of 1997

Revenues for Q3 1998 increased by 9% compared to Q3 1997. Higher processor volumes and a shift in mix toward processors based on the P6 micro-architecture** drove the overall growth in revenues. Revenues from sales of chipsets and networking products also grew between these periods.

Cost of sales rose by 23% from Q3 1997 to Q3 1998 due to increased volumes and additional costs associated with purchased components for the Single Edge

Contact ("SEC") cartridge in the Pentium(R) II processor. These cost increases were partially offset by the impact of cost reduction efforts. Gross margin decreased to 53% in Q3 1998 from 58% in Q3 1997 due to the impact of the SEC cartridge, partially offset by the impact of cost reductions and a more favorable product mix.

For Q3 1998, sales of microprocessors based on the P6 micro-architecture represented a majority of the Company's revenues and a substantial majority of its gross margin. For Q3 1997, these products represented a significant and growing portion of both revenues and gross margin. Sales of Pentium(R) family microprocessors did not represent a significant portion of the Company's revenues and gross margin in Q3 1998, but they constituted a majority of revenues and gross margin in Q3 1997. No other product group represented a significant portion of the Company's revenues or gross margin during Q3 1998 or Q3 1997.

Research and development expenses and marketing, general and administrative expenses rose by a total of \$121 million, or 10%, from Q3 1997 to Q3 1998, primarily due to increased spending on product development programs and higher merchandising and Intel Inside(R) expenses. Operating expenses were 20.5% of revenues in both Q3 of 1998 and Q3 1997.

Interest income and other for Q3 1998 increased by \$21 million over the prior year due primarily to higher gains on sales of equity investments, partially offset by lower foreign currency gains.

The provision for taxes for Q3 1998 decreased by \$99 million over the prior year as a result of lower pretax earnings and a lower effective tax rate. The effective tax rate decreased from 35.5% for Q3 1997 to 33% for Q3 1998.

Results of Operations - First Nine Months of 1998 Compared to First Nine Months of 1997

Revenues for the first nine months of 1998 were essentially flat compared to the first nine months of 1997. Higher processor unit volumes compared to the first nine months of 1997 were offset by lower processor prices and lower revenues from sales of flash memory and embedded control products. Revenues from sales of chipsets and networking products increased.

Cost of sales rose by 24% from the first nine months of 1997 to the first nine months of 1998 due to increased volumes and the shift in product mix to the P6 micro-architecture, reflecting the cost of purchased components for the SEC cartridge. Gross margin decreased to 52% in the first nine months of 1998 from 61% in the first nine months of 1997 primarily due to the impact of the SEC cartridge and lower processor prices.

For the first nine months of 1998, sales of microprocessors based on the P6 micro-architecture represented a majority of the Company's revenues and a substantial majority of its gross margin. For the first nine months of 1997, these products represented a significant and growing portion of both revenues and gross margin. Sales of Pentium family microprocessors represented a significant but declining portion of the Company's revenues and

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

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

Results of Operations - First Nine Months of 1998 Compared to First Nine Months of 1997 (continued)

gross margin in the first nine months of 1998, and they constituted a majority of revenues and a substantial majority of gross margin in the first nine months of 1997. No other product group represented a significant portion of the Company's revenues or gross margin during the first nine months of 1998 or 1997.

Research and development expenses and marketing, general and administrative expenses rose by a total of \$333 million, or 9%, from the first nine months of 1997 to the first nine months of 1998, and included a one-time charge of \$165 million for in-process research and development related to the acquisition of Chips and Technologies, Inc. which was completed in the first quarter of 1998. The remaining increase was primarily due to higher levels of research and development spending on product development programs. Operating expenses were 22.2% of revenues in the first nine months of 1998 versus 20.6% in the first nine months of 1997.

Interest income and other for the first nine months of 1998 decreased by \$54 million over the prior year. Net gains associated with the Company's equity investments and foreign currency gains were lower than in the first nine months of 1997, partially offset by interest on a higher average investment balance.

The provision for taxes for the first nine months of 1998 decreased by \$810 million over the prior year primarily as a result of a decrease in pretax earnings. The effective tax rate decreased from 35.5% for the first nine months of 1997 to 33% for the first nine months of 1998, excluding the impact of the nondeductible charge related to the acquisition of Chips and Technologies, Inc.

Financial Condition

The Company's financial condition remains very strong. As of September 26, 1998, cash, trading assets and short- and long-term investments totaled \$10.5 billion, down from \$11.8 billion at December 27, 1997. The Company's other sources of liquidity include authorized commercial paper borrowings of up to \$700 million. The Company also maintains the authority to issue an aggregate of approximately \$1.4 billion in debt, equity and other securities under Securities and Exchange Commission shelf registration statements.

Major sources of cash during the first nine months of 1998 included cash generated from operations, which totaled \$5.5 billion, and approximately \$1.6 billion received upon the exercise of the 1998 Step-Up Warrants. Major uses of cash during the first nine months of 1998 included capital spending of \$2.9 billion for property, plant and equipment, primarily for microprocessor manufacturing capacity, \$5.2 billion to buy back 64.4 million shares of Common Stock and \$946 million in net cash paid for the purchase of Chips and Technologies, Inc. and the semiconductor manufacturing operations of Digital Equipment Corporation ("Digital").

The Company's five largest customers accounted for approximately 41% of net revenues for the nine month period ended September 26, 1998. At September 26, 1998, these customers accounted for approximately 38% of net accounts receivable.

Key financing activities in the first nine months of 1998 included the repurchase of 64.4 million shares of Common Stock for \$5.2 billion as part of the Company's authorized stock repurchase program, including \$1.2 billion for the purchase of 15 million shares upon the exercise of outstanding put warrants. The Company also sold 7.5 million put warrants, receiving proceeds of \$40 million, while 11.3 million put warrants expired unexercised. From September 26, 1998 through November 3, 1998, the Company repurchased 10.6 million shares of its Common Stock at a cost of \$932 million and 5 million put warrants expired unexercised. As of November 3, 1998, Intel had the potential obligation to repurchase 2.5 million shares of Common Stock at an aggregate cost of \$201 million under outstanding put warrants. The exercise price of these outstanding warrants ranged from \$80 to \$82 per share, with an average exercise price of \$80 per share. During the first quarter of 1998, the Company's Board of

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

Financial Condition (continued)

Directors approved an increase of up to 100 million additional shares in the Company's repurchase program. This increase brought the total authorization to 380 million shares. As of November 3, 1998, 89.1 million shares remained available for repurchase under the authorization, after allowing for the outstanding put warrants.

In October 1998, the Company announced that it had entered into a definitive agreement to acquire Shiva Corporation. Intel expects that the total cash required to complete the transaction will be approximately \$185 million, before consideration of any cash to be acquired. This transaction is subject to approval by Shiva stockholders and is also subject to regulatory review. In addition, during October 1998, the Company made a \$500 million investment to acquire a minority nonvoting equity interest in Micron Technology, Inc.,

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

Outlook

The outlook section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. These statements do not reflect the potential impact of any mergers or acquisitions that have not closed as of the end of the third quarter of 1998.

The Company expects revenue for the fourth quarter of 1998 to be up approximately 8 to 10 percent from the third quarter revenue of \$6.7 billion. This represents a change from the previous guidance that fourth quarter revenue would be up slightly from the third quarter. Revenue is partly a function of

the mix of microprocessor types and speeds, purchased components and other products, all of which are difficult to forecast. Because of the large price difference between types of microprocessors, this mix affects the average price Intel will realize and has a large impact on Intel's revenues. Revenue is also subject to the rate of growth of the computing industry and the impact of business and economic conditions, such as the current global financial difficulties.

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

The Company now expects the gross margin percentage in the fourth quarter of 1998 to be up a couple of points from 53 percent in the third quarter. Previous guidance was that margin would be flat to slightly up in the fourth quarter. Intel's gross margin percentage in any period varies depending on the level of revenues and on the mix of types and speeds of microprocessors sold, as well as the mix of microprocessors and purchased components. The Pentium II processor is packaged with purchased components in the SEC cartridge, and the inclusion of purchased components tends to increase unit costs. Accordingly, sales of the Pentium II processor increase absolute dollar margins but tend to lower the gross margin percentage. Various other factors (including

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

Outlook (continued)

unit volumes and costs, yield issues associated with production at factories, ramp of new technologies, excess or obsolete inventory, variations in inventory valuation and mix of shipments of other semiconductors) will also continue to affect the amount of cost of sales and the variability of gross margin percentages.

The Company has expanded manufacturing capacity over the last few years and continues to plan capacity based on the assumed continued success of its strategy and the acceptance of its products in specific market segments. The Company currently expects capital expenditures for 1998 to be approximately \$4.2 billion, down from \$4.5 billion in 1997. This is less than the guidance for the year of \$4.5 to \$4.7 billion given in the Form 10-Q for the second quarter, primarily as a result of a facilities realignment and the Company's continued efforts to control costs. The current estimate includes the acquisition of the capital assets of Digital's semiconductor manufacturing operations. This spending plan is dependent upon expectations regarding manufacturing efficiencies, delivery times of various machines and construction schedules for new facilities. Depreciation for the fourth quarter of 1998 is expected to be approximately \$780 million.

Spending on research and development and marketing, general and administrative expenses in the fourth quarter of 1998 is expected to be approximately 8 to 10 percent higher than the \$1.4 billion in the third quarter of 1998, up from earlier guidance of 3 to 5 percent higher than third quarter expenses. Expense projections for the fourth quarter of 1998 incorporate expected higher merchandising, Intel Inside(R) and profit dependent expenses. Total spending is subject in part to changes in revenue and profit dependent expenses. Research and development spending for the fourth quarter of 1998 is expected to be approximately \$650 million.

Intel is still making progress on reducing headcount and the Company expects to be within a few hundred people of its previously announced headcount reduction target of approximately 3,000 employees by the end of the year. In 1999, the Company expects to complete other previously announced headcount reduction plans at manufacturing locations in Massachusetts and Puerto Rico.

The Company expects interest and other income for the fourth quarter of 1998 to be approximately \$200 million, up from earlier guidance of \$160 million, assuming no significant changes in expected interest rates or cash balances, and no unanticipated items.

The tax rate for the fourth quarter of 1998 is expected to be 33%.

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

Like many other companies, the year 2000 computer issue creates risks for Intel. If internal systems do not correctly recognize and process date information beyond the year 1999, there could be an adverse impact on the Company's operations. There are two other related issues which could also lead to incorrect calculations or failures: i) some systems' programming assigns special meaning to certain dates, such as 9/9/99, and ii) the fact that the year 2000 is a leap year. To address these year 2000 issues with its internal systems, the Company has initiated a comprehensive program which is designed to deal with the most critical systems first (the Company has categorized as "critical" or "priority" those systems whose failure would cause an extended shut down of all or part

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

Outlook (continued)

of a factory, could cause personal injury or would have a sustained and significant detrimental financial impact). These activities are intended to encompass all major categories of systems in use by the Company, including network and communications infrastructure, manufacturing, facilities management, sales, finance and human resources. The Company is also testing customer and supplier interfaces as appropriate. The Company's manufacturing equipment and systems are highly automated, incorporating PC's, embedded processors and related software to control activity scheduling, inventory tracking, statistical analysis and automated manufacturing. A significant portion of the Company's year 2000 efforts on internal systems is intended to prevent disruption to manufacturing operations. As of October 1998, approximately 85% of the Company's critical and priority manufacturing systems and 61% of critical and priority non-manufacturing systems were determined to be already year 2000 capable, or replacements, changes, upgrades or workarounds have been determined and tested. These replacements, changes and upgrades may not yet have been deployed. The Company is in the process of planning a comprehensive program of integration testing of internal systems. The integration testing began in the third quarter of 1998 and will continue into 1999 as necessary.

The table below indicates the phases of the year 2000 project related to the Company's critical and priority internal systems and the expected time frames.

| Phases of the Project - - - - - | Start Date - - - - - | End Date - - - - - |
|---|-------------------------|-----------------------|
| High level assessment of systems | 1996 | Q3 1998 (actual) |
| Detailed assessment, remediation and unit testing | 1996 | Q1 1999 (expected) |
| Deployment | 1997 | Mid-1999 (expected) |
| Integration testing | Q3 1998 | Mid-1999 (expected) |

Intel is also actively working with suppliers of products and services to determine the extent to which the suppliers' operations and the products and services they provide are year 2000 capable and to monitor their progress toward year 2000 capability. Highest priority is being placed on working with suppliers that are critical to the business, defined by Intel as those whose failure would shut down manufacturing or other critical operations within a short period of time. The Company has made inquiry of its major suppliers and to date has received responses to its initial inquiries from 100% of critical suppliers. Follow-up activities seek to determine whether the supplier is taking all appropriate steps to fix year 2000 problems and to be prepared to continue functioning effectively as a supplier in accord with Intel's standards and requirements. Contingency plans are being developed to address issues related to suppliers that are not considered to be making sufficient progress in becoming year 2000 capable in a timely manner. The Company is also developing contingency plans to address possible changes in customer order patterns due to year 2000 issues. As with suppliers, the readiness of customers to deal with year 2000 issues may affect their operations and their ability to order and pay for products.

Intel believes that its most reasonably likely worst case year 2000 scenarios would relate to problems with the systems of third parties rather than with the Company's internal systems or its products. It is clear that the Company has the least ability to assess and remediate the year 2000 problems of third parties and the Company believes the risks are greatest with infrastructure (e.g. electricity supply, water and sewer service), telecommunications, transportation supply chains and critical suppliers of materials.

The Company's microprocessor production is conducted in a network of domestic and foreign facilities. Each location relies on local private and governmental suppliers for electricity, water, sewer and other needed supplies. Failure of an electricity grid or an uneven supply of power, as an example, would be a worst case scenario that would completely shut down the affected facilities. Electrical failure could also shut down airports and other transportation facilities. The Company does not currently maintain facilities which would allow it to generate its

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

Outlook (continued)

own electrical or water supply in lieu of that supplied by utilities. To the extent possible, the Company is working with the infrastructure suppliers for its manufacturing sites, major subcontractor sites and relevant transportation hubs to seek to better ensure continuity of infrastructure services. Contingency planning regarding major infrastructure failure generally emphasizes the shift of production to other, unaffected sites or planned increases in inventory levels of specific products. Multiple plants engage in similar tasks in the Intel system and production can be expanded in some sites to partially make up for capacity unavailable elsewhere. Although overall capacity would be reduced, it is not expected that the entire production system would halt due to the unavailability of one or two facilities.

A worst case scenario involving a critical supplier of materials would be the partial or complete shutdown of the supplier and its resulting inability to provide critical supplies to the Company on a timely basis. The Company does not maintain the capability to replace most third party supplies with internal production. Where efforts to work with critical suppliers to ensure year 2000 capability have not been successful, contingency planning generally emphasizes the identification of substitute and second-source suppliers, and in certain limited situations includes a planned increase in the level of inventory carried.

The Company is not in a position to identify or to avoid all possible scenarios; however, the Company is currently assessing scenarios and taking steps to mitigate the impacts of various scenarios if they were to occur. This contingency planning will continue through 1999 as the Company learns more about the preparations and vulnerabilities of third parties regarding year 2000 issues. Due to the large number of variables involved, the Company cannot provide an estimate of the damage it might suffer if any of these scenarios were to occur.

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

Various of the Company's disclosures and announcements concerning its products and year 2000 programs are intended to constitute "Year 2000 Readiness

Disclosures" as defined in the recently-enacted Year 2000 Information and Readiness Disclosure Act. The Act provides added protection from liability for certain public and private statements concerning an entity's year 2000 readiness and the year 2000 readiness of its products and services. The Act also potentially provides added protection from liability for certain types of year 2000 disclosures made after January 1, 1996, and before the date of enactment of the Act.

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

Outlook (continued)

The Company's year 2000 efforts have been undertaken largely with its existing personnel. In some instances, consultants have been engaged to provide specific assessment, remediation or other services. Activities with suppliers and customers have also involved their staffs and consultants. The Company engaged a third party firm to assist with planning and taking the inventory of internal systems and engaged another firm to perform an assessment of the overall scope and schedule of Intel's year 2000 efforts.

The Company currently expects that the total cost of these programs, including both incremental spending and redeployed resources, will not exceed \$250 million. Approximately \$35 million has been spent on the programs to date, of which approximately \$30 million was incurred in the first three quarters of 1998. Costs in the fourth quarter of 1998 are expected to be approximately \$30 million. A majority of the total estimated costs are expected to be incurred in assessing and remediating issues with manufacturing systems, and as a result, a majority of the total costs are expected to be included in cost of sales and in the calculation of gross margin. Expected year 2000 costs for manufacturing and non-manufacturing internal systems in 1998 represent less than 10% of the total information technology budget for 1998. No significant internal systems projects are being deferred due to the year 2000 program efforts. In some instances, the installation schedule of new software and hardware in the normal course of business is being accelerated to also afford a solution to year 2000 capability issues. The Company expects that costs related to accelerated systems replacements will be approximately \$15 million in addition to the total costs noted above. In addition, the estimated costs do not include any potential costs related to customer or other claims, or potential amounts related to executing contingency plans, such as costs incurred on account of an infrastructure or supplier failure. The Company has adequate general corporate funds with which to pay for the programs' expected costs. All expected costs are based on the current assessment of the programs and are subject to change as the programs progress.

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

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

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

Outlook (continued)

manufacturing ramp; effects of excess or shortage of manufacturing capacity; unanticipated costs or other adverse effects associated with processors and other products containing errata (deviations from published specifications); impact on the Company's business due to internal systems or systems of suppliers and other third parties adversely affected by year 2000 problems; and litigation involving antitrust, intellectual property, consumer and other issues.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Registrant's Annual Report on Form 10-K for the year ended December 27, 1997 and to the subheading "Financial Market Risks" under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 23 of the Registrant's 1997 Annual Report to Stockholders.

The Company is exposed to equity price risks on the marketable portion of equity securities included in its portfolio of investments entered into for the promotion of business and strategic objectives. These investments are generally in companies in the high-technology industry sector, many of which are small capitalization stocks. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices, based on a sensitivity analysis of the Company's investment portfolio as of September 26, 1998, would result in an approximate \$120 million decrease in the fair value of the Company's available-for-sale securities. This represents an update to the equity risk disclosure contained in the 1997 Annual Report to Stockholders based on an increase in the dollar value of the marketable portion of the portfolio of equity investments. Actual results may differ materially.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3. Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended December 27, 1997 and to Part II, Item 1. Legal Proceedings, in the Registrant's Quarterly Report on Form 10-Q for the quarterly periods ended March 28, 1998 and June 27, 1998 for descriptions of the following and other legal proceedings.

Intergraph Corporation v. Intel
U.S. District Court, Northern District of Alabama, Northeastern Division

(CV-97-N-3023-NE)

In June of this year, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to those patents. In September, Intergraph filed their opposition to that motion and filed its own motion which seeks summary judgment in its favor on the same issue. Although litigation is subject to inherent uncertainties and the ultimate outcome of this lawsuit cannot be determined at this time, management, including internal counsel, does not believe that the ultimate outcome will have a material adverse effect on Intel's financial position or overall trends in results of operations.

EMI Group, NA v. Intel, DEL (C95-199)

In March 1995, the plaintiff brought suit in U.S. District Court in Delaware alleging infringement of a U.S. patent relating to processes for manufacturing semiconductors. In May 1996, the Court granted Intel's motion for summary judgment on some of the processes in issue. In November 1996, the Court granted Intel's motion for summary judgment on the remaining processes in issue and entered judgment in favor of Intel and against the plaintiff on the claims of the complaint. A unanimous decision by the Court of Appeals affirmed this decision in September 1998.

Item 2. Changes in Securities

(c) Unregistered sales of equity securities.

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

Item 5. Other Information

On September 16, 1998 the Board of Directors approved an amendment to the Company's Bylaws to temporarily increase the number of authorized members of the Board of Directors from 11 to 12. The number of authorized members will automatically revert to 11 following the 1999 Annual Meeting of Stockholders. The amended and restated Bylaws are attached hereto as Exhibit 3.1.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Intel Corporation Bylaws as amended.

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

27 Financial Data Schedule.

(b) Reports on Form 8-K.

Intel filed a report on Form 8-K, dated July 14, 1998, relating to financial information for Intel Corporation for the quarter ended June 27, 1998 and forward-looking statements relating to 1998, the 3rd Quarter of 1998 and the 2nd Half of 1998, as presented in a press release of July 14, 1998.

SIGNATURES

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

INTEL CORPORATION
(Registrant)

Date: November 10, 1998

By: /s/ Andy D. Bryant

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

INTEL CORPORATION
BYLAWS
ARTICLE I
Offices

Section 1. Registered Office.

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

Section 2. Other Offices.

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

ARTICLE II
Stockholders' Meetings

Section 1. Place of Meetings.

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

Section 2. Annual Meetings.

----- The annual meetings of the stockholders of the corporation, commencing with the year 1990, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors, but in no event more than fifteen (15) months after the date of the preceding annual meeting.

Section 3. Special Meetings.

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

Section 4. Notice of Meetings.

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

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

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

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

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

Section 5. Quorum and Voting.

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

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

Section 6. Voting Rights.

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

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

Section 7. List of Stockholders.

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

Section 8. Action Without Meeting.

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

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

Section 9. Nominations and Stockholder Business.

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

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

(c) Notwithstanding anything in this Section 9 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 9 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

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

(e) Only those persons who are nominated in accordance with the procedures set forth in this section shall be eligible for election as directors at any meeting of stockholders. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this section and, if any proposed nomination or business is not in compliance with this section, to declare that such defective proposal shall be disregarded.

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

(g) Notwithstanding the foregoing provisions of this Section 9, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 9. Nothing in this Section 9 shall be deemed to affect

any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE III
Directors

Section 1. Number and Term of Office.

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

Section 2. Powers.

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

Section 3. Vacancies.

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

Section 4. Resignations and Removals.

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

term of the director whose place shall be vacated and until his successor shall have been duly elected and qualified.

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

Section 5. Meetings.

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

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

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

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

Section 6. Quorum and Voting.

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

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

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

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

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

Section 7. Action Without Meeting.

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

Section 8. Fees and Compensation.

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

Section 9. Committees.

(a) Executive Committee:

The Board of Directors may, by resolution passed by a majority of the whole Board, appoint an Executive

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

(b) Other Committees:

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

(c) Term:

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

Meetings:

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

writing at any time after the meeting and will be waived by any director by attendance thereat. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 10. Emeritus Director.

----- The Board of Directors may, from time to time, elect one or more Emeritus Directors, each of whom shall serve, at the pleasure of the Board, until the first meeting of the Board next following the Annual Meeting of Stockholders and for a maximum period of 3 years, subject to an annual review, or until earlier resignation or removal by the Board (except that founders of the company may remain as Emeritus Directors, subject to the annual review, or until earlier resignation or removal by the Board). Emeritus Directors shall serve as advisors and consultants to the Board of Directors and may be appointed by the Board to serve as advisors and consultants to committees of the Board. Emeritus Directors may be invited to attend meetings of the Board or any committee of the Board for which they have been appointed to serve as advisors and consultants and, if present, may participate in the discussions occurring during such meetings. Emeritus Directors shall not be permitted to vote on matters brought before the Board or any committee thereof and shall not be counted for the purpose of determining whether a quorum of the Board or the committee is present. Emeritus Directors shall receive no fee for their services as Emeritus Directors. Emeritus Directors will not be entitled to

receive reimbursement for expenses of meeting attendance, except as approved by the Chairman of the Board. Emeritus Directors may be removed at any time by the Board of Directors.

ARTICLE IV
Officers

Section 1. Officers Designated.

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

Section 2. Tenure and Duties of Officers.

General:

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

Duties of the Chairman of the Board of Directors:

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

Duties of President:

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

Duties of Vice Presidents:

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

Duties of Secretary:

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

Duties of Chief Financial Officer and Treasurer:

----- The Chief Financial Officer and Treasurer shall control, audit and arrange the financial affairs of the corporation. He or she shall receive and deposit all monies belonging to the corporation and shall pay out the same only in such manner as the Board of Directors may from time to time determine, and he or she shall perform such other further duties as the Board of Directors may require. It shall be the duty of the assistant treasurers to assist the Treasurer in the

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

ARTICLE V

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

Section 1. Execution of Corporate Instruments.

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

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

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

Section 2. Voting of Securities Owned by Corporation.

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

ARTICLE VI
Shares of Stock

Section 1. Form and Execution of Certificates.

----- Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by, the Chairman of the Board (if there be such an officer appointed), or by the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary,

certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the Delaware General Corporation Law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Lost Certificates.

----- The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to indemnify the corporation in such manner as it shall require and/or to give the corporation a surety bond in such form and amount as it may

direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

Section 3. Transfers.

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

Section 4. Fixing Record Dates.

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

determination of stockholders of record entitled notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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

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

Section 5. Registered Stockholders.

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

ARTICLE VII

Other Securities of the Corporation

All bonds, debentures and other corporate securities of the corporation, other than stock certificates, may be signed by the Chairman of the Board (if there be such an officer appointed), or the President or any Vice President or such other person as may be authorized by the Board of Directors and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall

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

ARTICLE VIII
Corporate Seal

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

"Intel Corporation
Incorporated March 1, 1989
Delaware"

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

ARTICLE IX

Indemnification of
Officers, Directors, Employees and Agents

Section 1. Right to Indemnification.

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

Section 2. Authority to Advance Expenses.

----- Expenses incurred by an officer or director (acting in his capacity as such) in defending a Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding, provided, however, that if required by the Delaware General Corporation Law, as amended, such Expenses shall be advanced only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article or otherwise. Expenses incurred by other Agents of the corporation (or by the directors or officers not acting in their capacity as such, including service with respect to employee benefit plans) may be advanced upon such terms and conditions as the Board of Directors deems appropriate. Any obligation to reimburse the corporation for Expense advances shall be

unsecured and no interest shall be charged thereon.

Section 3. Right of Claimant to Bring Suit.

----- If a claim under Section 1 or 2 of this Article is not paid in full by the corporation within thirty (30) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 4. Provisions Nonexclusive.

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

Section 5. Authority to Insure.

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

Section 6. Survival of Rights.

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

Section 7. Settlement of Claims.

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

Section 8. Effect of Amendment.

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

Section 9. Subrogation.

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

Section 10. No Duplication of Payments.

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

ARTICLE X

Notices

Whenever, under any provisions of these Bylaws, notice is

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

effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

ARTICLE XI
Amendments

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

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

(in millions)

| <S> | Nine Months Ended | |
|---|-------------------|-------------------|
| | Sept. 26, 1998 | Sept. 27, 1997 |
| | ----- | ----- |
| <C> | <C> | <C> |
| Income before taxes | \$ 6,057 | \$ 8,065 |
| Add fixed charges net of capitalized interest | 35 | 33 |
| | ----- | ----- |
| Income before taxes and fixed charges (net of capitalized interest) | \$ 6,092 | \$ 8,098 |
| | ===== | ===== |
| Fixed charges: | | |
| Interest | \$ 23 | \$ 20 |
| Capitalized interest | 5 | 7 |
| Estimated interest component of rental expense | 12 | 13 |
| | ----- | ----- |
| Total | \$ 40 | \$ 40 |
| | ===== | ===== |
| Ratio of earnings before taxes and fixed charges, to fixed charges | 152 | 202 |

</TABLE>

<TABLE> <S> <C>

<S> <C>

<ARTICLE> 5

<LEGEND>

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

</LEGEND>

<MULTIPLIER> 1,000,000

| <S> | <C> |
|------------------------------|-------------|
| <PERIOD-TYPE> | 9-MOS |
| <FISCAL-YEAR-END> | DEC-26-1998 |
| <PERIOD-END> | SEP-26-1998 |
| <CASH> | 2900 |
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| <CURRENT-LIABILITIES> | 5256 |
| <BONDS> | 583 |
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| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 4004 |
| <EPS-PRIMARY> | 2.40<F4> |
| <EPS-DILUTED> | 2.27 |

<FN>

<F1>Item consists of put warrants.

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

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

<F4>Item consists of basic earnings per share

</FN>

</TABLE>