INTEL CORPORATION
(Exact name of registrant as specified in its charter)
Delaware 94-1672743
--------- ------------
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

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

N/A
--------------------
(Former name, former address, and former
fiscal year, if changed since last report)

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

--- ---
Shares outstanding of the Registrant's common stock:

Class Outstanding at June 26, 1999

Common Stock, $.001 par value 3,308 million

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEL CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(in millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$6,746</td>
<td>$5,927</td>
<td>$13,849</td>
<td>$11,928</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2,771</td>
<td>3,027</td>
<td>5,683</td>
<td>5,776</td>
</tr>
<tr>
<td>Research and development</td>
<td>731</td>
<td>623</td>
<td>1,394</td>
<td>1,218</td>
</tr>
<tr>
<td>Marketing, general and administrative</td>
<td>924</td>
<td>671</td>
<td>1,815</td>
<td>1,382</td>
</tr>
<tr>
<td>Purchased in-process research and development</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Operating costs and expenses</td>
<td>4,426</td>
<td>4,321</td>
<td>8,892</td>
<td>8,541</td>
</tr>
</tbody>
</table>
Operating income                                              2,320          1,606          4,957          3,387
Interest expense                                                (11)            (8)           (20)           (15)
Interest income and other, net                                  301            152            657            359
                      -------        -------        -------        -------
Income before taxes                                           2,610          1,750          5,594          3,731
Provision for taxes                                             861            578          1,846          1,286
                      -------        -------        -------        -------
Net income                                                 $  1,749       $  1,172       $  3,748       $  2,445
                      -------        -------        -------        -------
Basic earnings per common share                            $   0.53       $   0.35       $   1.13       $   0.73
                      -------        -------        -------        -------
Diluted earnings per common share                          $   0.51       $   0.33       $   1.08       $   0.69
                      -------        -------        -------        -------
Cash dividends declared per common share                     $     --       $     --       $   0.05       $  0.015
                      -------        -------        -------        -------
Weighted average common shares outstanding                  3,310          3,382          3,317          3,332
Dilutive effect of:
Employee stock options                                        136            155            145            166
1998 Step-Up Warrants                                          --             --             --             45
                      -------        -------        -------        -------
Weighted average common shares outstanding, assuming dilution 3,446          3,537          3,462          3,543
                      -------        -------        -------        -------
</TABLE>
See Notes to Consolidated Condensed Financial Statements.

ITEM 1.  FINANCIAL STATEMENTS (CONTINUED)

INTEL CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(in millions)
<TABLE>
<CAPTION>
June 26, Dec. 26,
1999 1998
---- ----
(unaudited)
<C> <C>

ASSETS
Current assets:
Cash and cash equivalents $ 3,599 $ 2,038
Short-term investments 6,652 5,272
Trading assets 358 316
Accounts receivable, net 3,265 3,527
Inventories:
Raw materials 222 206
Work in process 947 795
Finished goods 594 581
1,763 1,582
Deferred tax assets 659 618
Other current assets 177 122
16,473 13,475
Total current assets
Property, plant and equipment 21,998 21,068
Less accumulated depreciation 10,586 9,459
Property, plant and equipment, net 11,412 11,609
Long-term investments 3,453 5,365
Other assets 1,463 1,022
TOTAL ASSETS $32,801 $31,471

LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:
Short-term debt $ 135 $ 159
Accounts payable 1,354 1,244
Accrued compensation and benefits 963 1,285
Deferred income on shipments to distributors 499 606
Accrued advertising 505 458
Other accrued liabilities 1,018 1,094
Income taxes payable 643 958

Total current liabilities 5,117 5,804

Long-term debt 666 702
Deferred tax liabilities 1,546 1,387
Put warrants -- 201

Stockholders' equity:
Preferred stock -- --
Common stock and capital in excess of par value 4,819 4,822
Retained earnings 19,523 17,952
Accumulated other comprehensive income 1,130 603

Total stockholders' equity 25,472 23,377

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $32,801 $31,471

See Notes to Consolidated Condensed Financial Statements.

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

INTEL CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in millions)

<table>
<thead>
<tr>
<th>Cash flows provided by (used for) operating activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income                                            $ 3,748  $ 2,445</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
</tr>
<tr>
<td>Depreciation and amortization 1,583 1,304</td>
</tr>
<tr>
<td>Net loss on retirements of property, plant and equipment 87 89</td>
</tr>
<tr>
<td>Deferred taxes (139) 105</td>
</tr>
<tr>
<td>Purchased in-process research and development -- 165</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
</tr>
<tr>
<td>Accounts receivable 343 337</td>
</tr>
<tr>
<td>Inventories (170) 46</td>
</tr>
<tr>
<td>Accounts payable 107 (332)</td>
</tr>
<tr>
<td>Accrued compensation and benefits (333) (385)</td>
</tr>
<tr>
<td>Income taxes payable (316) (993)</td>
</tr>
<tr>
<td>Tax benefit from employee stock plans 279 181</td>
</tr>
<tr>
<td>Other assets and liabilities (1,014) (489)</td>
</tr>
<tr>
<td>Total adjustments 427 28</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities 4,175 2,473

Cash flows provided by (used for) investing activities:
Additions to property, plant and equipment (1,441) (2,206)
Purchase of Shiva Corporation, net of cash acquired (132) --
Purchase of Chips and Technologies, Inc., net of cash acquired, and Digital Equipment Corporation semiconductor operations -- (946)
Purchases of available-for-sale investments (3,305) (4,528)
Sales of available-for-sale investments 386 46
Maturities and other changes in available-for-sale investments 4,554 4,717

Net cash provided by (used for) investing activities 62 (2,917)

Cash flows provided by (used for) financing activities:
Decrease in short-term debt, net (24) (80)
Additions to long-term debt 27 34
Proceeds from sales of shares through employee stock plans and other 286 259
Proceeds from exercise of 1998 Step-Up Warrants -- 1,620
Proceeds from sales of put warrants ........................................ 27
Repurchase and retirement of common stock ...................... (2,798) (3,531)
Payment of dividends to stockholders .............................. (167) (100)
Net cash used for financing activities ......................... (2,676) (1,771)
Net increase (decrease) in cash and cash equivalents .... 1,561 (2,215)

Supplemental disclosures of cash flow information:
Cash paid during the period for:
Interest .................................................. 20 18
Income taxes ........................................... 2,009 1,989

See Notes to Consolidated Condensed Financial Statements.
Certain 1998 amounts have been reclassified to conform to the 1999 presentation.

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

INTEL CORPORATION, NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - UNAUDITED

1. 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 26, 1998. 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 26, 1998. All share, per share and warrant amounts have been restated to reflect the effect of the two-for-one stock split paid on April 11, 1999.

2. As of the second quarter of 1998, the Company adopted a new dividend declaration schedule which results 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, the Board of Directors made two dividend declarations in the first quarter of 1999, and none in the second quarter. During 1998, the Board of Directors made one dividend declaration in the first quarter and none in the second quarter. On July 21, 1999, subsequent to the end of the second quarter, the Board of Directors declared a dividend of $0.03 per share payable on September 1, 1999 to stockholders of record on August 7, 1999.

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 26, 1999</td>
<td>June 27, 1998</td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 148</td>
<td>$ 143</td>
</tr>
<tr>
<td>Foreign currency gains</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Other income, net</td>
<td>153</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>301</td>
<td>152</td>
</tr>
</tbody>
</table>

Other income for all periods presented consists primarily of gains on sales of equity investments.

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 26, 1999</td>
<td>June 27, 1998</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 1,749</td>
<td>$ 1,172</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Condensed Financial Statements.
Accumulated other comprehensive income presented in the accompanying consolidated condensed balance sheets consists of the accumulated net unrealized gain on available-for-sale investments.

5. During the first half of 1999, the Company repurchased 46 million shares of Common Stock under the Company's authorized repurchase program at a cost of $2.8 billion. As of June 26, 1999 approximately 125.4 million shares remained available for repurchase under the program.

6. 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. The remaining 5 million put warrants that were outstanding at December 26, 1998 expired unexercised in the first quarter of 1999.

7. In the first quarter of 1999, Intel had two reportable segments under the criteria of Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information": the Intel Architecture Business Group and the Computing Enhancement Group. During the second quarter of 1999, Intel changed the structure of its internal organization, moving the chipset operation and the graphics chips operation to the Intel Architecture Business Group from the Computing Enhancement Group. This change was made to better align the product planning and marketing strategies of the Company's component operations. As a result, the second quarter information has been presented with the Intel Architecture Business Group as the only remaining reportable segment. Information for prior periods has been restated.

The Intel Architecture Business Group now includes microprocessors, motherboards and other related board-level products, chipsets, and graphics chips.

The "all other" category includes revenues and earnings (losses) from non-reportable operating segments: the remaining embedded processor and flash memory operations of the Computing Enhancement Group, the Network Communications Group and the New Business Group. In addition, "all other" includes certain corporate-level operating expenses (primarily the amount by which profit-dependent bonus expenses differ from a targeted level recorded by the segments) and the impact of reserves for deferred income on shipments to distributors not allocated to operating segments. The income recognized by the divisions on shipments to distributors is deferred and reserved at the corporate level until the products are sold by the distributors. The change in the reserve for deferred income on shipments to the distributors reflects the difference between shipments to the distributors and sales made by the distributors.

Information on reportable segments is as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 5,559</td>
<td>$ 5,240</td>
<td>$11,988</td>
<td>$10,655</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>$ 2,305</td>
<td>$ 1,649</td>
<td>$ 5,249</td>
<td>$ 3,509</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL OTHER:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 1,187</td>
<td>$ 687</td>
<td>$ 1,861</td>
<td>$ 1,273</td>
</tr>
<tr>
<td>Operating profit</td>
<td>$ 15</td>
<td>$ (43)</td>
<td>$ (292)</td>
<td>$ (122)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL:</td>
<td>$ 6,746</td>
<td>$ 5,927</td>
<td>$13,849</td>
<td>$11,928</td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 2,320</td>
<td>$ 1,606</td>
<td>$ 4,957</td>
<td>$ 3,387</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. In February 1999, the Company acquired the outstanding shares of Shiva Corporation, whose products include remote access and virtual private...
networking solutions for the small to medium enterprise market segment and the remote access needs of campuses and branch offices. The acquisition was accounted for using the purchase method of accounting with a price of approximately $185 million ($132 million in net cash). The operating results subsequent to the acquisition have been included in the "all other" category for segment reporting purposes as part of the Network Communications Group.

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

INTEL CORPORATION, NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - UNAUDITED (CONTINUED)

9. In March 1999, the Company announced that it had entered into a definitive agreement to acquire Level One Communications, Inc. ("Level One"), in a stock-for-stock merger agreement valued at approximately $2.2 billion. Level One provides silicon connectivity solutions for high-speed telecom and networking applications. Under the terms of the agreement, each share of Level One stock would be exchanged for 0.86 shares of Intel stock. Intel expects to issue at least 33.7 million shares of its common stock for currently outstanding shares, but may issue as many as 39.9 million shares if all vested Level One options and warrants are exercised and Level One’s convertible debt is converted prior to the merger. The completion of this transaction is subject to a vote of Level One stockholders scheduled for August 9, 1999, and other conditions customary in a transaction of this type. This transaction is expected to be accounted for using the purchase method of accounting.

In June of 1999, the Company announced that it had entered into a definitive agreement to acquire Dialogic Corporation ("Dialogic") for $44 per share in a cash tender offer, and on July 12, the Company completed this transaction. The transaction will be accounted for using the purchase method of accounting, with an approximate purchase price of $830 million, including the value of options converted to Intel options, and a net cash purchase price of approximately $670 million. The acquisition is aimed at expanding the Company's standard high-volume server business in the networking and telecommunications market segment. Dialogic designs, manufactures and markets computer hardware and software enabling technology for computer telephony systems.

Subsequent to the end of the second quarter, the Company acquired privately held Softcom Microsystems, Inc. ("Softcom") in a cash transaction. The total purchase price was approximately $150 million. Softcom develops and markets semiconductor products for original equipment manufacturers in the networking and communications market segments. Softcom's high-performance components are designed for networking gear (access devices, routers, and switches) used to direct voice and data across the Internet as well as traditional enterprise networks. This transaction will be accounted for using the purchase method of accounting.

10. In November 1997, Intergraph Corporation ("Intergraph") filed suit in Federal District Court in Alabama generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights. The suit alleges that Intel infringes five Intergraph microprocessor-related patents and includes alleged violations of antitrust laws and various state law claims. The suit seeks injunctive relief and unspecified damages, and further alleges that Intel's infringement is willful and that any damages awarded should be trebled. 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 claims that the 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. Inter has also counterclaimed that the Intergraph patents are invalid, and alleges infringement of seven Intel patents, breach of contract and misappropriation of trade secrets. In April 1998, the Court ordered Intel to continue to deal with Intergraph on the same terms as it treats allegedly similarly situated customers with respect to confidential information and product supply. Intel's appeal of this order was heard in December 1998, and in June 1999, the Court granted Intergraph's motion for summary judgement on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In June 1999, the Court granted Intergraph's motion for summary judgement that the patents asserted by Intergraph are not licensed to Intel. Intel filed a motion for reconsideration and an alternative request to certify the decision for appeal.

The Company is currently party to various legal proceedings, including that noted above. While management, including internal counsel, currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING SEGMENT REPORTING

During the second quarter of 1999, Intel changed the structure of its internal organization, moving the chipset operation and the graphics chips operation to the Intel Architecture Business Group from the Computing Enhancement Group. This change was made to better align the product planning and marketing strategies of the Company’s component operations. As a result, the second quarter information has been presented with the Intel Architecture Business Group as the only remaining reportable segment. Information for prior periods has been restated.

The Intel Architecture Business Group now includes microprocessors, motherboards and other related board-level products, chipsets, and graphics chips.

RESULTS OF OPERATIONS – SECOND QUARTER OF 1999 COMPARED TO SECOND QUARTER OF 1998

Intel's net revenues for Q2 1999 increased by 14% compared to Q2 1998. Net revenues for the Intel Architecture Business Group operating segment increased 6% in Q2 1999 compared to Q2 1998. The increase was primarily due to higher unit volumes of microprocessors partially offset by lower prices. Within the "all other" category for operating segment reporting, revenues from sales of networking products, embedded products, and flash memory grew between these periods. In addition, the change in deferred income on shipments to distributors, which is not allocated to operating segments, had a positive impact on revenues in the "all other" category for Q2 1999 compared to Q2 1998.

The change in the reserve for deferred income on shipments to the distributors reflects the difference between shipments to the distributors and sales made by the distributors.

Sales of microprocessors and related board-level products based on the P6 microarchitecture, which are included in the Intel Architecture Business Group’s operations, comprised a majority of Intel's consolidated net revenues and a substantial majority of gross margin in Q2 1999 and Q2 1998. Sales of Pentium-Registered Trademark-family microprocessors were not significant in Q2 1999, but represented a significant although declining portion of Intel’s net revenues and gross margins in Q2 1998.

Cost of sales decreased by 8% in Q2 1999 compared to Q2 1998 primarily due to lower unit costs for microprocessors in Q2 1999 partially offset by higher unit sales volumes. In addition, cost of sales in Q2 1998 included unusually high inventory write-downs. The lower unit costs in Q2 1999 were achieved primarily through redesigned microprocessor products with lower-cost packaging, including packaging using fewer purchased components, as well as factory efficiencies and lower purchase prices on the purchased components. The gross margin percentage increased to 59% in Q2 1999, up from 49% in Q2 1998. The improvement in gross margin was primarily a result of lower unit costs in the Intel Architecture Business Group operating segment in Q2 1999, as well as the absence of the unusually high inventory write-downs recognized in Q2 1998, partially offset by the impact of lower prices in Q2 1999. See "Outlook" for a discussion of gross margin expectations.

Research and development spending increased $108 million, or 17%, in Q2 1999 compared to Q2 1998, primarily due to increased spending on product development programs. Marketing, general and administrative expenses increased $253 million, or 38%, in Q2 1999 compared to Q2 1998, primarily due to the Intel Inside-Registered Trademark-cooperative advertising program, merchandising spending relating to new product launches and profit-dependent bonus expenses. Operating expenses were 24.5% of net revenues in Q2 1999 and 21.8% of net revenues in Q2 1998.

Interest and other income increased to $301 million in Q2 1999 compared to $152 million in Q2 1998, primarily due to higher gains on sales of equity investments.

The Company’s effective income tax rate was 33% in Q2 1999 and Q2 1998.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS – FIRST HALF OF 1999 COMPARED TO FIRST HALF OF 1998

Intel's net revenues for the first half of 1999 increased by 16% compared to the first half of 1998. Net revenues for the Intel Architecture Business Group operating segment increased 13% in the first half of 1999 compared to the first half of 1998. The increase was primarily due to higher unit volumes...
of microprocessors and a shift in mix toward processors based on the P6 microarchitecture, including the Intel-Registered Trademark- Celeron-TM- and Pentium-Registered Trademark- III processors. Within the "all other" category for operating segment reporting, revenues from sales of networking products and flash memory grew between these periods. In addition, the change in deferred income on shipments to distributors, which is not allocated to operating segments, had a positive impact on revenues in the "all other" category for the first half of 1999 compared to the first half of 1998.

Sales of microprocessors and related board-level products based on the P6 microarchitecture, which are included in the Intel Architecture Business Group's operations, comprised a majority of Intel's consolidated net revenues and a substantial majority of gross margin in the first half of 1999. For the first half of 1998 these sales comprised a majority of Intel's consolidated net revenues and gross margin. Sales of Pentium family microprocessors were not significant in the first half of 1999, but represented a significant although declining portion of Intel's net revenues and gross margins in the first half of 1998.

Cost of sales were essentially flat between the first half of 1999 and the first half of 1998. In the Intel Architecture Business Group operating segment, lower unit costs for microprocessors in the first half of 1999, and the absence of the unusually high inventory write-downs recognized in the first half of 1998, were offset by higher unit sales volumes in the first half of 1999. Gross margin increased to 59% in the first half of 1999 from 52% in the first half of 1998 primarily due to the lower unit costs in the Intel Architecture Business Group operating segment and the absence of the higher inventory write-downs recognized in the first half of 1998. See "Outlook" for a discussion of gross margin expectations.

Total spending on research and development was essentially flat between the first half of 1999 and the first half of 1998. Increases in spending on product development programs in the first half of 1999 were offset by the absence of the charge of $265 million for in-process research and development related to the acquisition of Chips and Technologies, Inc. taken in the first half of 1998. Marketing, general and administrative expenses increased $433 million, or 31%, in the first half of 1999 compared to the first half of 1998, primarily due to the Intel Inside cooperative advertising program, merchandising spending relating to new product launches and profit-dependent bonus expenses. Operating expenses were 23.2% of net revenues in first half of 1999 and 21.8% of net revenues in first half of 1998, excluding the effect of the in-process research and development charge.

Interest and other income for the first half of 1999 increased by $298 million over the prior year primarily due to higher gains on sales of equity investments in the first half of 1999 compared to the first half of 1998.

The Company's effective income tax rate was 33% in the first half of 1999 and the first half of 1998, excluding the impact of the nondeductible charge related to the acquisition of Chips and Technologies, Inc. in the first half of 1998.

FINANCIAL CONDITION


The major source of cash during the first half of 1999 was cash provided by operating activities of $4.2 billion. Major uses of cash during the period included $2.8 billion to repurchase 46 million shares of common stock, capital spending of $1.4 billion for property, plant and equipment, primarily for microprocessor manufacturing capacity, and $132 million in net cash paid for the acquisition of Shiva Corporation. See "Outlook" for a discussion of capital expenditure expectations in 1999.
and Level One's convertible debt is converted prior to the merger. The completion of this transaction is subject to a vote of Level One stockholders scheduled for August 9, 1999, and other conditions customary in a transaction of this type.

In June of 1999, the Company announced that it had entered into a definitive agreement to acquire Dialogic Corporation ("Dialogic"), for $44 per share in a cash tender offer and on July 12, the Company completed this transaction. The net cash purchase price was approximately $670 million.

Subsequent to the end of the second quarter, the Company acquired privately held Softcom Microsystems, Inc. ("Softcom") in a cash transaction. The total purchase price was approximately $150 million.

The Company believes that it has the financial resources needed to meet business requirements for the next twelve months, including potential future acquisitions or strategic investments, capital expenditures for the expansion or upgrading of worldwide manufacturing capacity, working capital requirements and the dividend program.

OUTLOOK

This 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 had not closed as of the end of the second quarter of 1999, except where the impact of acquisitions is specifically identified.

The Company expects revenue for the third quarter of 1999 to be up slightly from second quarter revenue of $6.7 billion and the Company expects a strong second half for 1999. Revenue is partly a function of the mix of microprocessor types and speeds, motherboards and purchased components, and other semiconductor products sold, 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 net revenues. Revenue is also subject to the impact of economic conditions in various geographic regions.

Intel's goal is to be the building block supplier to the Internet economy. Intel plans to grow its networking business and to cultivate new services businesses around the Internet. Intel also plans to continue to work with the computing industry to expand Internet capabilities and product offerings and develop compelling software applications that can take advantage of higher performance microprocessors, thus driving demand toward Intel's newer products in each computing market segment.

Intel's microprocessor strategy is to introduce ever-higher performance microprocessors tailored for the different segments of the worldwide computing market, using a tiered branding approach. In line with this strategy, in the second quarter of 1999 the Company introduced the Pentium III processor at 550 MHz, for the performance desktop and entry-level servers and workstations, and the Celeron processor at 466 MHz for entry-level PC buyers interested in a value PC, as well as a new mobile Pentium-Registered Trademark- II processor at 400 MHz. The Company may continue to take various steps, including reducing microprocessor prices at such times as it deems appropriate, in order to increase acceptance of its latest technology and to remain competitive within each relevant market segment.

The Company expects the gross margin percentage in the third quarter to be up slightly from 59% in the second quarter. Intel's gross margin expectation for the full year 1999 is now 60%, plus or minus a few points, up from prior guidance of 57%, plus or minus a few points. This change in guidance reflects the positive impact of the Company's ongoing focus on cost improvements and manufacturing efficiencies. Intel's gross margin percentage in any period varies depending on the mix of types and speeds of processors sold as well as the mix of microprocessors and related motherboards and purchased components. The Company has been developing new packaging formats that use fewer purchased components than the original Single Edge Contact cartridge that was introduced with the Pentium II processor. These new packaging formats have reduced costs on certain microprocessor products and they are expected to continue to have a positive impact on costs as the transition continues. Intel also expects to see the benefits of continued productivity improvements on its existing manufacturing processes during 1999. Various other factors (including unit volumes, yield issues associated with production at factories, ramp of new technologies, the reusability of factory equipment, 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 semiconductor manufacturing and assembly and test 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 that capital spending will decrease to approximately $3 billion in 1999, primarily as a result of reduced investment for new facilities and improved utilization of equipment. This spending plan is dependent upon expectations regarding production efficiencies and delivery times of various machinery and equipment. Depreciation and amortization is expected to be approximately $3.3 billion for 1999. Depreciation and amortization for the third quarter of 1999 is expected to be approximately $810 million.

Spending on research and development and marketing, general and administrative expenses in the third quarter is expected to be approximately four to six percent higher than second quarter expenses of $1.7 billion. Expense projections for the third quarter incorporate expected higher spending associated with research and development projects.

The Company expects interest and other income to be approximately $275 million in the third quarter depending on cash balances, interest rates, the Company's ability to realize expected gains on investments and assuming no unanticipated items.

The Company currently expects the tax rate to be 33% for 1999. This estimate is based on current tax law and the current estimate of earnings, and is subject to change.

The Company expects the Level One acquisition to close in the third quarter, following the Level One stockholders' meeting on August 9. Intel is currently gathering the data necessary for determining the value of identifiable intangible assets, including in-process research and development. Based on a preliminary analysis, in the third quarter the Company expects to incur a charge of between $110 million and $330 million for in-process research and development. In addition, the amount of goodwill and other intangible assets to be amortized is expected to be between $1.8 billion and $2.0 billion, with an estimated average useful life of five years.

Subsequent to the end of the second quarter, the acquisitions of Dialogic and Softcom closed. The Company is early in the process of valuing the identifiable intangible assets for these transactions and cannot yet provide estimates for the values of in-process research and development, goodwill and other intangible assets.

Like many other companies, Intel is subject to risks from the year 2000 computer programming issue. 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. Two other related issues 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.

Intel established a comprehensive program with dedicated program management and executive-level sponsorship to deal with year 2000 issues. The Company addressed its most essential internal systems first and categorized as "critical" or "priority" those systems whose failure would cause an extended shutdown of all or part of a factory, could cause personal injury or would have a sustained and significant detrimental financial impact. The Company's semiconductor manufacturing and assembly and test ("manufacturing") equipment and systems are highly automated, incorporating PCs, embedded processors and related software to control scheduling, inventory tracking, statistical analysis and automated manufacturing. A significant portion of the Company's year 2000 efforts on internal systems has been intended to prevent disruption to manufacturing operations. Intel has also been working with customers and suppliers to test systems that interface with the Company's internal systems. These activities have encompassed all major categories of systems in use by the Company, including network and communications infrastructure, manufacturing, facilities management, sales, finance and human resources.

At the end of the second quarter of 1999, all of the Company's critical and priority manufacturing and non-manufacturing systems were determined to be already year 2000 capable, or necessary remediation (replacements, changes, upgrades or workarounds) had been determined and unit testing and deployment had been completed. The Company continues to work on internal systems that were not categorized as critical or priority, and expects to have work on these systems substantially completed by the end of the third quarter.
The Company began a comprehensive program of integrated testing of internal systems in the third quarter of 1998. Integrated systems testing was substantially complete at the end of the second quarter of 1999; however, testing will continue through 1999 to ensure continued year 2000 capability as other changes are made to internal systems and as Intel integrates any acquisitions.

Intel has also been 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. The Company has made inquiries of its major suppliers and 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 accordance 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.

The Company is also developing contingency plans to address possible changes in customer order patterns due to year 2000 issues. As with Intel's suppliers, the readiness of customers, and their suppliers, to deal with year 2000 issues may affect their operations and their ability to order and pay for products. Intel has surveyed its major direct customers about their year 2000 readiness in critical areas of their operations. The results identified certain key areas to be addressed by the customers, primarily related to supplier readiness, including external infrastructure providers, and contingency planning. Intel has also been communicating information about its own readiness to customers and has conducted seminars for customers to help communicate the methodologies and processes used in Intel's year 2000 programs. Communications with customers for the remainder of 1999 will be primarily aimed at focusing customer attention on contingency planning.

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. Because the Company has less control over assessing and remediating the year 2000 problems of third parties, the Company believes the risks are greatest with infrastructure (e.g., electricity supply and water and sewer service), telecommunications, transportation supply channels and critical suppliers of materials and services.

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, for 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. Although most sites have some back-up electrical power, the Company does not generally maintain its own facilities that would generate sufficient electrical or water supply for full operations. To the extent possible, the Company is working with infrastructure suppliers for its manufacturing sites, major subcontractor sites and relevant transportation hubs to seek to better ensure continuity of services. Contingency planning regarding major infrastructure failure generally includes considering increases in inventory levels of specific products above normal reserve stocks and evaluating the need to locate inventory geographically. In addition, multiple plants engage in similar tasks in the Intel system, and 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 situations may include a planned increase in the level of inventory carried. In an industry characterized by rapid technological change, higher levels of raw materials and finished goods inventories would involve increased risk of inventory obsolescence and the potential for write-downs in the value of inventory.

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. Preliminary contingency plans for critical business operations were in place by the end of the second quarter of 1999. In the third quarter it is expected that these plans will be expanded and refined as the Company learns more about the preparations and vulnerabilities of third parties regarding year 2000 issues. Testing, validation and training will take place in the third quarter and into the fourth quarter. 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, or a combination of scenarios, were to occur.

The Company also has a program to assess the capability of its products to handle the year 2000 date. To assist customers in evaluating their year 2000 issues, the Company has developed a web-enabled database that indicates the capability of Intel's current products, and certain products no longer being produced, to handle the year 2000 date. 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 date data with it. The database is located on the Company's year 2000 support Web site and is periodically updated as new products are added to the Company's inventory.

All Intel processors are "Year 2000 Capable." All Intel micro-controllers (embedded processors) are also "Year 2000 Capable," with the exception of two custom microcontroller products sold to a limited number of customers. However, the assessment of whether a complete system will operate correctly depends on 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

OUTLOOK (CONTINUED)

As described more fully at the support Web site, 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 or otherwise 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.

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 Year 2000 Information and Readiness Disclosure Act. This 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. It 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.

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 be approximately $105 million. This is lower than the previous estimate of $175 million due to new lower estimates for the cost of contingency planning efforts as some uncertainties and perceived risks have been resolved favorably. In addition, actual costs of internal systems remediation continued to be less than originally expected, as workarounds were found and the Company was able to obtain upgrades from suppliers. Approximately $75 million has been spent to date, of which approximately $33 million was incurred in the first half of 1999. A majority of the costs incurred to date have been included in cost of sales and in the calculation of gross margin. The costs remaining to be spent are expected to be incurred for contingency planning, remediation of internal systems not categorized as critical or priority, continued testing, customer service, supplier monitoring and program office management. Spending is expected to continue, at a declining rate, into the year 2000. Year 2000 costs for manufacturing and non-manufacturing internal systems are expected to be less than 10% of the total information technology budget for 1999.

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 as a result of an infrastructure or supplier failure. 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 party would not have a material adverse effect on the Company's financial condition 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, gross margin, costs and continued productivity improvements, capital spending, depreciation and amortization, research and development expenses, marketing and general and administrative expenses, net interest and other, the tax rate, the year 2000 issue and pending 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 end user demand due to usage of the Internet; changes in customer order patterns, including changes in customer and channel inventory levels and changes due to year 2000 issues; competitive factors such as rival chip architectures and manufacturing technologies, competing software-compatible microprocessors and acceptance of new products in specific market segments; timing of introduction and production ramp of platform components; pricing pressures; continued success in technological advances, including development and implementation of new processes and strategic products for specific market segments; development and timing of the introduction of compelling software applications; execution of the manufacturing ramp, including the transitions to the Pentium III processor and to the 0.18-micron process technology; effects of excess or shortage of manufacturing capacity; the ability to grow new businesses and successfully integrate and operate any acquired businesses; unanticipated costs or other adverse effects associated with processors and other products containing errata (deviations from published specifications); impact on the Company's business due to internal systems or systems of suppliers, infrastructure providers and other third parties adversely affected by year 2000 problems; claims due to year 2000 issues allegedly related to the Company's products or year 2000 remediation efforts; and litigation involving anti-trust, 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 net revenues, costs, margins and profits are all influenced by a number of factors, including those 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 26, 1998 and to the subheading “Financial Market Risks” under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 32 of the Registrant's 1998 Annual Report to Stockholders.
The Company is exposed to equity price risk on the marketable portion of equity securities included in its portfolio of investments entered into for the promotion of business and strategic objectives. The Company typically does not attempt to reduce or eliminate its market exposure on these equity securities. These investments are generally in companies in the high-technology industry, and a substantial majority of the market value of the portfolio is in three sectors: Internet, semiconductor and networking. As of June 26, 1999, five equity positions constituted approximately 59% of the market value of the portfolio, of which approximately $620 million, or 24% of the market value of the portfolio, consisted of an investment in Micron Technology, Inc.

The Company analyzed the historical movements over the past several years of high-technology stock indices that the Company considered appropriate. Based on this analysis, the Company estimated that it was reasonably possible that the prices of the stocks in the Company's portfolio could experience a 30% adverse change in the near term. Assuming a 30% adverse change, the Company's available-for-sale securities would decrease in value by approximately $800 million, based on the value of the Company's portfolio as of June 26, 1999. The portfolio's concentrations in specific companies or sectors may vary over time and may be different from the compositions of the indices analyzed, and these factors may affect the portfolio's price volatility. This estimate is not necessarily indicative of future performance and actual results may differ materially.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Intergraph Corporation v. Intel
U.S. DISTRICT COURT, NORTHERN DISTRICT OF ALABAMA, NORTHEASTERN DIVISION
(CV-97-N-3023-NE)

In November 1997, Intergraph Corporation ("Intergraph") filed suit in Federal District Court in Alabama generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights. The suit alleges that Intel infringes five Intergraph microprocessor-related patents and includes alleged violations of antitrust laws and various state law claims. The suit seeks injunctive relief and unspecified damages, and further alleges that Intel's infringement is willful and that any damages awarded should be trebled. 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 claims that the 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. Intel has also counterclaimed that the Intergraph patents are invalid, and alleges infringement of seven Intel patents, breach of contract and misappropriation of trade secrets. In April 1998, the Court ordered Intel to continue to deal with Intergraph on the same terms as it treats allegedly similarly situated customers with respect to confidential information and product supply. Intel's appeal of this order was heard in December 1998. In June 1998, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In June 1999, the Court granted Intergraph's motion for summary judgement that the patents asserted by Intergraph are not licensed to Intel. Intel filed a motion for reconsideration and an alternative request to certify the decision for appeal. Although litigation is subject to inherent uncertainties and the ultimate outcome of this lawsuit cannot be determined at this time, management, including internal counsel, does not believe that the ultimate outcome will have a material adverse effect on Intel's financial position or overall trends in results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At Intel Corporation's Annual Meeting of Stockholders held on May 19, 1999, the following proposals were adopted by the margins indicated.

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1. To elect a Board of Directors to hold office until the next Annual Meeting of Stockholders or until their respective successors have been elected or appointed.
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 reverted to 11 following the 1999 Annual Meeting of Stockholders held on May 19, 1999. The amended and restated Bylaws are attached hereto as Exhibit 3.1.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

2,849,438,598  3,180,130  7,448,994  4

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) Reports on Form 8-K


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: August 2, 1999

By: /s/ Andy D. Bryant

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Andy D. Bryant
Senior 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.

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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 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
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 eleven (11). 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.

7.

(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 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.

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SECTION 9. COMMITTEES.

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

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

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

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

SECTION 10. EMERITUS DIRECTOR. The Board of Directors may, from time
to time, elect one or more Emeritus Directors, each of whom shall serve, at
the pleasure of the Board, until the first meeting of the Board next
following the Annual Meeting of Stockholders and for a maximum period of 3
years, subject to an annual review, or until earlier resignation or removal
by the Board (except that founders of the company may remain as Emeritus
Directors, subject to the annual review, or until earlier resignation or
removal by the Board). Emeritus Directors shall serve as advisors and
consultants to the Board of Directors and may be appointed by the Board to
serve as advisors and consultants to committees of the Board. Emeritus
Directors may be invited to attend meetings of the Board or any committee of
the Board for which they have been appointed to serve as advisors and
consultants and, if present, may participate in the discussions occurring
during such meetings. Emeritus Directors shall not be permitted to vote on
matters brought before the Board or any committee thereof and shall not be
counted for the purpose of determining whether a quorum of the Board or the
committee is present. Emeritus Directors shall receive no fee for their
services as Emeritus Directors. Emeritus Directors will not be entitled to
receive reimbursement for expenses of meeting attendance, except as approved
by the Chairman of the Board. Emeritus Directors may be removed at any time
by the Board of Directors.

ARTICLE IV

OFFICERS

SECTION 1. OFFICERS DESIGNATED. The officers of the corporation shall
be a Chairman of the Board of Directors who shall be a member of the Board of
Directors, a President, one or more Vice Presidents, a Secretary, and a
Treasurer. The order of the seniority of the Vice Presidents shall be in the
order of their nomination, unless otherwise determined by the Board of
Directors. The Board of Directors or the

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

SECTION 2. TENURE AND DUTIES OF OFFICERS.

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

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

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

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

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

(f) DUTIES OF CHIEF FINANCIAL OFFICER AND TREASURER: The Chief Financial Officer and Treasurer shall control, audit and arrange the financial affairs of the corporation. He or she shall receive and deposit all monies belonging to the corporation and shall pay out the same only in such manner as the Board of Directors may from time to time determine, and he or she shall perform such other further duties as the Board of Directors may require. It shall be the duty of the assistant treasurers to assist the Treasurer in the performance of the Treasurer's duties and generally to perform such other duties as may be delegated to them by the Board of Directors.

ARTICLE V
EXECUTION OF CORPORATE INSTRUMENTS, AND VOTING OF SECURITIES OWNED BY THE CORPORATION

SECTION 1. EXECUTION OF CORPORATE INSTRUMENTS.

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

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

(c) All checks and drafts drawn on banks or other 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

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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 books 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
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.

20.
**Exhibit 12.1**

**INTEL CORPORATION**

**STATEMENT SETTING FORTH THE COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES**

(in millions)

<table>
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<th>Six Months Ended</th>
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<tr>
<td></td>
<td>1999</td>
<td>1998</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>$ 5,594</td>
<td>$ 3,731</td>
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<tr>
<td>Add fixed charges net of capitalized interest</td>
<td>32</td>
<td>23</td>
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<tr>
<td>Income before taxes and fixed charges (net of capitalized interest)</td>
<td>$ 5,626</td>
<td>$ 3,754</td>
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**Fixed charges:**

<p>| | | |</p>
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<th></th>
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<tr>
<td>Interest</td>
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<td>$ 15</td>
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<tr>
<td>Capitalized interest</td>
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<td>4</td>
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<tr>
<td>Estimated interest component of rental expense</td>
<td>12</td>
<td>8</td>
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<tr>
<td>Total</td>
<td>$ 35</td>
<td>$ 27</td>
</tr>
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**Ratio of earnings before taxes and fixed charges, to fixed charges** | 161  | 139  |
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.

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<thead>
<tr>
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<tr>
<td>FISCAL-YEAR-END</td>
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<td>CGS</td>
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<td>TOTAL-COSTS</td>
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<td>OTHER-EXPENSES</td>
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<td>EPS-DILUTED</td>
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<sup>F1</sup> Item consists of research and development.
<sup>F2</sup> Item shown net of allowance, consistent with the balance sheet presentation.

</TABLE>