
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File Number 000-06217

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-1672743

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

2200 Mission College Boulevard, Santa Clara, California

(Address of principal executive offices)

95054-1549

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of July 1, 2005, based upon the closing price of the common stock as reported by The NASDAQ* National Market on such date, was approximately

\$154.9 billion

5,883 million shares of common stock outstanding as of January 27, 2006

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's Proxy Statement relating to its 2006 Annual Stockholders' Meeting, to be filed subsequently— Part I and Part III.

INTEL CORPORATION
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

INDEX

	<u>Page</u>
<u>PART I</u>	
<u>Item 1.</u>	<u>Business</u> 1
<u>Item 1A.</u>	<u>Risk Factors</u> 18
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u> 23
<u>Item 2.</u>	<u>Properties</u> 23
<u>Item 3.</u>	<u>Legal Proceedings</u> 23
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u> 25
<u>PART II</u>	
<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> 25
<u>Item 6.</u>	<u>Selected Financial Data</u> 26
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 27
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 46
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u> 48
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> 84
<u>Item 9A.</u>	<u>Controls and Procedures</u> 84
<u>Item 9B.</u>	<u>Other Information</u> 85
<u>PART III</u>	
<u>Item 10.</u>	<u>Directors and Executive Officers of the Registrant</u> 86
<u>Item 11.</u>	<u>Executive Compensation</u> 86
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> 86
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions</u> 86
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u> 86
<u>PART IV</u>	
<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u> 87

PART I

ITEM 1. BUSINESS

Industry

We are the world's largest semiconductor chip maker, developing advanced integrated digital technology platforms for the computing and communications industries. Our goal is to be the preeminent provider of silicon chips and platform solutions to the worldwide digital economy. We offer products at various levels of integration, allowing our customers flexibility to create advanced computing and communications systems and products.

Intel's products include chips, boards and other semiconductor components that are the building blocks integral to computers, servers, and networking and communications products. Our component-level products consist of integrated circuits used to process information. Our integrated circuits are silicon chips, known as semiconductors, etched with interconnected electronic switches.

We were incorporated in California in 1968 and reincorporated in Delaware in 1989. Our Internet address is www.intel.com. On this web site, we publish voluntary reports, which are updated annually, outlining our performance with respect to corporate responsibility, including environmental, health and safety compliance (these voluntary reports are not incorporated by reference into this Form 10-K). On our Investor Relations web site, located at www.intc.com, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC): our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statement on Form 14A related to our annual stockholders' meeting and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are available on our Investor Relations web site free of charge. The content on any web site referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

Products

Our products include microprocessors; chipsets; motherboards; flash memory; wired and wireless connectivity products; communications infrastructure components, including network processors; application and cellular baseband processors; and products for networked storage.

Our customers include:

- original equipment manufacturers (OEMs) and original design manufacturers (ODMs) who make computer systems, cellular handsets and handheld computing devices, and telecommunications and networking communications equipment;
- PC and network communications products users (including individuals, large and small businesses, and service providers) who buy PC components and board-level products, as well as our networking and communications products, through distributor, reseller, retail and OEM channels throughout the world; and
- other manufacturers, including makers of a wide range of industrial and communications equipment.

We believe that the end users of computing and communications systems and devices want products based on platform solutions. We define a platform as a collection of technologies that are designed to work together to provide a better end-user solution than if the ingredients were used separately. Our platforms consist of standards and initiatives such as WiFi and WiMAX; hardware and software that may include technologies such as Hyper-Threading Technology (HT Technology), Intel® Virtualization Technology and Intel® Active Management Technology (Intel® AMT); and services. In developing our platforms, we may include ingredients sold by other companies. We also believe that users of computing and communications systems and devices want improved overall performance and/or improved performance per watt. Improved overall performance can include faster processing performance and/or other improved capabilities such as multithreading and/or multitasking, connectivity, security, manageability, reliability, ease of use and/or interoperability among devices. Improved performance per watt involves balancing the addition of these types of improved performance capabilities in relation to the power consumption of the platform. Lower power consumption may reduce system heat output, provide power savings and reduce the total cost of ownership for the end user.

[Table of Contents](#)

A *microprocessor* is the central processing unit (CPU) of a computer system. It processes system data and controls other devices in the system, acting as the “brains” of the computer. One indicator of a microprocessor’s performance is its clock speed, the rate at which its internal logic operates, which is measured in units of hertz, or cycles processed per second. One megahertz (MHz) equals one million cycles processed per second, and one gigahertz (GHz) equals one billion cycles processed per second. As computers continue to support more usage models, other factors are increasingly important to overall platform performance. For example, microprocessors have historically contained only one processor core. Recently, we have started offering dual-core microprocessors, such as the Intel® Core™ Duo processor and the Intel Pentium® D processor, which contain two processor cores and deliver more capabilities in the form of higher system throughput and simultaneous management of activities while balancing power requirements. Other examples of factors that are increasingly important to overall platform performance include the amount and type of memory storage, the speed of memory access, the microarchitecture design of the CPU and the speed of communication between the CPU and the chipset. A faster bus, for example, allows for faster data transfer into and out of the processor, enabling increased performance. A bus carries data between parts of the system. A common way to categorize microprocessor design architectures is by the number of bits (the smallest unit of information on a machine) that the processor can handle at one time. Microprocessors currently are designed to process 32 bits or 64 bits of information at one time. Microprocessors with 64-bit processing capability can address significantly more memory than 32-bit microprocessors. The Intel® Core™, Intel® Pentium®, Intel® Celeron® and Intel® Xeon® branded products are based on our 32-bit architecture (IA-32), while Intel® Itanium® branded products are based on our 64-bit architecture. Another way to provide 64-bit processing capability is for processors based on 32-bit architecture to have 64-bit address extensions. Recent product introductions from our Pentium, Celeron and Intel Xeon product families are typically equipped with Intel® Extended Memory 64 Technology (Intel® EM64T), which provides 64-bit address extensions, supporting both 32-bit and 64-bit software applications. The memory storage on a chip is measured in bytes (8 bits), with 1,024 bytes equaling a kilobyte (KB), 1.049 million bytes equaling a megabyte (MB) and 1.074 billion bytes equaling a gigabyte (GB). Cache is a memory that can be located directly on the microprocessor, permitting quicker access to frequently used data and instructions. Some of our microprocessors have additional levels of cache, second-level (L2) cache and third-level (L3) cache, to offer higher levels of performance.

Other microprocessor capabilities can also enhance system performance or user experience by running software more efficiently. For example, we offer microprocessors with Intel’s HT Technology, which allows each processor core to process two threads of instructions simultaneously. This capability can provide benefits in one of two ways: it helps to run “multithreaded” software, which is designed to execute different parts of a program simultaneously, or it helps to run multiple software programs simultaneously in a multitasking environment. Other technologies include Intel AMT, which allows information technology managers to diagnose, fix and protect enabled systems that are plugged in and connected to a network, even if a computer is turned off or has a failed hard drive or operating system; and Intel Virtualization Technology, which enables increased utilization of servers and establishes a management partition that provides increased security and management capabilities. To take advantage of these technologies, a computer system must have a microprocessor that supports the technology, a chipset and BIOS (basic input/output system) that use the technology, and software that is optimized for the technology. Performance also will vary depending on the system hardware and software used.

Our microprocessor sales generally have followed a seasonal trend; however, there can be no assurance that this trend will continue. Historically, our sales of microprocessors have been higher in the second half of the year than in the first half of the year. Consumer purchases of PCs have been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, technology purchases from businesses have tended to be higher in the second half of the year.

The *chipset* operates as the PC’s “nervous system,” sending data between the microprocessor and input, display and storage devices, such as the keyboard, mouse, monitor, hard drive, and CD or DVD drive. Chipsets perform essential logic functions, such as balancing the performance of the system and removing bottlenecks. Chipsets also extend the graphics, audio, video and other capabilities of many systems based on our microprocessors. Finally, chipsets control the access between the CPU and main memory. We offer chipsets compatible with a variety of industry-accepted bus specifications, such as the Accelerated Graphics Port (AGP) specification, the Peripheral Components Interconnect (PCI) local bus specification and the PCI Express* local bus specification. PCI Express significantly increases the data transfer rate of the original PCI specification, thereby improving the graphics and input/output bandwidth and enabling an improved multimedia experience. Our customers also want memory architecture alternatives, and as a result, we offer chipsets supporting Double Data Rate (DDR) and DDR2 (second-generation, faster DDR memory), Dynamic Random Access Memory (DRAM) and Synchronous DRAM (SDRAM).

A *motherboard* is the principal board within a system. A motherboard has connectors for attaching devices to the bus, and typically contains the CPU, memory and the chipset. We offer motherboard products designed for our microprocessors and chipsets, thereby providing a more complete range of solutions for our customers looking for Intel® architecture-based solutions. Board-level products give our OEM customers flexibility by enabling them to buy at the board level rather than only at the component level.

Table of Contents

Flash memory is a specialized type of memory component used to store user data and program code; it retains this information even when the power is off and provides faster access to data than traditional hard drives. Flash memory has no moving parts, unlike data that is stored on devices such as rapidly spinning hard drives, allowing flash memory to be more tolerant of bumps and shocks. A common measure of flash performance is the density of the product. Density refers to the amount of information the product is capable of storing. Flash memory is based on either NOR or NAND architectures. NOR flash memory, with its fast “read” capabilities, has traditionally been used to store executable code. We offer NOR flash memory products for advanced mobile phone designs. Our NOR flash memory is also used in the embedded market segment and is found in various applications, including set-top boxes, networking products and other devices including DVD players and DSL and cable modems. NAND flash memory is slower in reading data but faster in writing data, and has traditionally been used in products that either required large storage capacity or fast write applications, such as digital audio players (including MP3 players), as well as memory cards and digital cameras. We began selling NAND flash memory products in February 2006. Our NAND flash memory products are manufactured by IM Flash Technologies, LLC (IMFT), a company we formed with Micron Technology, Inc. in January 2006. For further discussion of our equity investment in IMFT, see “Note 16: Venture” in Part II, Item 8 of this Form 10-K.

We offer *wired and wireless connectivity products* based on Ethernet, an industry-standard technology used to translate and transmit data in packets across networks. We offer products for the traditional local area network (LAN) environment, as well as for the wireless LAN (WLAN), metropolitan area network (MAN) and networked storage market segments. For the LAN and MAN market segments, we offer products at multiple levels of integration to provide a low-cost solution with increased speed and signal transmission distance (commonly referred to as “reach”). Gigabit Ethernet networks allow the transmission of one billion individual bits of information per second, and 10-Gigabit Ethernet networks transmit 10 billion bits of information per second. By contrast, Fast Ethernet networks transmit 100 million bits of information per second (Mbps, or megabits per second). Our wireless connectivity products are based on either the 802.11 or 802.16 industry standard. The 802.11 communication standard refers to a family of specifications commonly known as WiFi technology. These specifications describe the bandwidth and frequency of the over-the-air interface between a wireless client and a base station, or between two wireless clients. 802.11a, 802.11b and 802.11g are three different 802.11 specifications. Compared to products based on 802.11b, products based on 802.11a and 802.11g support a faster exchange of data. Products based on 802.11g also have a longer range than those based on 802.11a and allow for improved compatibility with certain networks. We also have developed and are developing wireless connectivity solutions for networks based on the 802.16 industry standard, commonly known as WiMAX, which is short for Worldwide Interoperability for Microwave Access. WiMAX is a standards-based wireless technology providing high-speed, last-mile broadband connectivity that makes it possible to wirelessly connect networks up to several miles apart. The current versions of our WiMAX products are used in high-speed, fixed wireless broadband networks.

Communications infrastructure products include products such as network processors and optical components. In network processing, we deliver products that are basic building blocks for modular communications platforms. These products include advanced, programmable processors used in networking equipment to rapidly manage and direct data moving across the Internet and corporate networks. We also offer embedded processors that can be used for modular communications platform applications, industrial equipment, point-of-sale systems, panel PCs and automotive information/entertainment systems, gaming and entertainment systems, and medical equipment.

Unlike proprietary system platforms, modular communications platforms are standards-based solutions that offer network infrastructure builders flexible, low-cost, faster time-to-market options for designing their networks. Our network processor products are based on the Intel® Internet Exchange Architecture (Intel® IXA). At the core of Intel IXA is the Intel XScale® microarchitecture, which offers low power consumption and high-performance processing for a wide range of Internet devices.

Our *application processors* are also based on Intel XScale technology, providing the processing capability in data-enabled mobile phones, PDAs and portable consumer electronics equipment.

We offer *cellular baseband processors* that are also based on Intel XScale technology and are designed for multi-mode, multi-band wireless handheld devices such as handsets, PDAs and smartphones. These processors support multiple wireless standards and deliver enhanced voice quality, high-integration capability and optimized power consumption. Currently, these processors include a low-power processor, baseband chipset, integrated on-chip flash memory, Static Random Access Memory (SRAM) and a digital signal processor.

We offer *networked storage* products that allow storage resources to be added in either of the two most prevalent types of storage networks: Ethernet or Fibre Channel.

Our operating segments are: the Digital Enterprise Group, the Mobility Group, the Flash Memory Group, the Digital Home Group, the Digital Health Group and the Channel Platforms Group. In 2005, we announced a number of new products and platforms. Each operating segment’s major products and platforms, including some key introductions, are discussed below.

[Table of Contents](#)

Digital Enterprise Group

The Digital Enterprise Group (DEG) designs and delivers computing and communications platforms for businesses and service providers. DEG products are incorporated into desktop computers, the infrastructure for the Internet and enterprise computing servers. DEG's products include microprocessors and related chipsets and motherboards designed for the desktop (including consumer desktop) and enterprise computing market segments, communications infrastructure components such as network processors and embedded microprocessors, wired connectivity devices, and products for network and server storage.

Net revenue for the DEG operating segment made up approximately 65% of our consolidated net revenue in 2005 (72% in 2004 and 77% in 2003). Revenue from sales of microprocessors within the DEG operating segment represented approximately 50% of consolidated net revenue in 2005 (57% in 2004 and 60% in 2003).

Desktop Market Segment

We develop platform solutions based on our microprocessors, chipsets and motherboard products, which are optimized for use in the desktop market segment. Our strategy is to introduce platforms with improved performance per watt, tailored to the needs of different market segments using a tiered branding approach. Our tiered branding approach focuses on both the performance market segment, which includes the Pentium® 4 processor and the Pentium D processor, and the value market segment, which includes the Celeron processor and the Celeron® D processor. In addition, current versions of the Intel Core Duo processor that were originally designed for mobile form factors are available for small desktop form factors. Form factor refers to the physical size and shape of an end product.

In 2005, we launched the Intel Pentium 4 processors 630, 640, 650, 660 and 670 supporting HT Technology, running at speeds ranging from 3.0 to 3.8 GHz. Each of these processors supports 64-bit memory addressability through Intel EM64T, has 2 MB of L2 cache and supports an 800-MHz system bus. We also introduced the Intel® Professional Business Platform based on these processors, the Intel® 945G Express Chipset and an optional Intel® PRO/1000 PM Network Connection. The Intel Professional Business Platform is designed to bring advanced security, management and collaboration technologies to mainstream business PCs and includes Intel AMT.

In May 2005, we introduced a desktop PC platform based on dual-core Pentium D processors 820, 830 and 840, and the Intel® 945P Express Chipset. These Pentium D processors feature speeds ranging from 2.80 to 3.20 GHz, 2 MB of L2 cache (1 MB for each processor core), support for an 800-MHz bus and 64-bit memory addressability through Intel EM64T. This platform supports multitasking for multimedia and digital content, along with support for consumer electronics features such as surround-sound audio, high-definition video and enhanced graphics capabilities.

In June 2005, we introduced several Celeron D processors that support 64-bit memory addressability through Intel EM64T, enabling 64-bit computing capability for the value PC segment. The Celeron D processors 326, 331, 336, 341, 346 and 351 run at speeds ranging from 2.53 to 3.06 GHz, feature 256 KB of L2 cache and support a 533-MHz bus. At the same time, we also launched the Celeron D processor 350, which runs at speeds of up to 3.20 GHz, supports a 533-MHz bus and includes 256 KB of L2 cache, but does not support 64-bit memory addressability.

In November 2005, we announced desktop processors with hardware-enabled support for Intel Virtualization Technology. The Intel Pentium 4 processors 662 and 672 supporting HT Technology run at speeds of up to 3.80 GHz. Both support an 800-MHz bus, and feature 2 MB of L2 cache and support 64-bit memory addressability through Intel EM64T.

In January 2006, we introduced the first desktop processors manufactured using our 65-nanometer process technology. The Intel Pentium 4 processors 631, 641, 651 and 661 supporting HT Technology run at speeds ranging from 3.00 to 3.60 GHz, feature 2MB of L2 cache and support an 800-MHz bus and 64-bit memory addressability through Intel EM64T.

Also in January 2006, we introduced the Intel Core Duo processor, a dual-core processor manufactured using our 65-nanometer process technology. The Intel Core Duo processor supports a 667-MHz bus, has 2 MB of L2 cache and runs at speeds of up to 2.16 GHz.

[Table of Contents](#)

Enterprise Market Segment

We develop platform solutions based on our microprocessors, chipsets and motherboard products that are optimized for use in the enterprise market segment. Our strategy is to provide platform solutions at competitive prices relative to performance as well as to increase end-user value in the areas of power management, security and manageability for entry-level to high-end servers and workstations. Servers are systems, often with multiple microprocessors working together that manage large amounts of data, direct traffic, perform complex transactions, and control central functions in local and wide area networks and on the Internet. Workstations typically offer higher performance than standard desktop PCs, and are used for applications such as engineering design, digital content creation and high-performance computing.

Our Intel Xeon processor family of products supports a wide range of entry-level to high-end technical and commercial computing applications for both the workstation and server market segments. The Intel Xeon processor is designed for two-way servers, also known as dual-processing (DP) servers, and workstations. For servers based on four or more processors, also known as multiprocessing (MP) servers, we offer the Intel Xeon processor MP. Both the Intel Xeon processor DP and Intel Xeon processor MP are available with Intel EM64T and support Hyper-Threading Technology. Our Itanium processor family, which is based on 64-bit architecture and includes the Intel® Itanium® 2 processor, generally supports an even higher level of computing performance for data processing, the handling of high transaction volumes and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions.

In February 2005, we introduced a line of Intel Xeon processors MP with speeds ranging from 3.0 to 3.60 GHz. These processors feature 2 MB of L2 cache and Intel EM64T. In conjunction with the release of these processors, we also introduced the Intel® IOP333 I/O processor based on Intel XScale technology, designed to provide greater storage reliability than previous generations.

In March 2005, we launched a four-processor platform targeted at the mid-tier enterprise market segment. The platform includes four Intel Xeon processors MP with Intel EM64T, and the Intel® E8500 Chipset. The Intel E8500 Chipset is designed for dual-core processor technology, supports DDR2 system memory and has a 667-MHz dual bus. These platforms are available in configurations using five different processors: two of the platform's processors, running at speeds of up to 3.0 and 3.33 GHz, feature 8 MB of L3 cache; a third processor running at speeds of up to 2.83 GHz has 4 MB of L3 cache; and two value processors for the platform, at speeds ranging from 3.16 to 3.66 GHz, feature 1 MB of L2 cache.

In September 2005, we introduced two Intel Xeon processors with 2 MB of L2 cache running at speeds ranging from 2.8 to 3.8 GHz. At the same time, we unveiled lower voltage versions of our Intel Xeon processors, including the Intel Xeon processor Low Voltage running at speeds of up to 3.0 GHz and the Intel Xeon processor MV (mid-voltage) running at speeds of up to 3.20 GHz. All four processors support Hyper-Threading Technology and feature Intel EM64T.

Also in 2005, we announced our first dual-core Intel Xeon processors. The first of these processors, announced in October 2005, is designed for dual-processor servers, supports Hyper-Threading Technology, runs at speeds of up to 2.80 GHz, features 2 MB of L2 cache and has Intel EM64T. In November 2005, we launched the dual-core Intel Xeon processor 7000 series, designed for servers with four or more processors. Processors that are a part of the Intel Xeon processor 7000 series have up to 4 MB of L2 cache (2 MB for each processor core) and feature hardware-enabled support for Intel Virtualization Technology. Intel Xeon processor 7000 series processors run at speeds of up to 3.0 GHz. These processors fit into platforms using the Intel E8500 Chipset.

In July 2005, we launched two Itanium 2 processors that support a 667-MHz bus. These processors run at speeds of up to 1.66 GHz and feature either 9 MB or 6 MB of L3 cache.

Communications Infrastructure Products

In February 2005, we introduced three new processors and a chipset designed for embedded market segments. The Intel® Pentium® M processor 760 runs at speeds of up to 2.0 GHz, supports a 533-MHz bus and includes 2 MB of L2 cache; the Intel® Celeron® M processor 370 runs at speeds of up to 1.5 GHz, supports a 400-MHz bus and includes 1 MB of L2 cache; and the Intel Celeron M processor Ultra Low Voltage 373 runs at speeds of up to 1.0 GHz, supports a 400-MHz bus and includes 512 KB of L2 cache. The chipset introduced was the Mobile Intel® 915GM Express Chipset, which features low-power design and supports up to 2 GB of DDR2 533-MHz system memory.

In February 2006, we introduced three new Intel Core Duo processors supported by the Mobile Intel® 945GM Express Chipset for embedded market segments. These Intel Core Duo processors run at speeds of up to 2.0 GHz, support a 667-MHz bus and include 2 MB of L2 cache.

[Table of Contents](#)

In June 2005, we announced our second generation of Advanced Telecom Computing Architecture* (AdvancedTCA*) products. AdvancedTCA is a series of industry-standard specifications for carrier-grade communications equipment that incorporates advanced high-speed interconnect technologies, processors and improved reliability, manageability and serviceability features. Our AdvancedTCA products include three communications server blades, or telecom boards, and related technologies designed to help manufacturers and service providers more easily develop and build standards-based Internet Protocol Multimedia Subsystem (IMS) equipment and services. The IMS architecture defines a set of industry-standard equipment built on modular communications platforms, such as AdvancedTCA, and allows communications and media services to be managed independently of the network itself, enabling service providers to easily add, remove or scale new services across both fixed and mobile networks.

Networked Storage Products

In October 2005, we introduced the Intel® Storage System SSR212MA, an Intel Xeon processor-based hardware and software storage platform designed to enable small and mid-size businesses to build a storage area network based on IP networking standards.

Mobility Group

The Mobility Group designs and delivers platforms for notebook PCs and handheld computing and communications devices. The Mobility Group's products include microprocessors and related chipsets designed for the notebook market segment, wireless connectivity products, and application and cellular baseband processors used in cellular handsets and handheld computing devices.

Net revenue for the Mobility Group operating segment made up approximately 29% of our consolidated net revenue in 2005 (20% in 2004 and 17% in 2003). Revenue from sales of microprocessors within the Mobility Group represented approximately 22% of consolidated net revenue in 2005 (17% in 2004 and 14% in 2003).

Notebook Market Segment

We develop platform solutions based on our microprocessors, chipsets and wireless connectivity products that are optimized for use in the notebook market segment. Our strategy is to deliver products with optimized performance, battery life, form factor and wireless connectivity— features that are important to users of mobile computers.

We offer mobile computing microprocessors at a variety of price/performance points, allowing our customers to meet the demands of a wide range of notebook PC designs. These notebook designs include transportable notebooks, which provide desktop-like features such as high performance, full-size keyboards, larger screens and multiple drives; thin-and-light models, including those optimized for wireless networking; and ultra-portable designs. Within the ultra-portable design category, we provide specialized low-voltage processors, which consume as little as one watt of power on average, and ultra-low-voltage processors, which consume as little as half a watt of power on average. Low-voltage processors are targeted for the mini-notebook market segment, while ultra-low-voltage processors are targeted for the sub-notebook and tablet market segments of notebook PCs weighing less than three pounds and measuring one inch or less in height. Our mobile computing microprocessors include products such as the Intel® Core™ Solo processor, the Intel Core Duo processor, and the Intel Pentium M processor. We also offer the Mobile Intel® Pentium® 4 processor, and for the value notebook market segment we offer the Mobile Intel® Celeron® M processor and the Mobile Intel® Celeron® processor.

In 2005, the majority of the revenue in the Mobility Group operating segment was from sales of products that make up Intel® Centrino® mobile technology. Intel Centrino mobile technology consists of an Intel Pentium M processor and a mobile chipset as well as a wireless network connection that together are designed and optimized specifically for improved performance, battery life, form factor and wireless connectivity. Intel Centrino mobile technology enables users to take advantage of wireless capabilities at work and at home, with the installation of the appropriate base-station equipment, as well as at thousands of wireless “hotspots” installed around the world. Hotspots provide paid or free wireless network (802.11 WiFi) service in cafes, hotels, restaurants, retail shops, airports, trains and other public meeting areas.

In January 2005, we introduced a new version of the Intel Centrino mobile technology platform. This version of the platform adds more entertainment and business features compared to earlier Intel Centrino mobile technology-based notebook PCs, along with enhanced security support and higher graphics performance. This version of Intel Centrino mobile technology includes a chipset from the Mobile Intel® 915 Express Chipset family, the Intel® PRO/ Wireless 2915ABG or 2200BG Wireless LAN component, and the Intel Pentium M processor with model numbers up to 770. These processors support a 533-MHz bus, have 2 MB of cache, and run at speeds ranging from 1.6 GHz to 2.13 GHz. Also available for this platform are the Intel Pentium M processor Low Voltage 758, which runs at speeds of up to 1.50 GHz, and the Pentium M processor Ultra Low Voltage 753, which runs at speeds of up to 1.20 GHz, both supporting a 400-MHz bus.

[Table of Contents](#)

In January 2006, we launched the Intel® Centrino® Duo mobile technology platform. Intel Centrino Duo mobile technology contains the new dual-core Intel Core Duo processor designed to boost multitasking performance, power-saving features to improve battery life, high-definition entertainment features and a more flexible network connection. Intel Centrino Duo mobile technology also includes the Mobile Intel® 945 Express Chipset and the Intel® PRO/ Wireless 3945ABG Network Connection. The Intel Core Duo processor, which is manufactured using our 65-nanometer process technology, supports a 667-MHz bus, has 2 MB of L2 cache, and runs at speeds of up to 2.16 GHz.

Also in January 2006, we introduced a new version of the Intel Centrino mobile technology platform, based on the new Intel Core Solo processor T1300 that supports a 667-MHz bus, has 2 MB of L2 cache, and runs at speeds of up to 1.66 GHz. The Intel Core Solo is a single-core processor manufactured using our 65-nanometer process technology.

In 2005, we introduced several versions of the Intel Celeron M processor running at speeds of up to 1.6 GHz. We also introduced the Intel Celeron M processor Ultra Low Voltage that runs at speeds of up to 1.0 GHz. All of these versions of the Intel Celeron M processor support a 400-MHz bus, have up to 1 MB of L2 cache and offer power management features designed to lengthen battery life.

Wireless Connectivity Products

In April 2005, we introduced the Intel® PRO/ Wireless 5116 Broadband Interface based on the 802.16 standard for WiMAX. We also offer various wireless connectivity products based on the 802.11 standard for WiFi, such as the Intel PRO/ Wireless 3945ABG Network Connection.

Cellular Baseband Processors

In September 2005, we launched the Intel® PXA 901 cellular baseband processor, an integrated cellular baseband and application processor. It is designed for wireless handset applications and advanced communications, including media applications such as high-quality audio and streaming video. The Intel PXA 901 cellular baseband processor runs at speeds of up to 312 MHz and includes the Intel XScale technology core for applications and the Intel® Micro Signal Architecture for digital signal processing. It also contains Intel® Flash Memory and SRAM memory arrays all on one die.

Flash Memory Group

The Flash Memory Group provides advanced NOR flash memory products designed for cellular phones and embedded form factors such as set-top boxes, networking products, and other devices including DVD players and DSL and cable modems. Beginning in February 2006, the Flash Memory Group's products also include NAND flash memory products. These NAND flash memory products, manufactured by IMFT and sold by Intel, are currently being used in digital audio players. Net revenue for the Flash Memory Group operating segment made up approximately 6% of our consolidated net revenue in 2005 (7% in 2004 and 5% in 2003).

Intel StrataFlash® wireless memory technology, for advanced mobile phone designs, allows two bits of data to be stored in each NOR memory cell for higher storage capacity and lower cost. It is available in the Intel® Stacked Chip Scale Package as well as in Intel ultra-thin stacked chip-scale packaging. This technology allows up to five ultra-thin memory chips to be stacked in one package, delivering greater memory capacity and lower power consumption in a smaller package. With heights as low as 0.8mm, the package allows manufacturers to increase memory density and provide features such as camera capabilities, games and e-mail in relatively thin cell phones. Our higher density flash products generally incorporate stacked SRAM and/or NAND flash, which we currently purchase from third-party vendors.

In February 2005, we began shipping our first NOR flash memory products using our 90-nanometer process technology. These offerings include densities ranging from 32 MB to 128 MB and can be used in next-generation "voice plus data" cellular and wireless applications.

In March 2005, we introduced Intel StrataFlash® Embedded Memory using our 130-nanometer process technology. These offerings include densities ranging from 64 MB to 1 GB, with multiple packaging options, and bring Intel's multi-level-cell flash technology to embedded applications such as consumer electronics and wired communications.

In November 2005, we began shipping our first multi-level-cell Intel StrataFlash memory products using our 90-nanometer process technology. These offerings include densities ranging from 256 MB to 1 GB, with multiple packaging options. The new devices using our 90-nanometer process technology deliver faster performance, higher density and lower power consumption than the previous version, which used our 130-nanometer process technology.

[Table of Contents](#)

In February 2006, we began shipping our first NAND flash memory products in densities of up to 2 GB and stacked NAND flash memory products in densities of up to 8 GB. These products are manufactured by IMFT using either 75-nanometer process technology or 90-nanometer process technology and are used in digital audio players.

Digital Home Group

The Digital Home Group designs and delivers computing- and communications-oriented platforms that meet the demands of consumers as digital content becomes increasingly accessible through a variety of connected digital devices within the home. The Digital Home Group's products include microprocessors and chipsets for home entertainment PCs, and embedded consumer electronics designs such as digital televisions, video recorders and set-top boxes.

In April 2005, we introduced the Intel® 854 Chipset and a development platform for consumer electronics devices. The Intel 854 Chipset is designed to support rich graphical user interfaces and works with the Intel Pentium M, Pentium 4 and Celeron M processors. The development platform is designed to help developers achieve faster time-to-market and enable consumer electronics devices such as IP-based digital set-top boxes and digital media recorders to work well together.

In January 2006, we launched Intel® Viiv™ technology for use in the digital home. PCs based on Intel Viiv technology are designed to make it easier to download, manage and share the growing amount of digital programming available worldwide, and view it on a choice of TVs, PCs or handheld form factors. Intel Viiv technology-based systems are designed to provide easier connectivity and interoperability with consumer electronics devices compared to traditional PCs. Platforms based on Intel Viiv technology include the Intel Pentium D, the Intel® Pentium® Processor Extreme Edition or the Intel Core Duo processor, as well as the Intel® 945, 955 or 975 Express Chipset, a network connectivity device and enabling software, all optimized to work together in the digital home environment.

Digital Health Group

The strategy for the Digital Health Group is to target global business opportunities in healthcare research, diagnostics and productivity, as well as personal healthcare. In support of this strategy, the Digital Health Group is focusing on healthcare information technologies, personal health products and bio-medical products. The Digital Health Group currently does not have any discrete product offerings.

Channel Platforms Group

The strategy for the Channel Platforms Group is to expand on our worldwide presence and success in global markets by accelerating channel growth. In addition, the Channel Platforms Group is developing unique platform solutions designed to meet local market needs in certain geographies. The Channel Platforms Group currently does not have any discrete product offerings.

Manufacturing and Assembly and Test

As of year-end 2005, 77% of our wafer manufacturing, including microprocessor, chipset, NOR flash memory and communications silicon fabrication, was conducted within the U.S. at our facilities in New Mexico, Oregon, Arizona, Massachusetts, Colorado and California. Outside the U.S., nearly 23% of our wafer manufacturing, including wafer fabrication for microprocessors, chipsets, NOR flash memory and networking silicon, was conducted at our facilities in Ireland and Israel.

As of December 2005, we primarily manufactured our products in the wafer fabrication facilities described in the following table:

Products	Wafer Size	Process Technology	Locations
Microprocessors	300mm	65nm	Oregon, Arizona, Ireland
Microprocessors and chipsets	300mm	90nm	New Mexico, Oregon, Ireland
NOR flash memory	200mm	90nm	California, Israel
Chipsets, NOR flash and other products	200mm	130nm	New Mexico, Oregon, Arizona, Massachusetts, Ireland, Colorado, California
Chipsets and other products	200mm	180nm, 250nm, 350nm	Ireland, Israel

We expect to increase the capacity of certain facilities listed above through additional investments in capital equipment. In addition to our current facilities, we are building facilities in Arizona and Israel that are expected to begin wafer fabrication for microprocessors on 300mm wafers using 45-nanometer technology after 2006.

Table of Contents

As of year-end 2005, the majority of our microprocessors were manufactured on 300mm wafers using our 90-nanometer process technology. In 2005, we began manufacturing microprocessors on our 65-nanometer process technology, the next generation beyond our 90-nanometer process technology. As we move to each succeeding generation of manufacturing process technology, we incur significant start-up costs to get each factory ready for high-volume manufacturing. However, continuing to advance our process technology provides added benefits that we believe justify these costs. These benefits can include utilizing less space per transistor, which enables us to put more transistors on an equivalent size chip, decreasing the size of the chip or allowing us to offer an increased number of integrated features. These advancements can result in higher performing microprocessors, products that consume less power and/or products that cost less to manufacture. To augment capacity in the U.S. and internationally, we use third-party manufacturing companies (foundries) to manufacture wafers for certain components, including networking and communications products.

In January 2006, we formed IMFT, a NAND flash memory manufacturing company, with Micron. IMFT manufactures for Intel and Micron, and we currently purchase 49% of the manufactured output. See "Note 16: Venture" in Part II, Item 8 of this Form 10-K.

We primarily use subcontractors to manufacture board-level products and systems, and purchase certain communications networking products from external vendors, primarily in the Asia-Pacific region. We also manufacture microprocessor- and networking-related board-level products, primarily in Malaysia.

Following manufacture, the majority of our components are subject to assembly in several types of packaging, and to testing. We perform a substantial majority of our components assembly and test at facilities in Malaysia, China, the Philippines and Costa Rica. We plan to continue to invest in new assembly and test technologies and facilities to keep pace with our microprocessor, chipset, flash memory and communications technology improvements. To augment capacity, we use subcontractors to perform assembly of certain products, primarily flash memory, chipsets, and networking and communications products. Assembly and test of NAND flash memory products manufactured by IMFT in 2006 is performed by Micron.

Our performance expectations for business integrity; ethics; and environmental, health and safety compliance are the same regardless of whether our supplier and subcontractor operations are based in the U.S. or elsewhere. Our employment practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. In addition, we impose a minimum employee age requirement regardless of local law.

We have thousands of suppliers, including subcontractors, providing our various materials and service needs. We set expectations for supplier performance and reinforce those expectations with periodic assessments. We communicate those expectations to our suppliers regularly and work with them to implement improvements when necessary. We seek, where possible, to have several sources of supply for all of these materials and resources, but we may rely on a single or limited number of suppliers, or upon suppliers in a single country. In those cases, we develop and implement plans and actions to reduce the exposure that would result from a disruption in supply.

Our products typically are produced at multiple Intel facilities at various sites around the world, or by subcontractors who have multiple facilities. However, some products are produced in only one Intel or subcontractor facility, and we seek to implement actions and plans to reduce the exposure that would result from a disruption at any such facility. On a worldwide basis, we regularly review our key infrastructure, systems, services and suppliers, both internally and externally, to seek to identify significant vulnerabilities as well as areas of potential business impact if a disruptive event were to occur. Once a vulnerability is identified, we assess the risks, and as we consider it to be appropriate, we initiate actions intended to reduce the risks and their potential impact. However, there can be no assurance that we have identified all significant risks or that we can mitigate all identified risks with reasonable effort. See "Risk Factors" in Part I, Item 1A of this Form 10-K.

We maintain a program of insurance coverage for various types of property, casualty and other risks. We place our insurance coverage with various carriers in numerous jurisdictions. The policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. The types and amounts of insurance obtained vary from time to time and from location to location depending on availability, cost and our decisions with respect to risk retention. Our worldwide risk and insurance programs are regularly evaluated to seek to obtain the most favorable terms and conditions.

Research and Development

We continue to be committed to investing in world-class technology development, particularly in the area of the design and manufacture of integrated circuits. Research and development (R&D) expenditures in 2005 amounted to \$5.1 billion (\$4.8 billion in fiscal 2004 and \$4.4 billion in fiscal 2003). Additionally, we increased the number of our employees engaged in R&D to approximately 29,000 as of December 2005 compared to approximately 25,000 as of December 2004.

[Table of Contents](#)

Our R&D activities are directed toward developing the technology innovations that we believe will deliver the next generation of products and platforms, which will in turn enable new form factors and new usage models for businesses and consumers. We are focusing our R&D efforts on advanced computing, communications and wireless technologies by advancing our silicon manufacturing process technology, delivering the next generation of microprocessors and supporting chipsets, improving our platform initiatives and developing software solutions and tools to support our technologies. These efforts will enable new levels of performance and address areas such as system manageability, power management, digital content protection and/or communication capabilities. In line with these efforts, we are currently developing our next-generation microarchitecture for microprocessors that will improve performance while lowering power consumption and enhance other capabilities across multiple platforms. Future generations of our microprocessors will continue to feature two or more processor cores on a single chip. Dual- and multi-core processors complement our efforts to enable more capabilities and new usage models for users. Our leadership in silicon technology has enabled us to make “Moore’s Law” a reality. Moore’s Law predicted that transistor density on integrated circuits would double every two years. Our leadership in silicon technology has also helped to expand Moore’s Law by bringing new capabilities into silicon and producing new products and platforms optimized for a wider variety of applications. In 2005, we began manufacturing microprocessors on our most advanced 65-nanometer process technology, the next generation beyond our 90-nanometer process technology. Our 45-nanometer process technology is currently in development, and we expect to begin manufacturing products using 45-nanometer process technology in 2007. In the area of wireless communications, our initiatives focus on delivering the technologies that will enable an advanced wireless platform, including 802.16 products (WiMAX). Additionally, we continue to invest in new packaging and testing processes, as well as improving existing products and reducing manufacturing costs.

We have an agreement with Micron for joint development of NAND flash memory technologies. Costs incurred by Intel and Micron for process development are generally split evenly. As the owner of the product designs, Intel assumes the cost for product development. Intel licenses certain product designs to Micron on a royalty-bearing basis.

We do not expect that all of our research and product development projects will result in products that are ultimately released for sale. We may terminate research and/or product development before completion or decide not to manufacture and sell a developed product for a variety of reasons. For example, we may decide that a product might not be sufficiently competitive in the relevant market segment, or for technological or marketing reasons, we may decide to offer a different product instead.

Our R&D model is based on a global organization that emphasizes a collaborative approach in identifying and developing new technologies, leading standards initiatives and influencing regulatory policy to accelerate the adoption of new technologies. Our R&D initiatives are performed by various business groups within the company, and we align and prioritize these initiatives across these business groups. We also work with a worldwide network of academic and industry researchers, scientists and engineers in the computing and communications fields. Our network of technology professionals allows us, as well as others in our industry, to benefit from development initiatives in a variety of areas, eventually leading to innovative technologies for users. We believe that we are well positioned in the technology industry to help drive innovation, foster collaboration and promote industry standards that will yield innovative and improved technologies for users.

We perform a substantial majority of our research and development of semiconductor components and other products in the U.S. Outside the U.S., we have been increasing our product development, and we have activities at various locations, including Israel, China, India, Russia and Malaysia. We also maintain R&D facilities in the U.S. focused on developing and improving manufacturing processes, as well as facilities in the U.S., Malaysia and the Philippines dedicated to improvements in assembly and test processes.

Employees

As of December 31, 2005, we employed approximately 99,900 people worldwide, with more than 50% of these employees located in the U.S.

Sales and Marketing

Most of our products are sold or licensed through sales offices located near major concentrations of users, throughout the Americas, Asia-Pacific, Europe and Japan. Our business relies on continued sales growth in both mature and emerging markets.

[Table of Contents](#)

Sales of our products are typically made via purchase orders that contain standard terms and conditions covering matters such as pricing, payment terms and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, private-label branding and other matters. Most of our sales are made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods under order. Pricing on particular products may vary based on volumes ordered and other factors.

We sell our products to OEMs and ODMs. ODMs provide design and/or manufacturing services to branded and unbranded private-label resellers. We also sell our products to industrial and retail distributors. In 2005, Dell Inc. accounted for approximately 19% of our total sales, and Hewlett-Packard Company accounted for approximately 16% of our total sales. No other customer accounted for more than 10% of our total revenue. For information about revenue and operating profit by operating segments, and revenue from unaffiliated customers by geographic region/country, see “Note 19: Operating Segment and Geographic Information” in Part II, Item 8 of this Form 10-K and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Form 10-K.

Typically, distributors handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Most of our sales to distributors are made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. We also utilize third-party sales representatives who generally do not offer directly competitive products but may carry complementary items manufactured by others. Sales representatives do not maintain a product inventory; instead, their customers place orders directly with us or through distributors.

Our worldwide reseller sales channel consists of thousands of indirect customers who are systems builders and purchase Intel microprocessors and other products from our distributors. These systems builders receive various levels of technical and marketing services and support directly from Intel. We have a “boxed processor program” that allows distributors to sell Intel microprocessors in small quantities to these systems-builder customers; boxed processors are also made available in direct retail outlets.

The Intel corporate and product brand identities were revamped in early 2006 to signal Intel’s new business strategy to deliver customer-focused platform solutions. The changes include a new Intel logo, tagline (Intel. Leap ahead.™) and signature sound. Our platform solutions brands, which integrate processors with other innovative hardware and software, include Intel Centrino mobile technology and Intel Viiv technology. The Itanium, Intel Xeon, Intel Core, Pentium, and Intel Celeron trademarks make up our processor brands. We promote brand awareness and generate demand through our own direct marketing as well as co-marketing programs. Our direct marketing activities include television, print and web-based advertising, as well as press relations, consumer and trade events, and industry and consumer communications. Currently, our direct marketing to the consumer focuses on digital home entertainment and building awareness and demand for new usage models and capabilities. For businesses, our marketing to large enterprises and small to mid-size organizations focuses on delivery of products and technologies designed for performance per watt, reliability, manageability and security.

Purchases by customers often allow them to participate in cooperative advertising and marketing programs such as the Intel Inside® program. Through the Intel Inside program, certain customers are licensed to place Intel logos on computers containing our microprocessors and our other technology, and to use our brands in marketing activities. The program includes a market development component that accrues funds based on purchases and partially reimburses the OEMs for marketing activities for products featuring Intel brands, subject to the OEMs meeting defined criteria. This program broadens the reach of our brands beyond the scope of our own direct advertising.

Our products are typically shipped under terms that transfer title to the customer, even in arrangements for which the recognition of revenue on the sale is deferred. Our standard terms and conditions of sale typically provide that payment is due at a later date, generally 30 days after shipment, delivery or the customer’s use of the product. Our credit department sets accounts receivable and shipping limits for individual customers for the purpose of controlling credit risk to Intel arising from outstanding account balances. We assess credit risk through quantitative and qualitative analysis, and from this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or standby letter of credit, or obtaining credit insurance for all or a portion of the account balance. Credit losses may still be incurred due to bankruptcy, fraud or other failure of the customer to pay. See “Schedule II—Valuation and Qualifying Accounts” in Part IV of this Form 10-K for information about our allowance for doubtful receivables.

[Table of Contents](#)

Backlog

We do not believe that a backlog as of any particular date is indicative of future results. Our sales are made primarily pursuant to standard purchase orders for delivery of standard products. We have some agreements that give a customer the right to purchase a specific number of products during a specified time period. Although these agreements do not generally obligate the customer to purchase any particular number of such products, some of these agreements do contain billback clauses. Under these clauses, customers who do not purchase the full volume agreed upon are liable for billback on previous shipments up to the price appropriate for the quantity actually purchased. As a matter of industry practice, billback clauses are difficult to enforce. The quantities actually purchased by the customer, as well as the shipment schedules, are frequently revised during the agreement term to reflect changes in the customer's needs. In light of industry practice and our experience, we do not believe that such agreements are meaningful for determining backlog amounts. Only a small portion of our order backlog is non-cancelable, and the dollar amount associated with the non-cancelable portion is not significant.

Competition

Our products compete primarily on the basis of performance, features, quality, brand recognition, price and availability. Our ability to compete depends on our ability to provide innovative products and worldwide support for our customers, including providing enhanced performance per watt, reduced heat output and integrated solutions. In addition to our various computing, networking and communications products, we offer technology platform solutions that incorporate our various components, which bring together a collection of technologies that we believe create a better end-user solution than if the ingredients were used separately.

The semiconductor industry is characterized by rapid advances in technology and new product introductions. As unit volumes grow, production experience is accumulated and costs decrease, further competition develops, and as a result, prices decline. The life cycle of our products is very short, sometimes less than a year. Our ability to compete depends on our ability to improve our products and processes faster than our competitors, anticipate changing customer requirements, and develop and launch new products, while reducing our costs. When we believe it is appropriate, we will take various steps, including introducing new products and platform solutions, discontinuing older products, reducing prices, and offering rebates and other incentives, to increase acceptance of our latest products and to be competitive within each relevant market segment. Our products compete with products developed for similar or rival architectures and with products based on the same or rival technology standards. We cannot predict which competing technology standards will become the prevailing standards in the market segments in which we compete.

Many companies compete with us in the various computing, networking and communications market segments, and are engaged in the same basic fields of activity, including research and development. Worldwide, these competitors range in size from large established multinational companies with multiple product lines to smaller companies and new entrants to the marketplace that compete in specialized market segments. In some cases, our competitors are also our customers and/or suppliers. Product offerings may cross over into multiple product categories, offering us new opportunities but also resulting in more competitors. In market segments where our competitors have established products and brand recognition, it may be difficult for us to compete against them.

We believe that our network of manufacturing facilities and assembly and test facilities gives us a competitive advantage. This network enables us to have more direct control over our processes, quality control, product cost, volume and timing of production, and other factors. These types of facilities are very expensive, and many of our competitors do not own such facilities, because they cannot afford to do so or because their business models involve the use of third-party facilities for manufacturing and assembly and test. These "fabless semiconductor companies" include Broadcom Corporation, NVIDIA Corporation, QUALCOMM Incorporated and VIA Technologies, Inc. (VIA). Some of our competitors own portions of such facilities through investment or joint-venture arrangements with other companies. There is a group of third-party manufacturing companies (foundries) and assembly and test subcontractors that offer their services to companies without owned facilities or companies needing additional capacity. These foundries and subcontractors may also offer to our competitors intellectual property, design services, and other goods and services. Competitors who outsource their manufacturing and assembly and test operations can significantly reduce their capital expenditures.

Table of Contents

We plan to continue to cultivate new businesses and work with the computing and communications industries through standards bodies, trade associations, OEMs, ODMs, and independent software and operating system vendors to align the industry to offer products that take advantage of the latest market trends and usage models. These efforts include helping to create the infrastructure for wireless network connectivity. We are also working with these industries to develop software applications and operating systems that take advantage of our platforms. We frequently participate in industry initiatives designed to discuss and agree upon technical specifications and other aspects of technologies that could be adopted as standards by standards-setting organizations. In addition, we work collaboratively with other companies to protect digital content and the consumer by developing content protection specifications such as the Digital Transmission Content Protection (DTCP) specification. DTCP defines a secure protocol for protecting audio and video entertainment content from illegal copying, intercepting and tampering as it moves across digital interfaces such as Universal Serial Bus (USB) and IP-based home networks. Our competitors may also participate in the same initiatives and specification development, and our participation does not ensure that any standards or specifications adopted by these organizations will be consistent with our product planning. We continuously evaluate all of our product offerings and the timing of their introduction, taking into account factors such as customer requirements and availability of infrastructure to take advantage of product performance and maturity of applications software for each type of product in the relevant market segments.

Companies in the semiconductor industry often rely on the ability to license patents from each other in order to compete in today's markets. Many of our competitors have broad cross-licenses or licenses with us, and under current case law, some such licenses may permit these competitors to pass our patent rights on to others. If one of these licensees becomes a foundry, our competitors might be able to avoid our patent rights in manufacturing competing products. In addition to licensing our patents to competitors, we participate in some industry organizations that are engaged in the development of standards or specifications and may require us to license our patents to other companies that adopt such industry standards or specifications, even when such organizations do not adopt the standards or specifications proposed by Intel. Any Intel patents implicated by our participation in such initiatives might not, in some situations, be available for us to enforce against others who might be infringing those patents.

We continue to be largely dependent on the success of our microprocessor business. Many of our competitors, including Advanced Micro Devices, Inc. (AMD), our primary microprocessor competitor, market software-compatible products that compete with Intel architecture-based processors. We also face competition from companies offering rival microprocessor designs, such as International Business Machines Corporation (IBM), which is jointly developing a rival architecture design with Sony Corporation and Toshiba Corporation. Our desktop processors compete with products offered by AMD, IBM and VIA, among others. Our mobile microprocessor products compete with products offered by AMD, IBM, Transmeta Corporation and VIA, among others. Our server processors compete with software-compatible products offered by AMD and with products based on rival architectures, including those offered by IBM and Sun Microsystems, Inc.

Our chipsets compete in the various market segments against different types of chipsets that support either our microprocessor products or rival microprocessor products. Competing chipsets are produced by companies such as ATI Technologies, Inc., Broadcom, NVIDIA, Silicon Integrated Systems Corporation (SIS) and VIA. We also compete with companies offering graphics components and other special-purpose products used in the desktop, mobile and server market segments. One aspect of our business model is to incorporate improved performance and advanced properties into our microprocessors and chipsets, the demand for which may increasingly be affected by competition from companies, such as ATI and NVIDIA, whose business models are based on incorporating performance into dedicated chipsets and other components, such as graphics controllers.

Our NOR flash memory products currently compete with the products of other companies, such as Samsung Electronics Co., Ltd., Spansion Inc., and STMicroelectronics NV. The megabit demand of the products that make use of flash memory is increasing, and our NOR flash memory products face increased competition from companies that manufacture NAND flash memory products, as OEMs look for opportunities to use NAND flash memory products with additional random access memory or in combination with NOR flash memory for executable-code applications. In January 2006, we formed IMFT, a NAND flash memory manufacturing company, with Micron that may provide us with more competitive opportunities with regard to NAND flash memory products. See "Note 16: Venture" in Part II, Item 8 of this Form 10-K.

We also offer products designed for wired and wireless connectivity; for the communications infrastructure, including network processors; and for networked storage. These products currently compete against offerings from companies such as Applied Micro Circuits Corporation, AMD, Broadcom, Freescale Semiconductor, Inc., IBM, Marvell Technology Group Ltd., NMS Communications Corporation, OpNext, Inc. and Sun Microsystems.

[Table of Contents](#)

Acquisitions and Strategic Investments

During 2005, we completed three acquisitions qualifying as business combinations in exchange for aggregate net cash consideration of \$177 million, plus certain liabilities. Also during 2005, we acquired a development-stage operation that resulted in the recording of workforce-in-place of \$20 million. An acquisition of a development-stage operation does not qualify as a business combination. During 2004, we completed one acquisition qualifying as a business combination in exchange for net cash consideration of approximately \$33 million, plus certain liabilities. In addition, we entered into certain arrangements in 2004 related to the hiring of a group of employees that resulted in the recording of an intangible asset for workforce-in-place of \$28 million.

We make equity investments in companies around the world to further our strategic objectives and support our key business initiatives, including investments through our Intel Capital program. We generally focus on investing in companies and initiatives to stimulate growth in the digital economy, create new business opportunities for Intel and expand global markets for our products. The investments may support, among other things, Intel product initiatives, emerging trends in the technology industry or worldwide Internet deployment. We invest in companies that develop software, hardware or services supporting our technologies. Our current investment focus areas include helping to enable mobile wireless devices, advance the digital home, enhance the digital enterprise, advance high-performance communications infrastructures and develop the next generation of silicon production technologies. Our focus areas tend to develop and change over time due to rapid advancements in technology. Many of our investments are in private companies, including development-stage companies with little or no revenue from current product offerings. In January 2006, Intel formed IMFT, a NAND flash memory manufacturing company, with Micron. Intel invested \$1.2 billion in return for 49% of the equity of IMFT. See “Note 16: Venture” in Part II, Item 8 of this Form 10-K.

Intellectual Property and Licensing

Intellectual property rights that apply to our various products and services include patents, copyrights, trade secrets, trademarks and maskwork rights. We maintain an active program to protect our investment in technology by attempting to ensure respect for our intellectual property rights. The extent of the legal protection given to different types of intellectual property rights varies under different countries’ legal systems. We intend to license our intellectual property rights where we can obtain adequate consideration. See “Competition” in Part I, Item 1 of this Form 10-K; “Legal Proceedings” in Part I, Item 3 of this Form 10-K; and “Risk Factors” in Part I, Item 1A of this Form 10-K.

We have filed and obtained a number of patents in the U.S. and abroad. While our patents are an important element of our success, our business as a whole is not materially dependent on any one patent. We and other companies in the computing, telecommunications and related high-technology fields typically apply for and receive, in the aggregate, tens of thousands of overlapping patents annually in the U.S. and other countries. We believe that the duration of the applicable patents we are granted is adequate relative to the expected lives of our products. Because of the fast pace of innovation and product development, our products are often obsolete before the patents related to them expire, and sometimes are obsolete before the patents related to them are even granted. As we expand our product offerings into new industries, such as consumer electronics, we also seek to extend our patent development efforts to patent such product offerings. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other intellectual property, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from such companies on favorable terms or at all.

The large majority of the software we distribute, including software embedded in our component and system-level products, is entitled to copyright protection. In most circumstances, we require our customers to enter into a software license before we provide them with that software.

To distinguish Intel products from our competitors’ products, we have obtained certain trademarks and trade names for our products, and we maintain cooperative advertising programs with certain customers to promote our brands and identify products containing genuine Intel components.

We also protect certain details about our processes, products and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage. We have ongoing programs designed to maintain the confidentiality of such information.

Compliance with Environmental, Health and Safety Regulations

Intel is committed to achieving high standards of environmental quality and product safety, and strives to provide a safe and healthy workplace for our employees, our contractors and the communities in which we do business. We have environmental, health and safety (EHS) policies and expectations that are applied to our global operations. Each of Intel's worldwide manufacturing and assembly and test sites is registered to the International Organization for Standardization (ISO) 14001 environmental management system standard, which requires that a broad range of environmental management processes and policies be in place to continually improve environmental performance, maintain compliance with environmental regulations and communicate effectively with interested stakeholders. Intel's internal environmental auditing program includes not only compliance components, but also modules on business risk, environmental excellence and management systems. We have internal processes that focus on minimizing and properly managing hazardous materials used in our facilities and products. We monitor regulatory and resource trends and set company-wide short- and long-term performance targets for key resources and emissions. These targets address several parameters, including energy and water use, climate change, waste recycling and emissions. Intel remains on track to achieve our voluntary commitment to reduce emissions of certain global warming gases used in manufacturing by 10% from 1995 levels by 2010. Due to Intel's increase in manufacturing since 1995, this will equate to an actual reduction in 2010 of more than 90% from what Intel would have emitted without the voluntary reduction. We also continue to take several actions to further our global energy reduction goal, such as investing in energy conservation projects in our factories and working with suppliers of manufacturing tools to improve energy efficiency. We expect that these actions will result in energy cost savings and improved efficiency in the use of electricity, natural gas and water. In addition, we have adopted water needs and reuse strategies that align with local community expectations regardless of where we operate. As such, we continue to employ water use reduction strategies that seek to optimize the balance between ultra-pure water needs and reuse options for industrial water.

As Moore's Law drives increasing computing power year after year, managing the power consumption of the PC becomes an increasing challenge. Intel has been a leader in developing innovative solutions to address and resolve power challenges. To be successful, Intel has taken a holistic approach to power management, addressing the challenge at all levels, including the silicon, package, circuit, micro/macro architecture, platform and software levels. A few examples include novel transistor and chip designs such as strained silicon and sleep transistors, Enhanced Intel SpeedStep® technology for mobile and desktop platforms, and Demand Based Switching (DBS) technology for server platforms.

The manufacture and assembly and testing of Intel products requires the use of hazardous materials that are subject to a broad array of EHS laws and regulations. Intel actively monitors the hazardous materials that are used in the manufacture and assembly and testing of our products, particularly materials that end up in the final product. Intel has developed specific restrictions on the content of certain hazardous materials in our products, as well as those of our suppliers and outsourced manufacturers and subcontractors. Intel's efforts to reduce hazardous substances in our products has positioned us well to meet the various environmental restrictions on product content throughout the world, such as the Restriction on Hazardous Substances (RoHS) directive in the European Union (EU). The RoHS directive eliminates most uses of lead, cadmium, hexavalent-chromium, mercury and certain fire retardants in electronics put on the market after July 1, 2006. Intel published its lead-free product roadmap in April 2004, and we already manufacture and ship many products that are RoHS compliant (e.g., flash memory products; mobile, desktop, and server CPUs; chipsets; network interface cards; wireless cards; and RoHS compliant platforms). Intel's roadmap is designed to enable all Intel products sold into the EU to be RoHS compliant before July 1, 2006. The State of California also has adopted restrictions on the use of certain materials in electronic products that are intended to harmonize with the EU RoHS directive. Those restrictions go into effect in 2007. Other U.S. states are considering similar legislation. Similarly, China has promulgated use restrictions on the same substances as the EU RoHS directive. China has not yet defined either the scope of affected products or an effective date of the regulation. Intel is working with China's Ministry of Information Industry to promote consistency between China's use restrictions and the EU RoHS directive.

As Intel continues to advance process technology, the materials, technologies and products themselves become increasingly complex. Our evaluations of new materials for use in R&D, manufacturing, and assembly and test take into account EHS considerations and are a component of Intel's design for EHS processes. Compliance with these complex laws and regulations, as well as internal voluntary programs, is integrated into our manufacturing and assembly and test processes. To our knowledge, compliance with these laws and regulations has had no material effect on our operations.

Intel is committed to the protection of human rights and the environment throughout its supply chain. Intel expects suppliers to understand and fully comply with all applicable international, national, state and local laws and regulations, including, but not limited to, all EHS and related laws and regulations. In addition, suppliers are expected to abide by all Intel rules; maintain progressive employment practices; and comply with all applicable laws including, at a minimum, those covering non-discrimination in the terms and conditions of employment, child labor, minimum wages, employee benefits and work hours.

[Table of Contents](#)

Executive Officers of the Registrant

The following sets forth certain information with regard to the executive officers of Intel as of February 24, 2006 (ages are as of December 31, 2005):

Craig R. Barrett (age 66) has been a director of Intel since 1992 and Chairman of the Board since May 2005. Prior to that, Dr. Barrett was Chief Executive Officer from 1998 to 2005; President from 1997 to 2002; Chief Operating Officer from 1993 to 1997; and Executive Vice President from 1990 to 1997.

Paul S. Otellini (age 55) has been a director of Intel since 2002 and President and Chief Executive Officer since May 2005. Prior to that, Mr. Otellini was Chief Operating Officer from 2002 to May 2005; Executive Vice President and General Manager, Intel Architecture Group, from 1998 to 2002; Executive Vice President and General Manager, Sales and Marketing Group, from 1996 to 1998; and Senior Vice President and General Manager, Sales and Marketing Group, from 1994 to 1996.

Andy D. Bryant (age 55) has been Executive Vice President and Chief Financial and Enterprise Services Officer since 2001, and was Senior Vice President and Chief Financial and Enterprise Services Officer from 1999 to 2001. Prior to that, Mr. Bryant was Senior Vice President and Chief Financial Officer in 1999, and Vice President and Chief Financial Officer from 1994 to 1999.

Sean M. Maloney (age 49) has been Executive Vice President and General Manager, Mobility Group, since January 2005. Prior to that, Mr. Maloney was Executive Vice President and General Manager, Intel Communications Group, from 2001 to January 2005; Executive Vice President and Director, Sales and Marketing Group, in 2001; Senior Vice President and Director, Sales and Marketing Group, from 1999 to 2001; Vice President and Director, Sales and Marketing Group, from 1998 to 1999; and Vice President, Sales, and General Manager, Asia-Pacific Operations, from 1995 to 1998.

Robert J. Baker (age 50) has been Senior Vice President and General Manager, Technology and Manufacturing Group, since 2001, and was Vice President and General Manager, Components Manufacturing, from 2000 to 2001. Prior to that, Mr. Baker managed Fab Sort Manufacturing from 1999 to 2000 and Microprocessor Components Manufacturing from 1996 to 1999.

Patrick P. Gelsinger (age 44) has been Senior Vice President and General Manager, Digital Enterprise Group, since January 2005. Prior to that, Mr. Gelsinger was Chief Technology Officer from 2001 to January 2005; Chief Technology Officer, Computing Group, from 2000 to 2001; and Vice President and General Manager, Desktop Products Group, from 1996 to 2000.

Arvind Sodhani (age 51) has been Senior Vice President of Intel and President of Intel Capital since March 2005. Prior to that, he was Senior Vice President and Treasurer of Intel from February to March 2005; Vice President and Treasurer from 1990 to February 2005; and Treasurer from 1988 to 1990.

Anand Chandrasekher (age 42) has been Senior Vice President and General Manager, Sales and Marketing Group, since November 2005. Prior to that, he was Vice President and Director, Sales and Marketing Group, from January to November 2005; Vice President and General Manager, Mobile Platforms Group, from 2001 to January 2005; Vice President and General Manager, Intel Architecture Marketing Group, from 2000 to 2001; and Vice President and General Manager, Workstation Platforms Group, from 1997 to 2000.

David Perlmutter (age 52) has been Senior Vice President and General Manager, Mobility Group, since November 2005. Prior to that, he was Vice President and General Manager, Mobility Group, from January to November 2005; Vice President and General Manager, Mobile Platforms Group, from 2000 to January 2005; and Vice President, Microprocessor Group, and General Manager, Basic Microprocessor Division and Intel Israel Development Center, from 1996 to 2000.

D. Bruce Sewell (age 47) has been Senior Vice President and General Counsel since November 2005. Prior to that, he was Vice President and General Counsel from 2004 to November 2005; Vice President, Legal and Government Affairs and Deputy General Counsel from 2001 to 2004; and served in a variety of senior legal positions at Intel from 1995 to 2001.

Thomas M. Kilroy (age 48) has been Vice President and General Manager, Digital Enterprise Group, since September 2005. Prior to that, Mr. Kilroy was Vice President, Sales and Marketing Group, and co-President of Intel Americas, Inc. from 2003 to September 2005; Vice President, Sales and Marketing Group, and General Manager, Communication Sales Organization, during 2003; and Vice President, Sales and Marketing Group, and General Manager, Reseller Channel Operation, from 2000 to 2003.

[Table of Contents](#)

Corporate Governance

Corporate governance is typically defined as the system that allocates duties and authority among a company's stockholders, board of directors and management. The stockholders elect the board and vote on extraordinary matters; the board is the company's governing body, responsible for hiring, overseeing and evaluating management, particularly the Chief Executive Officer (CEO); and management runs the company's day-to-day operations. The Board believes that there should be a substantial majority of independent directors on the Board. The Board also believes that it is useful and appropriate to have members of management, including the CEO, as directors.

The current Board members include nine independent directors and two members of Intel's senior management. The Board members are Craig R. Barrett, Intel's Chairman of the Board; Ambassador Charlene Barshefsky, Senior International Partner at the Wilmer Cutler Pickering Hale and Dorr LLP law firm; E. John P. Browne, Group Chief Executive of BP plc; D. James Guzy, Chairman of Arbor Company; Reed E. Hundt, Principal, Charles Ross Partners, LLC; Paul S. Otellini, Intel's Chief Executive Officer and President; James D. Plummer, John M. Fluke Professor of Electrical Engineering, Frederick E. Terman Dean of the School of Engineering, Stanford University; David S. Pottruck, Chairman and Chief Executive Officer of Red Eagle Ventures, Inc. and Chairman of Eos Airlines; Jane E. Shaw, retired Chairman and Chief Executive Officer of Aerogen, Inc.; John L. Thornton, Professor and Director of Global Leadership at Tsinghua University, Beijing, China; and David B. Yoffie, Max and Doris Starr Professor of International Business Administration, Harvard Business School. The Board also has one Director Emeritus, Gordon E. Moore, who may participate in Board meetings but does not vote.

Director Changes in 2005. At the 2005 annual meeting, Andrew S. Grove retired from the Board. Craig R. Barrett succeeded Dr. Grove as Chairman of the Board, and Paul S. Otellini succeeded Dr. Barrett as Chief Executive Officer. In July 2005, the Board elected James D. Plummer to the Board.

Adoption of Majority Vote Standard for Election of Directors. On January 18, 2006, the Board approved an amendment to Article III, Section 1 of Intel's Bylaws to require directors to be elected by a majority of the votes cast with respect to such director in uncontested elections (number of shares voted "for" a director must exceed the number of votes cast against that director). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. If a nominee who is serving as a director is not elected at the annual meeting, under Delaware law the director would continue to serve on the Board as a "holdover director." However, under our Bylaws, any director who fails to be elected must offer to tender his or her resignation to the Board. The Corporate Governance and Nominating Committee would then make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Corporate Governance and Nominating Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in the Board's decision. If a nominee who was not already serving as a director is not elected at the annual meeting, under Delaware law that nominee would not become a director and would not continue to serve on the Board as a "holdover director." In 2006, all nominees for the election of directors are currently serving on the Board.

For more information on our corporate governance, please see the sections of our proxy statement for our 2006 Annual Stockholders' Meeting under the headings "The Board, Board Committees and Meetings" and "Corporate Governance Guidelines," which are incorporated herein by reference.

ITEM 1A. RISK FACTORS

Fluctuations in demand for our products may adversely affect our financial results.

If demand for our products fluctuates, our revenue and gross margin could be adversely affected. Important factors that could cause demand for our products to fluctuate include:

- changes in customer product needs;
- changes in the level of customers' inventory;
- changes in business and economic conditions, including a downturn in the semiconductor industry;
- competitive pressures from companies that have competing products, chip architectures and manufacturing technologies;
- strategic actions taken by our competitors; and
- market acceptance of our products.

If demand for our products is reduced, our manufacturing and/or assembly and test capacity could be under-utilized, and we may be required to record an impairment on our long-lived assets including facilities and equipment, as well as intangible assets, which would increase our expenses. In addition, factory planning decisions may cause us to record accelerated depreciation. In the long term, if demand for our products increases, we may not be able to add manufacturing and/or assembly and test capacity fast enough to meet market demand. These changes in demand for our products, and changes in our customers' product needs, could have a variety of negative effects on our competitive position and our financial results, and, in certain cases, may reduce our revenue, increase our costs, lower our gross margin percentage, or require us to recognize and record impairments of our assets.

The semiconductor industry and our operations are characterized by a high percentage of costs that are fixed or otherwise difficult to reduce in the short term, and by product demand that is highly variable and is subject to significant downturns that may adversely affect our business, results of operations and financial condition.

The semiconductor industry and our operations are characterized by high costs, such as those related to facility construction and equipment, research and development, and employment and training of a highly skilled workforce, that are either fixed or difficult to reduce in the short term. At the same time, demand for our products is highly variable and has experienced downturns, often in connection with maturing product cycles and downturns in general economic market conditions. These downturns have been characterized by reduced product demand, manufacturing overcapacity, high inventory levels and decreased average selling prices. The combination of these factors may cause our revenue, gross margin, cash flow and profitability to vary significantly both in the short term and over the long term.

We operate in intensely competitive industries, and our failure to respond quickly to technological developments and incorporate new features into our products could have an adverse effect on our ability to compete.

We operate in intensely competitive industries that experience rapid technological developments, changes in industry standards, changes in customer requirements, and frequent new product introductions and improvements. If we are unable to respond quickly and successfully to these developments, we may lose our competitive position, and our products or technologies may become uncompetitive or obsolete. To compete successfully, we must maintain a successful R&D effort, develop new products and production processes, and improve our existing products and processes at the same pace or ahead of our competitors. We may not be able to successfully develop and market these new products; the products we invest in and develop may not be well received by customers; and products developed and new technologies offered by others may affect the demand for our products. These types of events could have a variety of negative effects on our competitive position and our financial results, such as reducing our revenue, increasing our costs, lowering our gross margin percentage, and requiring us to recognize and record impairments of our assets.

[Table of Contents](#)

Fluctuations in the mix of products sold may adversely affect our financial results.

Because of the wide price differences among mobile, desktop and server microprocessors, the mix and types of performance capabilities of microprocessors sold affect the average selling price of our products and have a substantial impact on our revenue. Our financial results also depend in part on the mix of other products we sell, such as chipsets, flash memory and other semiconductor products. In addition, more recently introduced products tend to have higher associated costs because of initial overall development costs and higher start-up costs. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover our fixed costs and investments that are associated with a particular product, and as a result can negatively impact our financial results.

Our global operations subject us to risks that may negatively affect our results of operations and financial condition.

We have sales offices and research and development, manufacturing, and assembly and test facilities in many countries, and as a result, we are subject to risks associated with doing business globally. Our global operations may be subject to risks that may limit our ability to manufacture, assemble and test, design, develop or sell products in particular countries, which could in turn have an adverse effect on our results of operations and financial condition, including:

- health concerns;
- natural disasters;
- inefficient and limited infrastructure and disruptions, such as large-scale outages or interruptions of service from utilities or telecommunications providers and supply chain interruptions;
- differing employment practices and labor issues;
- local business and cultural factors that differ from our normal standards and practices;
- regulatory requirements and prohibitions that differ between jurisdictions;
- security concerns, including crime, political instability, terrorist activity, armed conflict and civil or military unrest; and
- restrictions on our operations by governments seeking to support local industries, nationalization of our operations and restrictions on our ability to repatriate earnings.

In addition, although most of our products are priced and paid for in U.S. dollars, a significant amount of certain types of expenses, such as payroll, utilities, tax and marketing expenses, are paid in local currencies. Fluctuations in the rate of exchange between the U.S. dollar and the currencies of other countries in which we conduct business, and changes in currency controls with respect to such countries, could negatively impact our business, operating results and financial condition by resulting in lower revenue or increased expenses in such countries. In addition, changes in tariff and import regulations and to U.S. and non-U.S. monetary policies may also negatively impact our revenue in those affected countries. Varying tax rates in different jurisdictions could negatively impact our overall tax rate.

Failure to meet our production targets, resulting in undersupply or oversupply of products, may adversely impact our business and results of operations.

Manufacturing and assembly and test of integrated circuits is a complex process. Disruptions in this process can result from difficulties in our development and implementation of new processes, errors and interruptions in the processes, defects in materials and disruptions in our supply of materials or resources, all of which could affect the timing of production ramps and yields. Furthermore, we may not be successful or efficient in developing or implementing new production processes. The occurrence of any of the foregoing may result in our failure to increase production as desired, resulting in higher costs or substantial decreases in yields, which could impact our ability to produce sufficient volume to meet specific product demand. Furthermore, the unavailability or reduced availability of certain products could make it more difficult to implement our platform strategy. We may also experience increases in yields. A substantial increase in yields could result in higher inventory levels and the possibility of resulting excess capacity charges as we slow production to reduce inventory levels. In addition, higher yields, as well as other factors, can decrease overall unit costs and may cause us to revalue our existing inventory on certain products to their lower replacement cost, which would impact our gross margin in the quarters in which this revaluation occurs. The occurrence of any of these events could adversely impact our business and results of operations.

We may have difficulties obtaining the resources or products we need for manufacturing or assembling our products or operating other aspects of our business, which could adversely affect our ability to meet demand for our products and may increase our costs.

We have thousands of suppliers providing various materials that we use in production of our products and other aspects of our business, and we seek, where possible, to have several sources of supply for all of these materials. However, we may rely on a single or a limited number of suppliers, or upon suppliers in a single country, for these materials. The inability of such suppliers to deliver adequate supplies of production materials or other supplies could disrupt our production process or could make it more difficult for us to implement our platform strategy. In addition, production could be disrupted by the unavailability of the resources used in production such as water, silicon, electricity and gases. The unavailability or reduced availability of the materials or resources we use in our business may require us to reduce production of products or may require us to incur additional costs in order to obtain an adequate supply of these materials or resources. The occurrence of any of these events could adversely impact our business and results of operations.

[Table of Contents](#)

Costs related to product defects and errata may have an adverse impact on our results of operations and business.

Costs associated with unexpected product defects and errata (deviations from published specifications) include, for example, the costs of:

- writing down the value of inventory of defective products;
- disposing of defective products that cannot be fixed;
- recalling defective products that have been shipped to customers;
- providing product replacements for or modifications to defective products; and
- defending against litigation related to defective products.

These costs could be substantial and may therefore increase our expenses and adversely affect our gross margin. In addition, our reputation with our customers or end users of our products could be damaged as a result of such product defects and errata, and the demand for our products could be reduced. These factors could negatively impact our financial results and the prospects for our business.

We may be subject to claims of infringement of third-party intellectual property rights, which could adversely affect our business.

From time to time, third parties may assert against us or our customers alleged patent, copyright, trademark and other intellectual property rights to technologies that are important to our business. We may be subject to intellectual property infringement claims from certain individuals and companies who have acquired patent portfolios for the sole purpose of asserting such claims against other companies. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending and resolving such claims, and may divert the efforts and attention of our management and technical personnel away from our business. As a result of such intellectual property infringement claims, we could be required to:

- pay third-party infringement claims;
- discontinue manufacturing, using or selling the infringing products;
- discontinue using the infringing technology or processes;
- develop non-infringing technology, which could be time-consuming and costly or may not be possible; or
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms or at all.

The occurrence of any of the foregoing could result in unexpected expenses or require us to recognize an impairment of our assets, which would reduce the value of our assets and increase expenses. In addition, if we alter or discontinue our production of affected items, our revenue could be negatively impacted.

We may be subject to litigation proceedings that could adversely affect our business.

In addition to the litigation risks mentioned above, we may be subject to legal claims or regulatory matters involving stockholder, consumer, antitrust and other issues. As described in “Legal Proceedings” in Part I, Item 3 of this Form 10-K, we are currently engaged in a number of litigation matters. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages or, in cases for which injunctive relief is sought, an injunction prohibiting Intel from manufacturing or selling one or more products. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on business and results of operations for the period in which the ruling occurred or future periods.

We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and adversely affect our business.

Our ability to enforce our patents, copyrights, software licenses and other intellectual property is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we are often subject to claims that the intellectual property right is invalid, is otherwise not enforceable or is licensed to the party against whom we are asserting a claim. In addition, our assertion of intellectual property rights often results in the other party seeking to assert alleged intellectual property rights of its own against us, which may adversely impact our business in the manner discussed above. If we are not ultimately successful in defending ourselves against these claims in litigation, we may not be able to sell a particular product or family of products, due to an injunction, or we may have to pay material amounts of damages, which could in turn negatively affect our results of operations. In addition, governments may adopt regulations or courts may render decisions requiring compulsory licensing of intellectual property to others, or governments may require that products meet specified standards that serve to favor local companies. Our inability to enforce our intellectual property rights under these circumstances may negatively impact our competitive position and our business.

[Table of Contents](#)

Our licenses with other companies and our participation in industry initiatives may allow other companies, including competitors, to use our patent rights.

Companies in the semiconductor industry often rely on the ability to license patents from each other in order to compete. Many of our competitors have broad licenses or cross-licenses with us, and under current case law, some of these licenses may permit these competitors to pass our patent rights on to others. If one of these licensees becomes a foundry, our competitors might be able to avoid our patent rights in manufacturing competing products. In addition, our participation in industry initiatives may require us to license our patents to other companies that adopt certain industry standards or specifications, even when such organizations do not adopt standards or specifications proposed by us. As a result, our patents implicated by our participation in industry initiatives might not be available for us to enforce against others who might otherwise be deemed to be infringing those patents, our costs of enforcing our licenses or protecting our patents may increase, and the value of our intellectual property may be impaired.

In order to compete, we must attract, retain and motivate key employees, and our failure to do so could have an adverse effect on our results of operations.

In order to compete, we must attract, retain and motivate executives and other key employees, including those in managerial, technical, sales, marketing and support positions. Hiring and retaining qualified executives, scientists, engineers, technical staff and sales representatives are critical to our business, and competition for experienced employees in the semiconductor industry can be intense. To attract, retain and motivate qualified employees, we rely heavily on stock-based incentive awards such as employee stock options and restricted stock. If the value of such stock awards does not appreciate as measured by the performance of the price of our common stock and/or if our other stock-based compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate our employees could be adversely impacted, which could negatively affect our results of operations and/or require us to increase the amount we expend on cash and other forms of compensation. In addition, our adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment," during our first quarter of 2006 will result in significant additional compensation expense compared to prior periods.

Our results of operations could vary as a result of the methods, estimates and judgments we use in applying our accounting policies.

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations (see "Critical Accounting Estimates" in Part II, Item 7 of this Form 10-K). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations. In particular, beginning in our first quarter of 2006, the calculation of share-based compensation expense under SFAS No. 123(R) will require us to use valuation methodologies (which were not developed for use in valuing employee stock options) and a number of assumptions, estimates and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, the expected dividend rate with respect to our common stock and the exercise behavior of our employees. Furthermore, there are no means, under applicable accounting principles, to compare and adjust our expense if and when we learn of additional information that may affect the estimates that we previously made, with the exception of changes in expected forfeitures of share-based awards. Factors may arise over time that lead us to change our estimates and assumptions with respect to future share-based compensation arrangements, resulting in variability in our share-based compensation expense over time. Changes in forecasted share-based compensation expense could impact our gross margin percentage; research and development expenses; marketing, general and administrative expenses; and our tax rate.

Our failure to comply with applicable environmental laws and regulations worldwide could adversely impact our business and results of operations.

The manufacture, assembly and testing of our products require the use of hazardous materials that are subject to a broad array of environmental, health and safety laws and regulations. Our failure to comply with any of these applicable laws or regulations could result in:

- regulatory penalties, fines and legal liabilities;
- suspension of production;
- alteration of our fabrication and assembly and test processes; or
- curtailment of our operations or sales.

In addition, our failure to properly manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject us to increased costs or future liabilities. Existing and future environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify our product designs or incur other expenses associated with such laws and regulations. Many new materials that we are evaluating for use in our operations may be subject to regulation under existing or future environmental laws and regulations that may restrict our use of certain materials in our manufacturing, assembly and test processes or products. Any of these consequences could adversely impact our business and results of operations by increasing our expenses and/or requiring us to alter our manufacturing processes.

[Table of Contents](#)

Changes in our effective tax rate may have an adverse effect on our results of operations.

Our future effective tax rates may be adversely affected by a number of factors including:

- the jurisdictions in which profits are determined to be earned and taxed;
- the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation expense;
- changes in the valuation of our deferred tax assets and liabilities;
- changes in tax laws or the interpretation of such tax laws; and
- the resolution of issues arising from tax audits with various tax authorities.

Any significant increase in our future effective tax rates could adversely impact net income for future periods.

In addition, the U.S. Internal Revenue Service (IRS) and other tax authorities regularly examine our income tax returns. The IRS has issued formal assessments related to amounts reflected on certain of our tax returns as a tax benefit for our export sales (see “Note 18: Contingencies” in Part II, Item 8 of this Form 10-K). Our results of operations could be adversely impacted if these assessments or any other assessments resulting from the examination of our income tax returns by the IRS or other taxing authorities are not resolved in our favor.

We invest in companies for strategic reasons and may not realize a return on our investments.

We make investments in companies around the world to further our strategic objectives and support our key business initiatives. Such investments include investments in equity securities of public companies and investments in non-marketable equity securities of private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies whose products or technologies may directly support an Intel product or initiative. The success of these companies (or lack thereof) is dependent on product development, market acceptance, operational efficiency and other key business success factors. The private companies in which we invest may fail because they may not be able to secure additional funding, obtain favorable investment terms for future financings or take advantage of liquidity events, such as initial public offerings, mergers and private sales. If any of these private companies fail, we could lose all or part of our investment in that company. In addition, if we determine that an other-than-temporary decline in the fair value exists for the equity securities of the public and private companies in which we invest, we write down the investment to its fair value and record the related write-down as an investment loss. Furthermore, when the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. Our investments in non-marketable equity securities of private companies are not liquid, and we may not be able to dispose of these investments on favorable terms or at all. The occurrence of any of these events could negatively affect our net income and results of operations.

[Table of Contents](#)

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

At December 31, 2005, our major facilities consisted of:

<u>(Square Feet in Millions)</u>	<u>United States</u>	<u>Other Countries</u>	<u>Total</u>
Owned facilities ¹	27.0	12.9	39.9
Leased facilities ²	2.4	3.2	5.6
Total facilities	29.4	16.1	45.5

¹ Leases on portions of the land used for these facilities expire at varying dates through 2059.

² These leases expire at varying dates through 2021 and generally include renewals at our option.

Our principal executive offices are located in the U.S. The majority of our wafer fabrication and research and development activities are also located at sites within the U.S. Outside of the U.S., we have wafer fabrication at our facilities in Ireland and Israel. The majority of our assembly and test facilities are located overseas, specifically in Malaysia, China, the Philippines and Costa Rica. In addition, we have sales and marketing offices located worldwide. These facilities are generally located near major concentrations of users.

We believe that our existing facilities are suitable and adequate for our present purposes and that the productive capacity in such facilities is substantially being utilized or we have plans to utilize it.

We do not identify or allocate assets by operating segment. For information on net property, plant and equipment by country, see "Note 19: Operating Segment and Geographic Information" in Part II, Item 8 of this Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

A. Tax Matters

In connection with the IRS's regular examination of Intel's tax returns for the years 1999 and 2000, the IRS formally assessed in early 2005 certain adjustments to the amounts reflected by us on those returns as a tax benefit for export sales. Also in 2005, the IRS formally assessed similar adjustments to the amounts reflected by us for the years 2001 and 2002 as a tax benefit for export sales. We do not agree with these adjustments and have appealed the assessments. If the IRS prevails in its position, our federal income tax due for 1999 through 2002 would increase by approximately \$1.0 billion, plus interest. The IRS may make similar claims for years subsequent to 2002 in future audits, and if the IRS prevails, income tax due for 2003 through 2005 would increase by approximately \$1.2 billion, plus interest.

Although the final resolution of the adjustments is uncertain, based on currently available information, management believes that the ultimate outcome will not have a material adverse effect on our financial position, cash flows or overall trends in results of operations. There is the possibility of a material adverse impact on the results of operations of the period in which the matter is ultimately resolved, if it is resolved unfavorably, or in the period in which an unfavorable outcome becomes probable and reasonably estimable.

[Table of Contents](#)

B. Litigation

Intel currently is a party to various legal proceedings, including those noted below. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, cash flows or overall trends in results of operations, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages or, in cases for which injunctive relief is sought, an injunction prohibiting Intel from selling one or more products. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the business or results of operations for the period in which the ruling occurs or future periods.

*Advanced Micro Devices, Inc. (AMD) and AMD International Sales & Service, Ltd. v. Intel Corporation and Intel Kabushiki Kaisha,
and Related Consumer Class Actions and Government Investigations*

In June 2005, AMD filed a complaint in the United States District Court for the District of Delaware alleging that Intel and Intel's Japanese subsidiary engaged in various actions in violation of the Sherman Act and the California Business and Professions Code, including providing secret and discriminatory discounts and rebates and intentionally interfering with prospective business advantages of AMD. AMD's complaint seeks unspecified treble damages, punitive damages, an injunction, and attorneys' fees and costs. Subsequently, AMD's Japanese subsidiary also filed suits in the Tokyo High Court and the Tokyo District Court against Intel's Japanese subsidiary, asserting violations of Japan's Antimonopoly Law and alleging damages of approximately \$55 million, plus various other costs and fees. At least 79 separate class actions, generally repeating AMD's allegations and asserting various consumer injuries, including that consumers in various states have been injured by paying higher prices for Intel microprocessors, have been filed in the U.S. District Courts for the Northern District of California, Southern District of California and the District of Delaware, as well as in various California, Kansas and Tennessee state courts. All the federal class actions have been consolidated by the Multidistrict Litigation Panel to the District of Delaware. All California class actions have been consolidated to the Superior Court of California in Santa Clara County. Intel disputes AMD's claims and the class-action claims, and intends to defend the lawsuits vigorously.

Intel is also subject to certain antitrust regulatory inquiries. In 2001, the European Commission commenced an investigation regarding claims by AMD that Intel used unfair business practices to persuade clients to buy Intel microprocessors. In June 2005, Intel received an inquiry from the Korea Fair Trade Commission requesting documents from Intel's Korean subsidiary related to marketing and rebate programs that Intel entered into with Korean PC manufacturers. Intel is cooperating with these agencies in their investigations and expects that these matters will be acceptably resolved.

*MicroUnity, Inc. v. Intel Corporation, et al.
U.S. District Court, Eastern District of Texas*

In March 2004, MicroUnity filed suit against Intel and Dell Inc. in the Eastern District of Texas. MicroUnity claimed that Intel® Pentium® III, Pentium 4, Pentium M and Itanium 2 processors infringed seven MicroUnity patents, and that certain Intel chipsets infringed one MicroUnity patent. MicroUnity sought an injunction, unspecified damages and attorneys' fees against both Intel and Dell. In October 2005, MicroUnity and Intel entered into a license agreement whereby Intel agreed to pay MicroUnity \$300 million for a paid-up license to all MicroUnity patents and for certain other rights including rights on behalf of Intel customers. Under the agreement, MicroUnity dismissed all claims in the lawsuit against Intel and Dell with prejudice.

*Barbara's Sales, et al. v. Intel Corporation, Gateway Inc., Hewlett-Packard Co. and HPDirect, Inc.
(formerly Deanna Neubauer; et al. v. Intel Corporation, Gateway Inc., Hewlett-Packard Co. and HPDirect, Inc.)
Third Judicial Circuit Court, Madison County, Illinois*

In June 2002, various plaintiffs filed a lawsuit in the Third Judicial Circuit Court, Madison County, Illinois, against Intel, Gateway Inc., Hewlett-Packard Company and HPDirect, Inc., alleging that the defendants' advertisements and statements misled the public by suppressing and concealing the alleged material fact that systems containing Intel Pentium 4 processors are less powerful and slower than systems containing Intel Pentium III processors and a competitor's microprocessors. In July 2004, the Court certified against Intel an Illinois-only class of certain end-use purchasers of certain Pentium 4 processors or computers containing such microprocessors. The Court denied plaintiffs' motion for reconsideration of this ruling. In January 2005, the Court granted a motion filed jointly by the plaintiffs and Intel that stayed the proceedings in the trial court pending appellate review of the Court's class certification order. The plaintiffs seek unspecified damages and attorneys' fees and costs. Intel disputes the plaintiffs' claims and intends to defend the lawsuit vigorously.

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

None.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Information regarding the market price range of Intel common stock and dividend information may be found in "Financial Information by Quarter (Unaudited)" in Part II, Item 8 of this Form 10-K. Additional information concerning dividends may be found in the following sections of this Form 10-K: "Selected Financial Data" in Part II, Item 6 and "Consolidated Statements of Cash Flows" and "Consolidated Statements of Stockholders' Equity" in Part II, Item 8.

In each quarter during 2005, we paid a cash dividend of \$0.08 per common share, for a total of \$0.32 for the year (\$0.04 each quarter during 2004 for a total of \$0.16 for the year). We have paid a cash dividend in each of the past 53 quarters. In January 2006, our Board of Directors declared a cash dividend of \$0.10 per common share for the first quarter of 2006. The dividend is payable on March 1, 2006 to stockholders of record on February 7, 2006.

As of January 27, 2006, there were approximately 220,000 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Issuer Purchases of Equity Securities (In Millions—Except Per Share Amounts)

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans</u>	<u>Dollar Value of Shares That May Yet Be Purchased Under the Plans</u>
October 2, 2005–October 29, 2005	4.6	\$ 23.62	4.6	\$ 24,890
October 30, 2005–November 26, 2005	—	\$ —	—	\$ 24,890
November 27, 2005–December 31, 2005	113.4	\$ 26.70	113.4	\$ 21,863
Total	118.0	\$ 26.58	118.0	

We have an ongoing authorization, as amended, from the Board of Directors to repurchase shares of Intel's common stock in the open market or in negotiated transactions. In November 2005, the Board of Directors authorized the repurchase of up to \$25 billion in stock on or after October 1, 2005, which includes the remaining shares available for repurchase under previous authorizations, which were expressed as share amounts. We generally do not purchase stock during the "quiet period" that we have established in advance of the publication of our quarterly earnings release. For a discussion of our quiet periods, see "Status of Business Outlook" in Part II, Item 7 of this Form 10-K.

[Table of Contents](#)

ITEM 6. SELECTED FINANCIAL DATA

Ten Years Ended December 31, 2005

<u>(In Millions)</u>	<u>Net Revenue</u>	<u>Gross Margin</u>	<u>Research & Development</u>	<u>Operating Income</u>	<u>Net Income</u>
2005	\$ 38,826	\$ 23,049	\$ 5,145	\$ 12,090	\$ 8,664
2004	\$ 34,209	\$ 19,746	\$ 4,778	\$ 10,130	\$ 7,516
2003	\$ 30,141	\$ 17,094	\$ 4,360	\$ 7,533	\$ 5,641
2002	\$ 26,764	\$ 13,318	\$ 4,034	\$ 4,382	\$ 3,117
2001	\$ 26,539	\$ 13,052	\$ 3,796	\$ 2,256	\$ 1,291
2000	\$ 33,726	\$ 21,076	\$ 3,897	\$ 10,395	\$ 10,535
1999	\$ 29,389	\$ 17,553	\$ 3,111	\$ 9,767	\$ 7,314
1998	\$ 26,273	\$ 14,185	\$ 2,509	\$ 8,379	\$ 6,068
1997	\$ 25,070	\$ 15,125	\$ 2,347	\$ 9,887	\$ 6,945
1996	\$ 20,847	\$ 11,683	\$ 1,808	\$ 7,553	\$ 5,157

<u>(In Millions—Except Per Share Amounts)</u>	<u>Basic Earnings Per Share¹</u>	<u>Diluted Earnings Per Share¹</u>	<u>Weighted Average Diluted Shares Outstanding</u>	<u>Dividends Declared Per Share</u>	<u>Dividends Paid Per Share</u>	<u>Net Investment in Property, Plant & Equipment</u>
2005	\$ 1.42	\$ 1.40	6,178	\$.320	\$.320	\$ 17,111
2004	\$ 1.17	\$ 1.16	6,494	\$.160	\$.160	\$ 15,768
2003	\$ 0.86	\$ 0.85	6,621	\$.080	\$.080	\$ 16,661
2002	\$ 0.47	\$ 0.46	6,759	\$.080	\$.080	\$ 17,847
2001	\$ 0.19	\$ 0.19	6,879	\$.080	\$.080	\$ 18,121
2000	\$ 1.57	\$ 1.51	6,986	\$.070	\$.070	\$ 15,013
1999	\$ 1.10	\$ 1.05	6,940	\$.055	\$.055	\$ 11,715
1998	\$ 0.91	\$ 0.86	7,035	\$.025	\$.033	\$ 11,609
1997	\$ 1.06	\$ 0.97	7,179	\$.029	\$.028	\$ 10,666
1996	\$ 0.78	\$ 0.73	7,101	\$.024	\$.023	\$ 8,487

<u>(In Millions—Except Employees)</u>	<u>Total Assets</u>	<u>Long-Term Debt & Put Warrants²</u>	<u>Stockholders' Equity</u>	<u>Additions to Property, Plant & Equipment</u>	<u>Employees at Year-End (In Thousands)</u>
2005	\$ 48,314	\$ 2,106	\$ 36,182	\$ 5,818	99.9
2004	\$ 48,143	\$ 703	\$ 38,579	\$ 3,843	85.0
2003	\$ 47,143	\$ 936	\$ 37,846	\$ 3,656	79.7
2002	\$ 44,224	\$ 929	\$ 35,468	\$ 4,703	78.7
2001	\$ 44,395	\$ 1,050	\$ 35,830	\$ 7,309	83.4
2000	\$ 47,945	\$ 707	\$ 37,322	\$ 6,674	86.1
1999	\$ 43,849	\$ 1,085	\$ 32,535	\$ 3,403	70.2
1998	\$ 31,471	\$ 903	\$ 23,377	\$ 4,032	64.5
1997	\$ 28,880	\$ 2,489	\$ 19,295	\$ 4,501	63.7
1996	\$ 23,735	\$ 1,003	\$ 16,872	\$ 3,024	48.5

¹ Amortization of goodwill reduced basic earnings per share by \$0.23 in 2001, \$0.19 in 2000 and \$0.05 in 1999, and reduced diluted earnings per share by \$0.22 in 2001, \$0.18 in 2000 and \$0.05 in 1999. As of 2002, goodwill is no longer amortized.

² During 2000, all remaining put warrants outstanding expired unexercised.

The ratio of earnings to fixed charges for each of the five years in the period ended December 31, 2005 was as follows:

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
169x	107x	72x	32x	18x

Fixed charges consist of interest expense, the estimated interest component of rent expense and capitalized interest.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) with Intel's overall strategy and the strategy for our major operating segments to give the reader an overview of the goals of our business and the direction in which our business and products are moving. The Strategy section is followed by a discussion of the Critical Accounting Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. We then discuss our Results of Operations for 2005 compared to 2004, and for 2004 compared to 2003, beginning with an Overview. Following the analysis of our results, we provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled "Financial Condition," "Contractual Obligations" and "Off-Balance-Sheet Arrangements." We then conclude this MD&A with our Business Outlook section, discussing our outlook for 2006.

This MD&A should be read in conjunction with the other sections of this Form 10-K, including Part I, "Item 1: Business"; Part II, "Item 6: Selected Financial Data"; and Part II, "Item 8: Financial Statements and Supplementary Data." The various sections of this MD&A contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in Part I, "Item 1A: Risk Factors" and the Business Outlook section. Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions or other business combinations that had not been completed as of February 22, 2006.

Strategy

Our goal is to be the preeminent provider of silicon chips and platform solutions to the worldwide digital economy. As part of our overall strategy to compete in each relevant market segment, we use our core competencies in the design and manufacture of integrated circuits, as well as our financial resources, global presence and brand recognition. Our primary focus is on developing advanced integrated silicon technology solutions.

Our strategy focuses on taking customer needs into account in developing the next generation of products and platforms that will enable new form factors and new usage models for businesses and consumers. We believe that the end users of computing and communications systems and devices want products based on platform solutions. We define a platform as a collection of technologies that are designed to work together to provide a better end-user solution than if the ingredients were used separately. Our platforms consist of standards and initiatives such as WiFi and WiMAX; hardware and software that may include technologies such as HT Technology, Intel Virtualization Technology and Intel AMT; and services. In developing our platforms, we may include ingredients sold by other companies. The success of our strategy to offer platform solutions is dependent on our ability to select and incorporate ingredients that customers value, and to market the platforms effectively.

We also believe that users of computing and communications systems and devices want improved overall performance and/or improved performance per watt. Improved overall performance can include faster processing performance and/or other improved capabilities such as multithreading and/or multitasking, and improved connectivity, security, manageability, reliability, ease of use and/or interoperability among devices. Improved performance per watt involves balancing the addition of these types of improved performance factors with the power consumption of the platform. Lower power consumption may reduce system heat output, provide power savings, and reduce the total cost of ownership for the end user. It is our goal to incorporate these improvements in our various products and platforms to meet end-user demands. In line with these efforts, we are focusing our efforts on dual-core microprocessors. Dual-core microprocessors contain two processor cores, rather than just one processor core, which enables improved multitasking with improved performance per watt.

We make equity investments in companies around the world to further our strategic objectives and support our key business initiatives, including investments through our Intel Capital program. We generally focus on investing in companies and initiatives to stimulate growth in the digital economy, create new business opportunities for Intel and expand global markets for our products. The investments may support, among other things, Intel product initiatives, emerging trends in the technology industry or worldwide Internet deployment. We invest in companies that develop software, hardware or services supporting our technologies. Our current investment focus areas include helping to enable mobile wireless devices, advance the digital home, enhance the digital enterprise, advance high-performance communications infrastructures and develop the next generation of silicon production technologies. Our focus areas tend to develop and change over time due to rapid advancements in technology.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

We plan to continue to cultivate new businesses and work with the computing, communications and consumer electronics industries through standards bodies, trade associations, OEMs, ODMs, and independent software and operating system vendors, to encourage the industry to offer products that take advantage of the latest market trends and usage models. These efforts include helping to expand the infrastructure for wireless connectivity, including wireless broadband. We also provide development tools and support to help software developers create software applications and operating systems that take advantage of our platform solutions. We frequently participate in industry initiatives designed to discuss and agree upon technical specifications and other aspects of technologies that could be adopted as standards by standards-setting organizations. In addition, we work collaboratively with other companies to protect digital content and the consumer.

During the first quarter of 2005, we reorganized our operating segments to bring all major product groups in line with our strategy to design and deliver technology platforms. Our operating segments after the first-quarter reorganization included the Digital Enterprise Group, the Mobility Group, the Digital Home Group, the Digital Health Group and the Channel Platforms Group. In the fourth quarter of 2005, we added the Flash Memory Group. The Flash Memory Group offers NOR flash memory products, which were previously reported within the Mobility Group operating segment, and beginning in 2006, also offers NAND flash memory products that we purchase from IMFT.

Digital Enterprise Group

The Digital Enterprise Group designs and delivers computing and communications platforms for businesses and service providers. DEG products are incorporated into desktop computers, the infrastructure for the Internet and enterprise computing servers. DEG platforms for businesses are designed to increase employee productivity and reduce total cost of ownership. We develop these platforms based on our processors, chipsets, board-level products, wired connectivity products, and products for network and server storage. The processors offered by DEG are designed for various market segments, and include microprocessors that are optimized for use in the desktop and server computing market segments, and products designed for the communications infrastructure, including network processors and embedded microprocessors. Although DEG's strategic focus is on business platform solutions, the group also offers products marketed to the consumer desktop computing market segment. Consumer desktop platforms that are designed and marketed specifically for the digital home are offered by the Digital Home Group.

Our strategy for the desktop computing market segment is to introduce platforms with improved performance per watt, tailored to the needs of different market segments using a tiered branding approach. For desktop performance platforms, we offer the Intel Pentium 4 processor supporting HT Technology, and the Intel Pentium D processor. In addition, current versions of the Intel Core Duo processor that were originally designed for mobile form factors are also available for small desktop form factors. For value desktop platforms, we offer the Intel Celeron processor and the Intel Celeron D processor, which are designed to meet the core computing needs and affordability requirements of value-conscious PC users. We also offer chipsets designed and optimized for use in desktop platforms.

Our strategy for the enterprise computing market segment is to provide competitive price for performance in platforms that increase end-user value in the areas of power management, security, and manageability for entry-level to high-end servers and workstations. Our Intel Xeon processor family of products supports a range of entry-level to high-end technical and commercial computing applications. These products have been enhanced with Intel EM64T, our 64-bit extension technology. Our Intel Itanium processor family, which is based on Intel's 64-bit architecture and includes the Intel Itanium 2 processor, generally supports an even higher level of computing performance for data processing, the handling of high transaction volumes and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions. We also offer chipsets designed and optimized for use in both server and workstation platforms.

For the communications infrastructure, we deliver products that are basic building blocks for modular communications platforms. These products include advanced programmable network processors, based on Intel XScale technology, used to manage and direct data moving across the Internet and corporate networks. We also offer embedded microprocessors that can be used for modular communications platform applications as well as for industrial equipment and point-of-sale systems.

Mobility Group

The Mobility Group designs and delivers platforms for notebook PCs and handheld computing and communications devices. The Mobility Group's products include microprocessors and related chipsets designed for the notebook market segment, wireless connectivity products, and application and cellular baseband processors used in cellular handsets and handheld computing devices.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Our strategy for notebook PCs is to deliver platforms with optimized performance, battery life, form factor and wireless connectivity. For performance mobility users, we offer the Intel Core Duo processor, the Intel Core Solo and the Intel Pentium M processor. For value mobile platforms, we offer the Intel Celeron M processor and the Mobile Intel Celeron processor. The primary platforms offered by the Mobility Group are the Intel Centrino mobile technology platform and the Intel Centrino Duo mobile technology platform. We also offer wireless connectivity solutions based on the 802.11 industry standard. In addition, we are developing wireless connectivity solutions for networks based on the 802.16 industry standard, commonly known as WiMAX. The current versions of our WiMAX products are used in high-speed, fixed wireless broadband networks.

Our application and cellular baseband processors utilize Intel XScale technology. Intel XScale technology provides processing and multimedia graphics capability for data-enabled mobile phones and PDAs. We offer application processors sold as discrete chips or in stacked packaging solutions (stacking an application processor with memory).

Flash Memory Group

The strategy for the Flash Memory Group is to provide advanced flash memory products for cellular phones, digital audio players and embedded form factors. We offer a broad range of memory densities, leading-edge packaging technology and high-performance functionality. In support of our strategy, we offer NOR flash memory products such as Intel StrataFlash wireless memory for advanced mobile phone designs. In addition to product offerings for cellular customers, we offer NOR flash memory products that meet the needs of other market segments, such as the embedded market segment. The embedded market segment includes NOR flash memory products found in various applications, including set-top boxes, networking products, and other devices including DVD players and DSL and cable modems. Additionally, in January 2006 we formed IMFT, a NAND flash memory manufacturing company, with Micron. Products manufactured by IMFT and sold by Intel are currently being used in digital audio players.

We offer a variety of stacked memory products, including products based on our NOR flash, as well as our NOR flash plus SRAM and/or NAND flash, which we currently purchase from third-party vendors. Stacking of memory products refers to packaging several memory chips together.

Digital Home Group

The strategy for the Digital Home Group is to design and deliver computing- and communications-oriented platforms that meet the demands of consumers as digital content becomes increasingly accessible through a variety of connected digital devices within the home. We are focusing on components for digital home living-room entertainment applications and PCs designed for the digital home. We offer Intel Viiv technology-based platforms for use in the digital home. Platforms based on Intel Viiv technology include the Intel Pentium D, Pentium Processor Extreme Edition or Intel Core Duo processor, as well as a chipset, a network connectivity device and enabling software, all optimized to work together in the digital home environment. We also offer microprocessors and chipsets for embedded consumer electronics designs, such as digital televisions, video recorders and set-top boxes.

Digital Health Group

The strategy for the Digital Health Group is to target global business opportunities in healthcare research, diagnostics and productivity, as well as personal healthcare. In support of this strategy, the Digital Health Group is focusing on healthcare information technologies, personal health products and bio-medical products.

Channel Platforms Group

The strategy for the Channel Platforms Group is to expand on Intel's worldwide presence and success in global markets by accelerating channel growth. In addition, the Channel Platforms Group is developing unique platform solutions designed to meet local market needs in certain geographies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Critical Accounting Estimates

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements, which we discuss under the heading "Results of Operations" following this section of our MD&A. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the valuation of non-marketable equity securities, which impacts net gains (losses) on equity securities when we record impairments; recognition and measurement of current and deferred income tax assets and liabilities, which impact our tax provision; assessment of recoverability of long-lived assets, which primarily impacts gross margin when we impair manufacturing assets or accelerate their depreciation; and valuation of inventory, which impacts gross margin. Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other policies that we consider key accounting policies, such as policies for revenue recognition, including the deferral of revenue on sales to distributors; however, these policies typically do not require us to make estimates or judgments that are difficult or subjective.

Non-Marketable Equity Securities

We typically invest in non-marketable equity securities of private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies whose products or technologies may directly support an Intel product or initiative. At December 31, 2005, the carrying value of our portfolio of strategic investments in non-marketable equity securities, excluding equity derivatives, totaled \$561 million (\$507 million at December 25, 2004).

Investments in non-marketable equity securities are inherently risky, and a number of these companies are likely to fail. Their success (or lack thereof) is dependent on product development, market acceptance, operational efficiency and other key business success factors. In addition, depending on their future prospects, they may not be able to raise additional funds when needed or they may receive lower valuations, with less favorable investment terms than in previous financings, and the investments would likely become impaired.

We review our investments quarterly for indicators of impairment; however, for non-marketable equity securities, the impairment analysis requires significant judgment to identify events or circumstances that would likely have a significant adverse effect on the fair value of the investment. The indicators that we use to identify those events or circumstances include (a) the investee's revenue and earnings trends relative to predefined milestones and overall business prospects, (b) the technological feasibility of the investee's products and technologies, (c) the general market conditions in the investee's industry or geographic area, including adverse regulatory or economic changes, (d) factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios and the rate at which the investee is using its cash, and (e) the investee's receipt of additional funding at a lower valuation.

Investments identified as having an indicator of impairment are subject to further analysis to determine if the investment is other than temporarily impaired, in which case we write the investment down to its impaired value. When an investee is not considered viable from a financial or technological point of view, we write down the entire investment since we consider the estimated fair market value to be nominal. If an investee obtains additional funding at a valuation lower than our carrying amount or requires a new round of equity funding to stay in operation and the new funding does not appear imminent, we presume that the investment is other than temporarily impaired, unless specific facts and circumstances indicate otherwise. Impairments of investments in our portfolio of non-marketable equity securities were approximately \$103 million in 2005 (\$115 million in 2004 and \$319 million in 2003).

Income Taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, tax benefits, and deductions such as the tax benefit for export sales and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that a substantial majority of the deferred tax assets recorded on our balance sheet will ultimately be recovered. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery was not likely.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional tax payments are probable. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than we expect the ultimate assessment to be. For a discussion of current tax matters, see "Note 10: Provision for Taxes" and "Note 18: Contingencies" in Part II, Item 8 of this Form 10-K.

Long-Lived Assets

We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability of assets that will continue to be used in our operations is measured by comparing the carrying amount of the asset grouping to our estimate of the related total future net cash flows. If an asset grouping's carrying value is not recoverable through the related cash flows, the asset grouping is considered to be impaired. The impairment is measured by the difference between the asset grouping's carrying amount and its fair value, based on the best information available, including market prices or discounted cash flow analysis.

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. Due to our asset usage model and the interchangeable nature of our semiconductor manufacturing capacity, we must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as we make manufacturing process conversions and other factory planning decisions, we must make subjective judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter than we had originally estimated, and there are sufficient cash flows to support the carrying value of the assets, we accelerate the rate of depreciation charges in order to fully depreciate the assets over their new shorter useful lives. Impairments and accelerated depreciation of long-lived assets were approximately \$20 million in 2005 (approximately \$50 million in 2004 and \$220 million in 2003).

Inventory

The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products within specific time horizons, generally six months or less. The estimates of future demand that we use in the valuation of inventory are the same as those used in our published revenue forecasts and are also consistent with the estimates used in our short-term manufacturing plans. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to write down additional inventory, which would have a negative impact on our gross margin.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Results of Operations

Overview

2005 was a year of many notable accomplishments for Intel. We experienced our third year of double-digit growth in annual revenue, gross margin dollars, operating profit and net income. The majority of the growth during 2005 was due to the success of our notebook computing platforms. Our financial position remains strong, and we generated \$14.8 billion in cash flows from operations in 2005. We were able to return a total of \$12.6 billion to stockholders through our highest level of stock repurchases and dividends in our company's history. We also underwent the largest reorganization in our company's history, which re-aligned our company around platform solutions, and we embarked on a massive rebranding effort. While the first half was strong, our results for the second half were lower than seasonal. Our results for the fourth quarter were lower than expected, primarily due to the strong competitive landscape.

In 2006, we are planning for further growth in revenue and gross margin dollars, although we expect this growth to be tempered somewhat from the growth rates of recent years due to the expectation of some pricing pressure and a sustained competitive landscape. However, with the introduction of compelling new platforms and a strong processor roadmap, we believe that we are positioned well for future growth. Our new platforms include the recently introduced Intel Centrino Duo mobile technology and our new platform brand for the digital home, Intel Viiv technology. We also expect to launch a new microarchitecture in the second half of 2006 that we believe will deliver performance-per-watt leadership in the desktop, mobile and server market segments. In addition, we are focusing on new business opportunities, including the introduction of Intel microprocessor-based systems by Apple Computer, Inc., and our entrance into the NAND flash memory market through IMFT, the venture we formed in January 2006 with Micron. We anticipate that a fast ramp of our dual-core microprocessor products on our industry-leading 65-nanometer process technology will enable and enhance these growth opportunities. The ramp of our 65-nanometer microprocessor products will also enable increased chipset capacity as we transition our chipset production to our 90-nanometer process technology.

The following table sets forth the consolidated statements of income and the related percentages of net revenue for the periods indicated:

(Dollars in Millions)	2005		2004		2003	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Net revenue	\$ 38,826	100.0%	\$ 34,209	100.0%	\$ 30,141	100.0%
Cost of sales	15,777	40.6%	14,463	42.3%	13,047	43.3%
Gross margin	23,049	59.4%	19,746	57.7%	17,094	56.7%
Research and development	5,145	13.3%	4,778	14.0%	4,360	14.5%
Marketing, general and administrative	5,688	14.7%	4,659	13.6%	4,278	14.2%
Impairment of goodwill	—	—	—	—	617	2.0%
Amortization and impairment of acquisition-related intangibles and costs	126	0.3%	179	0.5%	301	1.0%
Purchased in-process research and development	—	—	—	—	5	—
Operating income	12,090	31.1%	10,130	29.6%	7,533	25.0%
Losses on equity securities, net	(45)	(0.1)%	(2)	—	(283)	(0.9)%
Interest and other, net	565	1.5%	289	0.9%	192	0.6%
Income before taxes	12,610	32.5%	10,417	30.5%	7,442	24.7%
Provision for taxes	3,946	10.2%	2,901	8.5%	1,801	6.0%
Net income	\$ 8,664	22.3%	\$ 7,516	22.0%	\$ 5,641	18.7%

[Table of Contents](#)**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Continued)

The following table sets forth information on our geographic regions for the periods indicated:

<u>(Dollars in Millions)</u>	<u>2005</u>		<u>2004</u>		<u>2003</u>	
	<u>Revenue</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>
Asia-Pacific	\$ 19,330	50%	\$ 15,380	45%	\$ 12,161	40%
Europe	8,210	21%	7,755	23%	6,868	23%
Americas	7,574	19%	7,965	23%	8,403	28%
Japan	3,712	10%	3,109	9%	2,709	9%
Total	\$ 38,826	100%	\$ 34,209	100%	\$ 30,141	100%

Our net revenue for 2005 was \$38.8 billion, an increase of \$4.6 billion, or 13.5%, compared to 2004. This increase was primarily due to higher revenue from sales of mobile microprocessors and higher chipset revenue. Fiscal year 2005 was a 53-week fiscal year in contrast to fiscal year 2004, which was a 52-week fiscal year.

Our Asia-Pacific region's revenue was approximately 50% of our total revenue in 2005 and continues to be our fastest growing region, increasing 26% compared to 2004 and reflecting the movement of more of our customers' PC supply chains to Asia. This movement in the supply chain has negatively affected our sales in the Americas region, which decreased 5% compared to 2004. Japan revenue increased 19% and Europe revenue increased 6% during 2005 compared to 2004. We continued to see growth in both mature and emerging markets.

Overall gross margin dollars for 2005 were \$23.0 billion, an increase of \$3.3 billion, or 17%, compared to 2004. Our overall gross margin percentage increased to 59.4% in 2005 from 57.7% in 2004. The overall gross margin percentage was positively affected by a mix shift of our total revenue to the Mobility Group, which has a higher gross margin percentage. The gross margin percentages for the Digital Enterprise Group and Flash Memory Group were higher and the gross margin percentage for the Mobility Group was lower in 2005 compared to 2004. As a result of a litigation settlement agreement with MicroUnity, we recorded a \$140 million charge to cost of sales in 2005, of which \$110 million was allocated to the Digital Enterprise Group and \$30 million was allocated to the Mobility Group. The 2004 gross margin was affected by a litigation settlement with Intergraph in which we recorded a \$162 million charge to cost of sales, of which \$120 million was allocated to the Digital Enterprise Group and \$42 million was allocated to the Mobility Group. See Business Outlook later in this section for a discussion of gross margin expectations.

Our net revenue for 2004 was \$34.2 billion, an increase of \$4.1 billion, or 13.5%, compared to 2003. This increase was primarily due to higher net revenue from sales of microprocessors in the Digital Enterprise Group and the Mobility Group operating segments.

In 2004, our Asia-Pacific region's revenue made up the largest portion of our total revenue and increased 26%, reflecting both growth in local consumption and movement of more of the production for our customers' PC supply chains to Asia. This movement in the supply chain negatively affected the Americas region, with a decrease in revenue of 5% in 2004 compared to 2003. Japan revenue increased 15%, and the Europe region's revenue increased 13% in 2004 compared to 2003.

Overall gross margin dollars for 2004 were \$19.7 billion, an increase of \$2.7 billion, or 16%, compared to 2003. Our overall gross margin percentage increased to 57.7% in 2004 from 56.7% in 2003. As a result of a litigation settlement agreement with Intergraph, we recorded a \$162 million charge to cost of sales in 2004. The gross margin percentage for the Digital Enterprise Group operating segment was higher than in 2003, and the gross margin percentages for the Mobility Group and Flash Memory Group operating segments were approximately flat compared to 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)**Digital Enterprise Group**

The revenue and operating income for the Digital Enterprise Group (DEG) for the three years ended December 31, 2005 were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Microprocessor revenue	\$ 19,412	\$ 19,426	\$ 17,991
Chipset, motherboard and other revenue	<u>5,725</u>	<u>5,352</u>	<u>5,068</u>
Total revenue	\$ 25,137	\$ 24,778	\$ 23,059
Operating income	\$ 9,006	\$ 8,851	\$ 8,017

Revenue for the DEG operating segment was approximately flat compared to 2004. Revenue from sales of microprocessors was approximately flat, with slightly higher unit sales being offset by slightly lower average selling prices. Revenue from sales of server microprocessors in 2005 was negatively affected by the highly competitive server market. Chipsets, motherboard and other revenue was higher, primarily due to higher average selling prices of chipsets. Microprocessors within DEG include microprocessors designed for the desktop and enterprise computing market segments, previously included within the former Intel Architecture business operating segment, as well as embedded microprocessors. Revenue from network processors, which are based on our Intel XScale technology, is included in other revenue above.

Operating income was also approximately flat, at \$9.0 billion in 2005 compared to \$8.85 billion in 2004. The operating income for DEG was positively affected by lower microprocessor unit costs and higher chipset revenue. These improvements were offset by approximately \$380 million of higher start-up costs in 2005, primarily related to our 65-nanometer process technology. Products based on our 65-nanometer process technology began shipping in the fourth quarter of 2005. Although revenue was flat, operating expenses increased in 2005, which negatively affected operating income. Both periods were negatively affected by litigation settlement agreements. Results for 2005 included a charge related to a settlement agreement with MicroUnity, and results for 2004 included a charge related to a settlement agreement with Intergraph.

For 2004, revenue for the DEG operating segment increased by \$1.7 billion, or 7%, compared to 2003. The increase in DEG revenue was primarily due to higher unit sales of microprocessors and motherboards. The increase was partially offset by lower average selling prices for microprocessors designed for desktop platforms, and lower chipset revenue. We ramped our 90-nanometer process technology in 2004 and exited the year with the majority of microprocessors shipped by the DEG operating segment being manufactured on this technology.

Operating income increased to \$8.85 billion in 2004 compared to \$8.0 billion in 2003. The increase was primarily due to the impact of higher revenue and lower unit costs for microprocessors, as well as approximately \$160 million of lower manufacturing start-up costs. These increases in operating income were partially offset by higher operating expenses, lower chipset revenue and the negative impact of reducing the carrying value of ending chipset inventory to lower current replacement costs. In addition, we recorded a charge in 2004 related to a settlement agreement with Intergraph.

[Table of Contents](#)**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Continued)**Mobility Group**

The revenue and operating income for the Mobility Group (MG) for the three years ended December 31, 2005 were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Microprocessor revenue	\$ 8,704	\$ 5,667	\$ 4,120
Chipset, motherboard and other revenue	2,427	1,314	966
Total revenue	\$ 11,131	\$ 6,981	\$ 5,086
Operating income	\$ 5,330	\$ 2,833	\$ 1,743

Revenue for the MG operating segment increased by \$4.15 billion, or 59%, in 2005 compared to 2004. This increase was primarily due to significantly higher revenue from sales of microprocessors, which increased \$3.0 billion, or 54%, in 2005 compared to 2004, reflecting the continued growth in the notebook market segment. Increased use of microprocessors designed specifically for mobile platforms in notebook computers also contributed to the higher revenue. The higher revenue from sales of microprocessors was due to significantly higher unit sales, partially offset by lower average selling prices, primarily due to higher unit sales of the Celeron M processor, our value mobile processor. Revenue from sales of chipsets and wireless connectivity products also increased significantly in 2005 compared to 2004, primarily due to the success of Intel Centrino mobile technology. Revenue from application processors, which are based on Intel XScale technology, increased due to growth in data-enabled cellular phones, and is included in "chipset, motherboard and other revenue" above.

Operating income increased to \$5.3 billion in 2005 from \$2.8 billion in 2004. The significant increase in operating income was primarily due to higher revenue. In addition, operating expenses for the MG operating segment did not increase as fast as revenue, and microprocessor unit costs were lower. These increases in operating income were partially offset by approximately \$170 million of higher start-up costs in 2005, primarily related to our 65-nanometer process technology. Products based on our 65-nanometer process technology began shipping in the fourth quarter of 2005.

For 2004, revenue for the MG operating segment increased by \$1.9 billion, or 37%, compared to 2003. The increase in MG revenue was primarily due to substantially higher unit sales of microprocessors designed for notebooks. The increase in revenue was primarily due to the success of our Intel Centrino mobile technology platform, which also resulted in higher sales of mobile chipset products and wireless connectivity products. We ramped our 90-nanometer process technology in 2004 and exited the year with the majority of microprocessors shipped by the MG operating segment being manufactured on this technology.

Operating income increased to \$2.8 billion in 2004 compared to \$1.7 billion in 2003. The increase was primarily due to the impact of higher revenue and lower unit costs for microprocessors. These increases in operating income were partially offset by higher operating expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)**Flash Memory Group**

The revenue and operating loss for the Flash Memory Group (FMG) for the three years ended December 31, 2005 were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenue	\$ 2,278	\$ 2,285	\$ 1,608
Operating income (loss)	\$ (154)	\$ (149)	\$ (152)

Revenue for the FMG operating segment remained approximately flat in 2005 at \$2.3 billion compared to 2004. Revenue was positively affected by higher unit sales and negatively affected by lower average selling prices. Operating loss remained approximately flat in 2005 at \$154 million, compared to \$149 million in 2004. The operating loss was positively affected by lower unit costs and negatively affected by higher operating expenses. In 2006, we will continue ramping Intel StrataFlash products on 90-nanometer process technology, and plan to grow revenue within the highly competitive NOR market segment. Additionally, in 2006, FMG will also include the results of sales of NAND flash memory products.

For 2004, revenue for the FMG operating segment increased \$677 million, or 42%, compared to 2003. The increase in FMG revenue was primarily due to higher unit sales. Operating loss remained approximately flat in 2004 at \$149 million, compared to \$152 million in 2003. The operating loss was positively affected by higher revenue, as well as approximately \$100 million from lower inventory write-offs for flash memory products due to improved demand and sales of NOR flash memory inventory that had been previously written down. This positive effect was offset by higher unit costs for flash memory products, as we sold higher density products, and by the impact of reducing the carrying value of ending inventory to lower current replacement costs.

Operating Expenses

Operating expenses for the three years ended December 31, 2005 were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Research and development	\$ 5,145	\$ 4,778	\$ 4,360
Marketing, general and administrative	\$ 5,688	\$ 4,659	\$ 4,278
Impairment of goodwill	\$ —	\$ —	\$ 617
Amortization and impairment of acquisition-related intangibles and costs	\$ 126	\$ 179	\$ 301
Purchased in-process research and development	\$ —	\$ —	\$ 5

Research and development spending increased \$367 million, or 8%, in 2005 compared to 2004, and increased \$418 million, or 10%, in 2004 compared to 2003. The increase in 2005 compared to 2004 was primarily due to higher headcount and profit-dependent compensation expenses, partially offset by lower expenses related to development for our next-generation 65-nanometer manufacturing process technology. In addition, fiscal year 2005 included 53 weeks in contrast to 52 weeks in 2004. The increase in 2004 compared to 2003 was primarily due to higher expenses related to development of manufacturing process technologies, including our 65-nanometer process on 300mm wafers, and higher expenses for product development programs, as well as higher profit-dependent compensation expenses.

Marketing, general and administrative expenses increased \$1.0 billion, or 22%, in 2005 compared to 2004, and increased \$381 million, or 9%, in 2004 compared to 2003. The increase in 2005 was primarily due to higher marketing program spending, higher headcount and higher profit-dependent compensation expenses as well as the extra work week. The increase in 2004 was primarily due to higher cooperative advertising expenses (as a result of higher revenue from sales of microprocessors in the DEG and MG operating segments, and because our customers used a higher percentage of their available Intel Inside program funds) and increased profit-dependent compensation expenses. In addition, the increase was due to higher marketing expenses from additional marketing programs and increased advertising expenses.

Research and development along with marketing, general and administrative expenses were 28% of net revenue in 2005 and 2004, and 29% of net revenue in 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Amortization of acquisition-related intangibles and costs was \$126 million in 2005 (\$179 million in 2004 and \$301 million in 2003). The decreased amortization each year compared to the previous year was primarily due to a portion of the intangibles related to prior acquisitions becoming fully amortized.

During 2005 and 2004, we completed annual reviews and concluded that goodwill was not impaired in either year. During 2003, under the former reporting unit structure, we found indicators of impairment of goodwill and recorded a non-cash impairment charge of \$611 million, which was included as a component of operating income in the "all other" category for segment reporting purposes. Under the former reporting structure, the wireless communications business unit had not performed as management had expected. It became apparent that the business was expected to grow more slowly than had previously been projected. A slower-than-expected rollout of products and slower-than-expected customer acceptance of the reporting unit's products in the cellular baseband processor business, as well as a delay in the transition to next-generation phone networks, had pushed out the forecasts for sales into high-end data cell phones. These factors resulted in lower growth expectations for the reporting unit and triggered the goodwill impairment. Also during 2003, the goodwill related to one of our seed businesses, included in the "all other" category, was impaired.

Losses on Equity Securities, Interest and Other, and Provision for Taxes

Losses on equity securities, net, interest and other, net and provision for taxes for the three years ended December 31, 2005 were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Losses on equity securities, net	\$ (45)	\$ (2)	\$ (283)
Interest and other, net	\$ 565	\$ 289	\$ 192
Provision for taxes	\$ (3,946)	\$ (2,901)	\$ (1,801)

Losses on equity securities, net for 2005 were \$45 million compared to \$2 million for 2004. The net loss for 2005 included impairments of \$208 million, primarily due to a \$105 million impairment charge on our investment in Micron. The impairment was principally based on our assessment during the second quarter of 2005 of Micron's financial results and the fact that the market price of Micron's stock had been below our cost basis for an extended period of time, as well as the competitive pricing environment for DRAM products. The net loss for 2004 included impairments of approximately \$117 million, primarily on non-marketable equity securities. Gains on equity transactions of \$163 million largely offset the impairments for 2005 (\$115 million for 2004).

Losses on equity securities, net for 2004 were \$2 million compared to \$283 million for 2003. The improvement was primarily driven by lower impairment charges on investments, particularly on non-marketable equity securities (\$117 million for 2004 and \$319 million for 2003). The decrease in the impairment charges in 2004 reflected the decrease in the total carrying amount of the non-marketable equity investment portfolio that had occurred over the previous couple of years. Both periods had gains on equity transactions that offset impairments.

Interest and other, net increased to \$565 million in 2005 compared to \$289 million in 2004, reflecting higher interest income as a result of higher interest rates. Interest and other, net increased to \$289 million in 2004 compared to \$192 million in 2003, reflecting higher interest income as a result of higher average investment balances and higher interest rates. Interest and other, net for 2004 also included approximately \$60 million of gains associated with terminating financing arrangements for manufacturing facilities and equipment in Ireland.

Our effective income tax rate was 31.3% in 2005 (27.8% in 2004 and 24.2% in 2003). The rate for 2005 included an increase to the tax provision of approximately \$265 million as a result of the decision to repatriate foreign earnings under the American Jobs Creation Act of 2004 (the Jobs Act), which was partially offset by the reversal of previously accrued items. The tax rate for 2004 included a \$195 million reduction to the tax provision, primarily from additional benefits for export sales along with state tax benefits for divestitures, as well as the reversal of previously accrued taxes, primarily related to the closing of a state income tax audit. The rate for 2003 included a \$758 million reduction to the tax provision related to divestitures, partially offset by the non-deductible goodwill impairment charge.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Financial Condition

Our financial condition remains strong. At December 31, 2005, cash, short-term investments and fixed income debt instruments included in trading assets totaled \$12.4 billion, down from \$16.8 billion at December 25, 2004. At December 31, 2005, total short-term and long-term debt was \$2.4 billion and represented 6.7% of stockholders' equity (at December 25, 2004, total debt was \$904 million and represented 2.3% of stockholders' equity).

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. For 2005, cash provided by operating activities was \$14.8 billion, compared to \$13.1 billion in 2004 and \$11.5 billion in 2003. In 2005 compared to 2004, the majority of the increase in cash provided by operating activities was from maturities of trading assets in excess of purchases and higher net income. In 2004 compared to 2003, the majority of the increase in cash provided by operating activities was due to higher net income. Income taxes payable increased compared to 2004 due to timing of estimated payments and the impact of repatriation under the Jobs Act. Accounts receivable increased in 2005 compared to 2004, primarily due to higher revenue and a higher proportion of sales occurring at the end of the fourth quarter. Accounts receivable was approximately flat in 2004 compared to 2003. For 2005, our two largest customers accounted for 35% of net revenue, with one of these customers accounting for 19% of revenue and another customer accounting for 16%. For 2004, our two largest customers accounted for 35% of net revenue (34% of net revenue for 2003). Additionally, these two largest customers accounted for 42% of net accounts receivable at December 31, 2005 (34% at December 25, 2004 and 31% at December 27, 2003). Inventories in 2005 increased compared to 2004 levels, primarily due to ramping of new products. Inventories were approximately flat in 2004 compared to 2003 levels.

Investing cash flows consist primarily of capital expenditures, the proceeds from investment maturities and payment for investments acquired. We used \$6.4 billion in net cash for investing activities during 2005, compared to \$5.0 billion during 2004 and \$7.1 billion during 2003. The higher cash used in investing activities in 2005 compared to 2004 resulted from capital spending, primarily driven by investments in 65-nanometer production equipment. Capital spending was \$5.8 billion in 2005 (\$3.8 billion in 2004 and \$3.7 billion in 2003). Capital spending for 2006 is expected to be \$6.9 billion, plus or minus \$200 million, primarily driven by investments in 300mm, 45-nanometer production equipment. During 2005, we also paid \$191 million in cash for acquisitions, net of cash acquired. Other investing activities included intellectual property assets acquired as a result of a settlement agreement with MicroUnity for \$160 million. The higher net purchases of available-for-sale investments in 2004 compared to 2005 were due to improved corporate credit profiles that facilitated a slight shift in our portfolio of investments in debt securities to longer term maturities. The higher cash used in investing activities in 2003 compared to 2004 also resulted from higher net purchases of available-for-sale investments due to improved corporate credit profiles that facilitated a slight shift in our portfolio of investments in debt securities to longer term maturities that year.

Financing cash flows consist primarily of repurchases and retirement of common stock, payment of dividends to stockholders and additions to long-term debt. We used \$9.5 billion in net cash for financing activities in 2005 compared to \$7.7 billion in 2004 and \$3.9 billion in 2003. During 2005, our Board of Directors amended the company's ongoing authorization to repurchase up to \$25 billion in shares of Intel's common stock in open market or negotiated transactions, and in 2005 we purchased 418 million shares of common stock for \$10.6 billion (301 million shares for \$7.5 billion in 2004 and 176 million shares for \$4.0 billion in 2003). At December 31, 2005, \$21.9 billion remained available for repurchase under existing repurchase authorizations. Payment of dividends was \$2.0 billion in 2005 (\$1.0 billion in 2004 and \$524 million in 2003) due to an increase in the quarterly cash dividend from \$0.04 per share to \$0.08 per share effective beginning in the first quarter of 2005. On January 19, 2006, our Board of Directors declared a cash dividend of \$0.10 per share effective the first quarter of 2006. The dividend is payable on March 1, 2006 to stockholders of record on February 7, 2006. Additions to long-term debt included \$1.6 billion in proceeds from the issuance of 2.95% junior subordinated convertible debentures (the debentures) due 2035. The proceeds from the debentures are available for general corporate purposes, as well as to purchase shares of Intel common stock. Additions to long-term debt also included \$160 million in 4.375% bonds issued by the Industrial Development Authority of the City of Chandler, Arizona (the Arizona bonds) due 2035. The proceeds from the issuance of the Arizona bonds will be used to finance the costs of acquisition, construction and installation of certain industrial sewage and wastewater treatment facilities and solid waste disposal facilities as part of our semiconductor manufacturing plant located in the City of Chandler, Arizona. Financing sources of cash during 2005 also included \$1.2 billion in proceeds from the sale of shares pursuant to employee equity incentive plans (\$894 million in 2004 and \$967 million in 2003).

During January 2006, Micron and Intel formed IMFT. As part of the initial capital contribution to IMFT, Intel paid \$500 million in cash in January 2006, issued \$581 million in notes, and owes an additional \$115 million in cash in exchange for a 49% interest in IMFT.

[Table of Contents](#)

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Another potential source of liquidity is authorized borrowings, including commercial paper, of \$3.0 billion. Maximum borrowings under our commercial paper program during 2005 were approximately \$150 million, although no commercial paper was outstanding at the end of the period. We also maintain the ability to issue an aggregate of \$1.4 billion in debt, equity and other securities under SEC shelf registration statements.

We believe that we have the financial resources needed to meet business requirements for the next 12 months, including capital expenditures for the expansion or upgrading of worldwide manufacturing and assembly and test capacity, working capital requirements, the dividend program, potential stock repurchases and potential future acquisitions or strategic investments.

Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2005, which are expected to have an effect on our liquidity and cash flows in future periods:

(In Millions)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	\$ 434	\$ 114	\$ 141	\$ 77	\$ 102
Capital purchase obligations ¹	2,743	2,696	47	—	—
Other purchase obligations and commitments ²	448	273	175	—	—
Long-term debt obligations	2,124	18	117	204	1,785
Other long-term liabilities ³	144	20	39	23	62
Total⁴	\$ 5,893	\$ 3,121	\$ 519	\$ 304	\$ 1,949

¹ Capital purchase obligations represent commitments for construction or purchase of property, plant and equipment. They were not recorded as liabilities on our balance sheet as of December 31, 2005, as we had not yet received the related goods or taken title to the property. Capital purchase obligations remained approximately flat at \$2.7 billion at December 31, 2005 compared to \$2.8 billion at December 25, 2004. These capital purchase obligations relate primarily to capital equipment for manufacturing process technology.

² Other purchase obligations and commitments include payments due under various types of licenses and non-contingent funding obligations. Funding obligations include, for example, agreements to fund various projects with other companies.

³ Represents total anticipated cash payments related to other long-term liability obligations, and may not equal the present value amount recorded on the balance sheet.

⁴ Total does not include contractual obligations already recorded on the balance sheet as current liabilities (except for the short-term portion of the long-term debt and other long-term liabilities) or certain purchase obligations, which are discussed below.

Contractual obligations for purchases of goods or services are defined as agreements that are enforceable and legally binding on Intel and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Subsequent to year-end 2005, we entered into an agreement in which we have a contractual obligation to purchase the output of IMFT initially in proportion to our investment in IMFT, which is currently 49%. See “Note 16: Venture” in Part II, Item 8 of this Form 10-K.

Our purchase orders for other products are based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements. We generally do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities and pre-determined prices that exceed our expected requirements for three months. Therefore, agreements for the purchase of raw materials and other goods and services are not included in the table above. Agreements for outsourced services generally contain clauses allowing for cancellation without significant penalty, and are therefore not included in the table above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Contractual obligations that are contingent upon the achievement of certain milestones are not included in the table above. These obligations include contingent funding obligations and milestone-based equity investment funding. These arrangements are not considered contractual obligations until the milestone is met by the third party. As of December 31, 2005, assuming that all future milestones are met, additional required payments would be approximately \$39 million. Obligations to employees and non-employee directors related to our equity incentive plans are not included in the table above, as these arrangements do not result in a future cash outflow.

The expected timing of payments of the obligations above is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations. Amounts disclosed as contingent or milestone-based obligations are dependent on the achievement of the milestones or the occurrence of the contingent events and can vary significantly.

In January 2006, we entered into various contractual commitments in relation to our investment in IMFT. Some of these commitments are with Micron, and some are with the newly formed company, IMFT. The following are the significant contractual commitments entered into in January 2006:

- As part of the initial capital contribution to IMFT, we paid \$500 million in cash in January 2006, issued \$581 million in notes, and owe an additional \$115 million in cash. Subject to certain conditions, Intel and Micron will each contribute approximately an additional \$1.4 billion over the next three years.
- As part of our agreement with Micron related to IMFT, subject to our approval and the approval of Micron, we may be required to make additional capital contributions to IMFT for new fabrication facilities. The actual amount and likelihood of required funding is not known, and is contingent upon the fabrication facilities capacity requirements of IMFT in the future.
- We also have several agreements with Micron related to intellectual property rights, and research and development funding related to NAND flash manufacturing and IMFT. See "Note 16: Venture" in Part II, Item 8 of this Form 10-K.

Off-Balance-Sheet Arrangements

As of December 31, 2005, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Employee Equity Incentive Plans

Our equity incentive programs are broad-based, long-term retention programs that are intended to attract and retain talented employees and align stockholder and employee interests. Under the 2004 Equity Incentive Plan (the 2004 Plan), 240 million shares of common stock were made available for issuance during the two-year period ending June 30, 2006. In May 2005, we obtained stockholder approval to extend the term of the 2004 Plan by one year, to June 30, 2007, and to make an additional 130 million shares of common stock available for issuance as equity awards to employees and non-employee directors.

Our goal has been to keep the potential incremental dilution related to our equity incentive programs to a long-term average of less than 2% annually. The dilution percentage is calculated using the new option grants for the year, net of options cancelled due to employees leaving the company and expired options, divided by the total outstanding shares at the beginning of the year.

Options granted to employees, including officers, and non-employee directors from 2001 through 2005 are summarized as follows:

(Shares in Millions)	2005	2004	2003	2002	2001
Total options granted ¹	119	115	110	174	238
Less options cancelled ¹	(38)	(32)	(40)	(44)	(47)
Net options granted	81	83	70	130	191
Net grants as % of outstanding shares ²	1.3%	1.3%	1.1%	1.9%	2.8%
Grants to listed officers ³ as % of total options granted	1.4%	1.1%	2.4%	1.7%	0.8%
Grants to listed officers ³ as % of outstanding shares ²	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%
Cumulative options held by listed officers ³ as % of total options outstanding	1.9%	2.1%	2.1%	2.1%	2.0%

¹ Excluding options assumed in connection with acquisitions.

² Outstanding shares as of the beginning of each period.

³ For 2005, “listed officers” are our Chief Executive Officer and the four other most highly compensated executive officers serving at the end of 2005. For 2004, “listed officers” are those officers plus an officer who retired in January 2005. For 2001 through 2003, “listed officers” are our Chief Executive Officer and each of the four other most highly compensated executive officers serving at the end of the years presented.

In accordance with a policy established by the Compensation Committee of the Board of Directors, total options granted to the listed officers may not exceed 5% of total options granted in any year. During 2005, options granted to listed officers amounted to 1.4% of the grants made to all employees. All stock option grants to executive officers are determined by the Compensation Committee. All members of the Compensation Committee are independent directors, as defined in the applicable rules for issuers traded on The NASDAQ Stock Market*.

For additional information regarding equity incentive plans and the activity for the past three years, see “Note 11: Employee Equity Incentive Plans” in Part II, Item 8 of this Form 10-K. Information regarding our equity incentive plans should be read in conjunction with the information appearing under the heading “Report of the Compensation Committee on Executive Compensation” in our 2006 Proxy Statement, which is incorporated herein by reference.

In-the-money and out-of-the-money¹ option information as of December 31, 2005 was as follows:

(Shares in Millions)	Exercisable		Unexercisable		Total	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
In-the-money	241.3	\$ 18.06	318.4	\$ 22.34	559.7	\$ 20.49
Out-of-the-money	227.9	\$ 40.92	112.3	\$ 28.88	340.2	\$ 36.95
Total options outstanding	469.2	\$ 29.16	430.7	\$ 24.04	899.9	\$ 26.71

¹ Out-of-the-money options have an exercise price equal to or above \$24.96, the closing price of Intel stock on December 30, 2005, as reported on The NASDAQ Stock Market*.

[Table of Contents](#)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Options granted to listed officers as a group during fiscal 2005 were as follows:

Number of Securities Underlying Option Grants	Percent of Total Options Granted to Employees	Exercise Price Per Share	Expiration Date	Grant Date Present Value ¹
1,675,000	1.4%	\$ 22.63–\$23.16	2012–2015	\$ 10,553,100

¹ Represents the estimated present value of stock options at the date of grant, calculated using the Black-Scholes option pricing model based on the following assumptions: volatility of 0.27, expected life of 5.5 years, risk-free interest rate of 4.0% and dividend yield of 1.4%.

Option exercises during 2005 and option values for listed officers as a group as of December 31, 2005 were as follows:

Shares Acquired on Exercise	Value Realized	Number of Shares Underlying Unexercised Options at December 31, 2005		Values of Unexercised In-the-Money Options at December 31, 2005 ¹	
		Exercisable	Unexercisable	Exercisable	Unexercisable
1,168,000	\$21,037,500	8,517,800	8,600,100	\$48,498,800	\$24,554,000

¹ These amounts represent the difference between the exercise price and \$24.96, the closing price of Intel stock on December 30, 2005, as reported on The NASDAQ Stock Market*, for all in-the-money options held by listed officers.

Information as of December 31, 2005 regarding equity compensation plans approved and not approved by stockholders is summarized in the following table (shares in millions):

Plan Category	(A) Number of Shares to Be Issued Upon Exercise of Outstanding Options	(B) Weighted Average Exercise Price of Outstanding Options	(C) Number of Shares Remaining Available for Future Issuance Under Equity Incentive Plans (Excluding Shares Reflected in Column A)
Equity incentive plans approved by stockholders	223.3	\$ 22.58	284.9 ¹
Equity incentive plans not approved by stockholders ²	671.6	\$ 28.17	—
Total	894.93	\$ 26.77	284.9

¹ Includes 47.9 million shares available under our 1976 Employee Stock Participation Plan.

² Consists of shares available under our 1997 Stock Option Plan, which was not required to be approved by stockholders. The 1997 Stock Option Plan was terminated as to future grants when the 2004 Plan was approved by the stockholders in May 2004.

³ Total excludes 5.0 million shares issuable under outstanding options, with a weighted average exercise price of \$16.15, originally granted under plans that we assumed in connection with acquisitions.

1997 Stock Option Plan

The 1997 Stock Option Plan (the 1997 Plan) provided for the grant of stock options to employees other than officers and directors. This plan, which was not approved by stockholders, was terminated as to future grants when the 2004 Plan was approved by the stockholders in May 2004. The 1997 Plan is administered by the Compensation Committee of the Board of Directors, which has the power to determine matters relating to outstanding option awards under the plan, including conditions of vesting and exercisability. Options granted under the 1997 Plan expire no later than 10 years from the grant date. Options granted prior to 2003 under this plan generally vest in five years, and options granted under this plan in 2003 and 2004 generally vest in increments over four or five years from the date of grant. Certain grants to key employees have delayed vesting generally beginning six years from the date of grant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Business Outlook

Non-GAAP Financial Measures

In addition to disclosing financial results calculated in accordance with U.S. generally accepted accounting principles (GAAP), the forecasts below contain non-GAAP financial measures that exclude the effects of share-based compensation expense and the requirements of SFAS No. 123(R). Commencing with our first quarter of 2006, we will include non-GAAP financial measures of our financial results for the reporting period that exclude the income statement effects of share-based compensation and the effects of SFAS No. 123(R) upon the number of diluted shares used in calculating non-GAAP earnings per share. For further discussion on the requirements of SFAS No. 123(R), see "Recent Accounting Pronouncements" within "Note 2: Accounting Policies" in Part II, Item 8 of this Form 10-K. The non-GAAP financial measures disclosed should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated. The non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

We will apply the modified prospective method of adoption of SFAS No. 123(R), under which the effects of SFAS No. 123(R) will be reflected in our GAAP financial statement presentations for and after the first quarter of 2006, but will not be reflected in results for prior periods. Gross margin, expenses (research and development and marketing, general and administrative), operating income, income taxes, net income and earnings per share are the primary financial measures that management uses for planning and forecasting future periods affected by share-based compensation. Because management will continue to review these financial measures calculated without taking into account the effects of the new requirements under SFAS No. 123(R), upon implementation of SFAS No. 123(R) these financial measures are treated as "non-GAAP financial measures" under SEC rules. Management uses the non-GAAP financial measures for internal managerial purposes, including as a means to compare period-to-period results on both a segment basis and consolidated basis, and as a means to evaluate our results on a consolidated basis compared to those of other companies. In addition, management uses certain of these measures when publicly providing forward-looking statements on expectations regarding future consolidated-basis financial results.

Our share-based compensation programs are established and managed on a corporate-wide basis, including specification of grant types and amount ranges for employees by category and grade. Following implementation of SFAS No. 123(R), segment managers will not be held accountable for share-based compensation charges impacting their business unit's operating income (loss), and accordingly share-based compensation charges will be excluded from our measure of segment profitability (operating income). Therefore, the review of segment results by management and the Board of Directors will exclude share-based compensation.

Additionally, management and the Board of Directors will continue to compare our historical consolidated results of operations (revenue; gross margin; research and development; marketing, general and administrative expenses; operating income; net income; and earnings per share), excluding share-based compensation, to financial information prepared on the same basis during our budget and planning process, to assess the business and to compare consolidated results to the objectives identified by us. Our budget and planning process commences with a segment-level evaluation— which, as noted above, excludes share-based compensation— and culminates with the preparation of a consolidated annual and/or quarterly budget that includes these non-GAAP financial measures (gross margin; research and development expenses; marketing, general and administrative expenses; operating income; income tax expense; net income; and earnings per share). This budget, once finalized and approved, serves as the basis for allocation of resources and management of operations. While share-based compensation is a significant expense affecting our results of operations, management excludes share-based compensation from our consolidated budget and planning process to facilitate period-to-period comparisons and to assess changes in gross margin dollar, net income and earnings per share targets in relation to changes in forecasted revenue.

Profit-dependent cash-incentive pay to employees, including senior management, also is calculated using formulae that incorporate our annual results (operating income and/or earnings per share) excluding share-based compensation expense. For example, for 2006 the executive compensation cash incentive plan formula measures earnings per share as the greater of our operating income or our net income divided by weighted average diluted common shares outstanding, in both cases excluding the effects of share-based compensation.

We disclose this information to the public to enable investors to more easily assess our performance on the same basis applied by management and to ease comparison on both a GAAP and non-GAAP basis among other companies that separately identify share-based compensation expenses. In particular, as we begin to apply SFAS No. 123(R), we believe that it is useful to investors to understand how the expenses and other adjustments associated with the application of SFAS No. 123(R) are being reflected on our income statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Although these non-GAAP financial measures adjust expense and diluted share items to exclude the accounting treatment of share-based compensation, they should not be viewed as a pro forma presentation reflecting the elimination of the underlying share-based compensation programs, as those programs are an important element of our compensation structure, and GAAP indicate that all forms of share-based payments should be valued and included as appropriate in results of operations. Management takes into consideration this aspect of the non-GAAP financial measures by evaluating the dilutive effect of our share-based compensation arrangements on our basic and diluted earnings per share calculations and by reviewing other quantitative and qualitative information regarding our share-based compensation arrangements, including the information provided under the heading "Employee Equity Incentive Plans" earlier in the "Management's Discussion and Analysis" section of this Form 10-K.

2006 Outlook

Our future results of operations and the other forward-looking statements contained in this filing, including this MD&A, involve a number of risks and uncertainties— in particular, the statements regarding our goals and strategies, new product introductions, plans to cultivate new businesses, future economic conditions, revenue, pricing, gross margin and costs, capital spending, depreciation and amortization, research and development expenses, potential impairment of investments, the tax rate, and pending tax and legal proceedings. Our future results of operations may also be affected by the amount, type, and valuation of the share-based awards granted as well as the amount of awards forfeited due to employee turnover. In addition to the various important factors discussed above, a number of other factors could cause actual results to differ materially from our expectations. See the risks described in "Risk Factors" in Part I, Item 1A of this Form 10-K and elsewhere in this Form 10-K.

Revenue for 2006 is expected to be 6% to 9% higher than the total in 2005 of \$38.8 billion. Our financial results, particularly our revenue, are substantially dependent on sales of microprocessors. Revenue is partly a function of the mix of types and performance capabilities of microprocessors sold, as well as the mix of chipsets, flash memory and other semiconductor products sold, all of which are difficult to forecast. Because of the wide price differences among mobile, desktop and server microprocessors, the mix of types and performance levels of microprocessors sold affects the average selling price that we will realize and has a large impact on our revenue and gross margin. Microprocessor revenue is also dependent on the availability of other parts of the platform, including chipsets, motherboards, operating system software and application software. Revenue is also subject to demand fluctuations and the impact of economic conditions in various geographic regions.

Our gross margin expectation for 2006 is 57% plus or minus a few points. Excluding the effects of share-based compensation of approximately 1%, our gross margin expectation for 2006 is 58%, plus or minus a few points. On a GAAP basis, the 57% midpoint is lower compared to our 2005 gross margin of 59.4%. In addition to the recognition of share-based compensation, we will begin to recognize start-up costs related to IMFT in 2006. We also expect higher unit costs and slightly lower average selling prices for microprocessors. We expect these negative effects to our margin in 2006 to be partially offset by lower start-up costs on microprocessors and chipsets.

Our gross margin varies primarily with revenue levels. Variability of other factors will also continue to affect cost of sales and the gross margin percentage, including variations in inventory valuation, such as variations related to the timing of qualifying products for sale; unit costs and yield issues associated with production at our factories; excess or obsolete inventory; timing and execution of the production ramp and associated costs, including start-up costs; manufacturing or assembly and test capacity utilization; the reusability of factory equipment; impairment of long-lived assets, including manufacturing, assembly and test, and intangible assets; and the valuation of stock options and other equity awards, which affects the amount of share-based compensation included in cost of sales.

We have significantly expanded our semiconductor manufacturing and assembly and test capacity over the last few years, and we continue to plan capacity based on the assumed continued success of our overall strategy and the acceptance of our products in specific market segments. We currently expect that capital spending in 2006 will be approximately \$6.9 billion, plus or minus \$200 million, compared to \$5.8 billion in 2005. Most of the projected increase will be spent on construction and capital equipment related to our next-generation, 45-nanometer process technology. This capital-spending plan is dependent on expectations regarding production efficiencies and delivery times of various machinery and equipment, and construction schedules. If the demand for our products does not grow and continues to move toward higher performance products in the various market segments, revenue and gross margin would be adversely affected, manufacturing and/or assembly and test capacity would be under-utilized, and the rate of capital spending could be reduced. We could be required to record an impairment of our manufacturing or assembly and test equipment and/or facilities, or factory planning decisions may cause us to record accelerated depreciation. However, in the long term, revenue and gross margin may also be affected if we do not add capacity fast enough to meet market demand.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Depreciation for 2006 is expected to be approximately \$4.7 billion, plus or minus \$100 million, compared to \$4.3 billion in 2005.

Our industry is characterized by very short product life cycles, and our continued success is dependent on technological advancement, including developing and implementing new processes and strategic products for specific market segments. We consider it imperative to maintain a strong research and development program, and our spending for research and development in 2006 is expected to be approximately \$6.5 billion, compared to \$5.1 billion in 2005. Excluding the effects of share-based compensation of approximately \$500 million, spending for research and development in 2006 is expected to be approximately \$6.0 billion.

Our spending for marketing, general and administrative expenses in 2006 is expected to be approximately \$6.6 billion, compared to \$5.7 billion in 2005. Excluding the effects of share-based compensation of approximately \$600 million, spending for marketing, general and administrative in 2006 is expected to be approximately \$6.0 billion. Expenses, particularly certain marketing and compensation expenses, vary depending on the level of demand for our products and the level of revenue and profit.

Based on acquisitions completed through February 22, 2006, we expect amortization of acquisition-related intangibles and costs to be approximately \$40 million in 2006.

At the end of 2005, we held non-marketable equity securities with a carrying value of \$561 million. Our non-marketable equity securities include investments through our Intel Capital program. The program seeks to invest in companies and businesses that can succeed and have an impact on their market segment. When the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. However, our investments in non-marketable equity securities are not liquid, and there can be no assurance that we will be able to dispose of these investments on favorable terms or at all.

We expect our tax rate to be approximately 32% for 2006, compared to 31.3% in 2005. The estimated effective tax rate is based on tax law in effect at December 31, 2005 and current expected income, and assumes that we will continue to receive the tax benefit for export sales. See "Note 10: Provision for Taxes" and "Note 18: Contingencies" in Part II, Item 8 of this Form 10-K. The tax rate may also be affected by the closing of acquisitions or divestitures; the jurisdiction in which profits are determined to be earned and taxed; changes in estimates of credits, benefits and deductions, including changes in the deductions related to share-based compensation; the resolution of issues arising from tax audits with various tax authorities; and the ability to realize deferred tax assets.

We believe that we have the product offerings, facilities, personnel, and competitive and financial resources for continued business success, but future revenue, costs, gross margin and profits are all influenced by a number of factors, including those discussed above, all of which are inherently difficult to forecast.

Status of Business Outlook

We expect that our corporate representatives will, from time to time, meet privately with investors, investment analysts, the media and others, and may reiterate the forward-looking statements contained in the "Business Outlook" section and elsewhere in this Form 10-K, including any such statements that are incorporated by reference in this Form 10-K. At the same time, we will keep this Form 10-K and our most current Business Outlook publicly available on our Investor Relations web site (www.intc.com). The public can continue to rely on the Business Outlook published on the web site as representing our current expectations on matters covered, unless we publish a notice stating otherwise. The statements in the Business Outlook and other forward-looking statements in this Form 10-K are subject to revision during the course of the year in our quarterly earnings releases and SEC filings and at other times.

From the close of business on March 3, 2006 until our quarterly earnings release is published, presently scheduled for April 19, 2006, we will observe a "quiet period." During the quiet period, the Business Outlook and other forward-looking statements first published in our earnings release on January 17, 2006, as reiterated or updated as applicable, in this Form 10-K, should be considered historical, speaking as of prior to the quiet period only and not subject to update. During the quiet period, our representatives will not comment on the Business Outlook or our financial results or expectations. The exact timing and duration of the routine quiet period, and any others that we utilize, from time to time, may vary at our discretion.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in currency exchange rates, interest rates and marketable equity security prices. To mitigate these risks, we may utilize derivative financial instruments, among other strategies. We do not use derivative financial instruments for speculative purposes. All of the potential changes noted below are based on sensitivity analyses performed on our financial positions at December 31, 2005 and December 25, 2004. Actual results may differ materially.

Currency Exchange Rates

We generally hedge currency risks of non-U.S.-dollar-denominated investments in debt securities with offsetting currency borrowings, currency forward contracts or currency interest rate swaps. Gains and losses on these non-U.S.-currency investments would generally be offset by corresponding losses and gains on the related hedging instruments, resulting in negligible net exposure.

A substantial majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, we do incur certain operating costs in other currencies, primarily the Euro and certain other European and Asian currencies. To protect against reductions in value and the volatility of future cash flows caused by changes in currency exchange rates, we have established balance sheet and forecasted transaction risk management programs. Currency forward contracts and currency options are generally utilized in these hedging programs. Our hedging programs reduce, but do not always entirely eliminate, the impact of currency exchange rate movements. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 20% for all currencies could be experienced in the near term. Such adverse changes, after taking into account hedges and offsetting positions, would have resulted in an adverse impact on income before taxes of less than \$30 million at the end of 2005 and 2004.

Interest Rates

The primary objective of our investments in debt securities is to preserve principal while maximizing yields, without significantly increasing risk. To achieve this objective, the returns on our investments in fixed-rate debt securities are generally based on three-month LIBOR, or, if longer term, are generally swapped to U.S. dollar LIBOR-based returns. In addition to investments, in 2005 we issued additional debt. We considered the historical volatility of the interest rates experienced in prior years and the duration of our investment portfolio and debt issuances, and determined that it was reasonably possible that an adverse change of 80 basis points (0.80%), approximately 18% of the rate at the end of 2005, could be experienced in the near term. A hypothetical 0.80% increase in interest rates, after taking into account hedges and offsetting positions, would have resulted in a decrease in the fair value of our net investment position of approximately \$10 million and \$20 million as of the end of 2005 and 2004, respectively.

Marketable Equity Security Prices

We have a portfolio of strategic equity investments that includes marketable strategic equity securities and derivative equity instruments such as warrants and options, as well as non-marketable equity investments, which are discussed further below. We invest in companies that develop software, hardware or services supporting our technologies. These investments help advance our overall goal to be the preeminent provider of silicon chips and platform solutions to the worldwide digital economy. Our current investment focus areas include helping to enable mobile wireless devices, advance the digital home, enhance the digital enterprise, advance high-performance communications infrastructures and develop the next generation of silicon production technologies. Our focus areas tend to develop and change over time due to rapid advancements in the technology field.

Our total marketable portfolio includes marketable strategic equity securities as well as marketable equity securities classified as trading assets. To the extent that our marketable portfolio of investments continues to have strategic value, we typically do not attempt to reduce or eliminate our market exposure. For securities that we no longer consider strategic, we evaluate legal, market and economic factors in our decision on the timing of disposal and whether it is possible and appropriate to hedge the equity market risk. We may or may not enter into transactions to reduce or eliminate the market risks of our investments in strategic equity derivatives, including warrants.

The marketable equity securities included in trading assets, as well as certain equity derivatives, are held to generate returns that generally offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. The gains and losses from changes in fair value of these equity securities are generally offset by the gains and losses on the related liabilities, resulting in a net exposure of less than \$10 million as of both December 31, 2005 and December 25, 2004, assuming a reasonably possible decline in market prices of approximately 11% in the near term.

[Table of Contents](#)

As of December 31, 2005, the fair value of our portfolio of marketable strategic equity investments and equity derivative instruments, including hedging positions, was \$574 million (\$662 million as of December 25, 2004). To assess the market price sensitivity of these equity securities, we analyzed the historical movements over the past several years of high-technology stock indices that we considered appropriate. However, our marketable strategic equity portfolio is substantially concentrated in one company as of December 31, 2005, which will affect the portfolio's price volatility. We currently have an investment in Micron with a fair value of \$451 million, or 79% of the total marketable strategic equity portfolio value including equity derivative instruments at December 31, 2005. During 2005, we recognized an impairment charge of \$105 million related to our investment in Micron reflecting the difference between the cost basis of the investment and the price of Micron's stock at the end of the second quarter. The impairment was principally based on our assessment during the second quarter of 2005 of Micron's financial results and the fact that the market price of Micron's stock had been below our cost basis for an extended period of time, as well as the competitive pricing environment for DRAM products. The investment in Micron is part of our strategy to support the development and supply of DRAM products. Based on the analysis of the high-technology stock indices and the historical volatility of Micron's stock, we estimated that it was reasonably possible that the prices of the stocks in our marketable strategic equity portfolio could experience a loss of 40% in the near term (45% as of the end of 2004). The assumed loss percentage used in 2005 was lower than the assumed loss percentage in 2004 due to the differences in the concentrations of investments at the end of each year. This estimate is not necessarily indicative of future performance, and actual results may differ materially.

Assuming a loss of 40% in market prices, and after reflecting the impact of hedges and offsetting positions, our marketable strategic equity portfolio could decrease in value by approximately \$245 million, based on the value of the portfolio as of December 31, 2005 (a decrease in value of approximately \$300 million, based on the value of the portfolio as of December 25, 2004 using an assumed loss of 45%). At December 25, 2004, our marketable strategic equity portfolio was substantially concentrated in two companies. The fair value of our investment in Micron was approximately \$400 million, or 60% of the total marketable portfolio value including equity derivative instruments at December 25, 2004. In addition, the fair value of our investment in Elpida Memory, Inc. was approximately \$212 million, or 32% of the portfolio at December 25, 2004. We sold our investment in Elpida during 2005.

Non-Marketable Equity Securities

Our strategic investments in non-marketable equity securities are affected by many of the same factors that could result in an adverse movement of equity market prices, although the impact cannot be directly quantified. Such a movement and the underlying economic conditions would negatively affect the prospects of the companies we invest in, their ability to raise additional capital and the likelihood of our being able to realize our investments through liquidity events such as initial public offerings, mergers or private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. At December 31, 2005, our strategic investments in non-marketable equity securities had a carrying amount of \$561 million (\$507 million as of December 25, 2004). The carrying amount of these investments approximated fair value as of December 31, 2005 and December 24, 2004. No investment in our non-marketable equity securities portfolio was individually significant as of December 31, 2005 or December 25, 2004.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Consolidated Statements of Income	49
Consolidated Balance Sheets	50
Consolidated Statements of Cash Flows	51
Consolidated Statements of Stockholders' Equity	52
Notes to Consolidated Financial Statements	53
Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm	81
Supplemental Data: Financial Information by Quarter	83

[Table of Contents](#)

INTEL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Three Years Ended December 31, 2005
(In Millions—Except Per Share Amounts)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net revenue	\$ 38,826	\$ 34,209	\$ 30,141
Cost of sales	<u>15,777</u>	<u>14,463</u>	<u>13,047</u>
Gross margin	<u>23,049</u>	<u>19,746</u>	<u>17,094</u>
Research and development	5,145	4,778	4,360
Marketing, general and administrative	5,688	4,659	4,278
Impairment of goodwill	—	—	617
Amortization and impairment of acquisition-related intangibles and costs	126	179	301
Purchased in-process research and development	<u>—</u>	<u>—</u>	<u>5</u>
Operating expenses	<u>10,959</u>	<u>9,616</u>	<u>9,561</u>
Operating income	12,090	10,130	7,533
Losses on equity securities, net	(45)	(2)	(283)
Interest and other, net	<u>565</u>	<u>289</u>	<u>192</u>
Income before taxes	12,610	10,417	7,442
Provision for taxes	<u>3,946</u>	<u>2,901</u>	<u>1,801</u>
Net income	<u>\$ 8,664</u>	<u>\$ 7,516</u>	<u>\$ 5,641</u>
Basic earnings per common share	<u>\$ 1.42</u>	<u>\$ 1.17</u>	<u>\$ 0.86</u>
Diluted earnings per common share	<u>\$ 1.40</u>	<u>\$ 1.16</u>	<u>\$ 0.85</u>
Weighted average common shares outstanding	<u>6,106</u>	<u>6,400</u>	<u>6,527</u>
Weighted average common shares outstanding, assuming dilution	<u>6,178</u>	<u>6,494</u>	<u>6,621</u>

See accompanying notes.

[Table of Contents](#)

INTEL CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31, 2005 and December 25, 2004
(In Millions—Except Par Value)

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,324	\$ 8,407
Short-term investments	3,990	5,654
Trading assets	1,458	3,111
Accounts receivable, net of allowance for doubtful accounts of \$64 (\$43 in 2004)	3,914	2,999
Inventories	3,126	2,621
Deferred tax assets	1,149	979
Other current assets	233	287
Total current assets	21,194	24,058
Property, plant and equipment, net	17,111	15,768
Marketable strategic equity securities	537	656
Other long-term investments	4,135	2,563
Goodwill	3,873	3,719
Deferred taxes and other assets	1,464	1,379
Total assets	\$ 48,314	\$ 48,143
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	\$ 313	\$ 201
Accounts payable	2,249	1,943
Accrued compensation and benefits	2,110	1,858
Accrued advertising	1,160	894
Deferred income on shipments to distributors	632	592
Other accrued liabilities	810	1,355
Income taxes payable	1,960	1,163
Total current liabilities	9,234	8,006
Long-term debt	2,106	703
Deferred tax liabilities	703	855
Other long-term liabilities	89	—
Commitments and contingencies (Notes 17 and 18)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 10,000 shares authorized; 5,919 issued and outstanding (6,253 in 2004) and capital in excess of par value	6,245	6,143
Acquisition-related unearned stock compensation	—	(4)
Accumulated other comprehensive income	127	152
Retained earnings	29,810	32,288
Total stockholders' equity	36,182	38,579
Total liabilities and stockholders' equity	\$ 48,314	\$ 48,143

See accompanying notes.

[Table of Contents](#)

INTEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Years Ended December 31, 2005
(In Millions)

	2005	2004	2003
Cash and cash equivalents, beginning of year	\$ 8,407	\$ 7,971	\$ 7,404
Cash flows provided by (used for) operating activities:			
Net income	8,664	7,516	5,641
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,345	4,590	4,651
Impairment of goodwill	—	—	617
Amortization and impairment of intangibles and other acquisition-related costs	250	299	419
Purchased in-process research and development	—	—	5
Losses on equity securities, net	45	2	283
Net loss on retirements and impairments of property, plant and equipment	74	91	217
Deferred taxes	(413)	(207)	391
Tax benefit from employee equity incentive plans	351	344	216
Changes in assets and liabilities:			
Trading assets	1,606	(468)	(698)
Accounts receivable	(914)	(39)	(430)
Inventories	(500)	(101)	(245)
Accounts payable	303	283	116
Accrued compensation and benefits	296	295	276
Income taxes payable	797	378	(361)
Other assets and liabilities	(81)	136	417
Total adjustments	6,159	5,603	5,874
Net cash provided by operating activities	14,823	13,119	11,515
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(5,818)	(3,843)	(3,656)
Acquisitions, net of cash acquired	(191)	(53)	(61)
Purchases of available-for-sale investments	(8,475)	(16,618)	(11,662)
Maturities and sales of available-for-sale investments	8,433	15,633	8,488
Other investing activities	(311)	(151)	(199)
Net cash used for investing activities	(6,362)	(5,032)	(7,090)
Cash flows provided by (used for) financing activities:			
Increase (decrease) in short-term debt, net	126	24	(152)
Additions to long-term debt	1,742	—	—
Repayments and retirement of debt	(19)	(31)	(137)
Proceeds from sales of shares through employee equity incentive plans	1,202	894	967
Repurchase and retirement of common stock	(10,637)	(7,516)	(4,012)
Payment of dividends to stockholders	(1,958)	(1,022)	(524)
Net cash used for financing activities	(9,544)	(7,651)	(3,858)
Net increase (decrease) in cash and cash equivalents	(1,083)	436	567
Cash and cash equivalents, end of year	\$ 7,324	\$ 8,407	\$ 7,971
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 27	\$ 52	\$ 59
Income taxes, net of refunds	\$ 3,218	\$ 2,392	\$ 1,567

See accompanying notes.

[Table of Contents](#)

INTEL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Three Years Ended December 31, 2005 (In Millions—Except Per Share Amounts)	Common Stock and Capital in Excess of Par Value		Acquisition- Related Unearned Stock Compen- sation	Accumulated Other Compre- hensive Income	Retained Earnings	Total
	Number of Shares	Amount				
Balance at December 28, 2002	6,575	\$ 7,641	\$ (63)	\$ 43	\$ 27,847	\$ 35,468
Components of comprehensive income, net of tax:						
Net income	—	—	—	—	5,641	5,641
Other comprehensive income	—	—	—	53	—	53
Total comprehensive income						5,694
Proceeds from sales of shares through employee equity incentive plans, tax benefit of \$216 and other	88	1,183	—	—	—	1,183
Amortization of acquisition-related unearned stock compensation, net of adjustments	—	(6)	43	—	—	37
Repurchase and retirement of common stock	(176)	(2,064)	—	—	(1,948)	(4,012)
Cash dividends declared (\$0.08 per share)	—	—	—	—	(524)	(524)
Balance at December 27, 2003	6,487	6,754	(20)	96	31,016	37,846
Components of comprehensive income, net of tax:						
Net income	—	—	—	—	7,516	7,516
Other comprehensive income	—	—	—	56	—	56
Total comprehensive income						7,572
Proceeds from sales of shares through employee equity incentive plans, tax benefit of \$789 (including reclassification of \$445 related to prior years) and other	67	1,683	—	—	—	1,683
Amortization of acquisition-related unearned stock compensation, net of adjustments	—	—	16	—	—	16
Repurchase and retirement of common stock	(301)	(2,294)	—	—	(5,222)	(7,516)
Cash dividends declared (\$0.16 per share)	—	—	—	—	(1,022)	(1,022)
Balance at December 25, 2004	6,253	6,143	(4)	152	32,288	38,579
Components of comprehensive income, net of tax:						
Net income	—	—	—	—	8,664	8,664
Other comprehensive income	—	—	—	(25)	—	(25)
Total comprehensive income						8,639
Proceeds from sales of shares through employee equity incentive plans, tax benefit of \$351 and other	84	1,553	—	—	—	1,553
Assumption of acquisition-related stock options and amortization of acquisition-related unearned stock compensation, net of adjustments	—	2	4	—	—	6
Repurchase and retirement of common stock	(418)	(1,453)	—	—	(9,184)	(10,637)
Cash dividends declared (\$0.32 per share)	—	—	—	—	(1,958)	(1,958)
Balance at December 31, 2005	5,919	\$ 6,245	\$ —	\$ 127	\$ 29,810	\$ 36,182

See accompanying notes.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

Intel Corporation has a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal year 2005, a 53-week year, ended on December 31, 2005. Fiscal year 2004 was a 52-week year that ended on December 25, and fiscal year 2003, also a 52-week year, ended on December 27. The next 53-week year will end on December 31, 2011.

The consolidated financial statements include the accounts of Intel and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated. Equity investments over which the company exercises significant influence but does not have control and equity investments in variable interest entities for which the company is not the primary beneficiary are accounted for using the equity method. The United States (U.S.) dollar is the functional currency for the company, and therefore there is no translation adjustment recorded through accumulated other comprehensive income. Monetary accounts denominated in non-U.S. currencies, such as cash or payables to vendors, have been remeasured to the U.S. dollar.

Note 2: Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates that require management's most significant, difficult and subjective judgments include the valuation of non-marketable equity securities; the recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived assets; and the valuation of inventory. The actual results experienced by the company may differ from management's estimates.

Cash and Cash Equivalents

Highly liquid debt securities with insignificant interest rate risk and with original maturities from the date of purchase of generally three months or less are classified as cash and cash equivalents.

Investments

Trading Assets. Trading assets are stated at fair value, with gains or losses resulting from changes in fair value recognized currently in earnings. The company may elect to classify a portion of its marketable debt securities as trading assets. For these debt instruments, gains or losses from changes in fair value due to interest rate and currency market fluctuations, offset by losses or gains on related derivatives, are included in interest and other, net. Also included in trading assets is a marketable equity portfolio held to generate returns that seek to offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. Gains or losses from changes in fair value of these equity securities, offset by losses or gains on the related liabilities, are included in interest and other, net. The company also uses fixed-income investments and derivative instruments to seek to offset the remaining portion of the changes in the deferred compensation liabilities. In addition, a portion of the company's marketable equity securities may from time to time be classified as trading assets, if the company no longer deems the investments to be strategic in nature at the time of trading asset designation, and has the ability and intent to mitigate equity market risk through sale or the use of derivative instruments. For these marketable equity securities, gains or losses from changes in fair value, primarily offset by losses or gains on related derivative instruments, are included in gains (losses) on equity securities, net.

Available-for-Sale Investments. Investments designated as available-for-sale include marketable debt and equity securities. Investments designated as available-for-sale are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income. The cost of securities sold is based on the specific identification method. Realized gains and losses on the sale of debt securities are recorded in interest and other, net. Realized gains or losses on the sale or exchange of equity securities and declines in value judged to be other-than-temporary are recorded in gains (losses) on equity securities, net.

Debt securities with original maturities greater than approximately three months and remaining maturities less than one year are classified as short-term investments. Debt securities with remaining maturities greater than one year are classified as long-term investments.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The company acquires certain equity investments for the promotion of business and strategic objectives, and to the extent that these investments continue to have strategic value, the company typically does not attempt to reduce or eliminate the inherent equity market risks through hedging activities. The marketable portion of these investments is included in marketable strategic equity securities.

Non-Marketable Equity Securities and Other Investments. Non-marketable equity securities and other investments are accounted for at historical cost or, if Intel has significant influence over the investee, using the equity method of accounting. Intel's proportionate share of income or losses from investments accounted for under the equity method, and any gain or loss on disposal, are recorded in interest and other, net. Gains or losses on the sale or exchange of all other non-marketable equity securities are recorded in gains (losses) on equity securities, net. Non-marketable equity securities and other investments are included in other assets, except for cost basis loan participation notes, which are classified as short-term and other long-term investments.

Other-Than-Temporary Impairment. All of the company's available-for-sale investments, non-marketable equity securities and other investments are subject to a periodic impairment review. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. This determination requires significant judgment. Marketable equity securities are evaluated for impairment if the decline in fair value below cost basis is significant and/or has lasted for an extended period of time. The evaluation Intel uses to determine whether to impair a marketable equity security is based on the specific facts and circumstances present at that time, and includes the consideration of general market conditions, the duration and extent to which the fair value is less than cost, and the company's intent and ability to hold the investment for a sufficient period of time to allow for recovery. The company also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. For non-marketable equity securities, the impairment analysis requires the identification of events or circumstances that would likely have a significant adverse effect on the fair value of the investment. The indicators that Intel uses to identify those events and circumstances include the investee's revenue and earnings trends relative to pre-defined milestones and overall business prospects; the technological feasibility of the investee's products and technologies; the general market conditions in the investee's industry or geographic area, including adverse regulatory or economic changes; factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios and the rate at which the investee is using its cash; and the investee's receipt of additional funding at a lower valuation. Investments identified as having an indicator of impairment are subject to further analysis to determine if the investment is other than temporarily impaired, in which case the investment is written down to its impaired value. When an investee is not considered viable from a financial or technological point of view, the entire investment is written down, since the estimated fair market value is considered to be nominal. If an investee obtains additional funding at a valuation lower than Intel's carrying amount or requires a new round of equity funding to stay in operation, and the new funding does not appear imminent, it is presumed that the investment is other than temporarily impaired, unless specific facts and circumstances indicate otherwise. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in gains (losses) on equity securities, net and a new cost basis in the investment is established.

Securities Lending

From time to time, the company enters into securities lending agreements with financial institutions, generally to facilitate hedging and certain investment transactions. Selected securities may be loaned, secured by collateral in the form of cash or securities. The loaned securities continue to be carried as investment assets on the balance sheet. Cash collateral is recorded as an asset with a corresponding liability. For lending agreements collateralized by securities, the collateral is not recorded as an asset or a liability, unless the collateral is repledged.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Values of Financial Instruments

The carrying value of cash equivalents approximates fair value due to the short period of time to maturity. Fair values of short-term investments, trading assets, long-term investments, marketable strategic equity securities, certain non-marketable investments, short-term debt, long-term debt, swaps, currency forward contracts, currency options, equity options and warrants are based on quoted market prices or pricing models using current market data. Debt securities are generally valued using discounted cash flows in a yield-curve model based on LIBOR. Equity options and warrants are priced using an option pricing model. For the company's portfolio of non-marketable equity securities, management believes that the carrying value of the portfolio approximates the fair value at December 31, 2005 and December 25, 2004. This estimate takes into account the market movements of the equity and venture capital markets, the impairment analyses performed and the related impairments recorded over the last few years. All of the company's financial instruments are recorded at fair value except for non-marketable investments, including cost basis loan participation notes, and debt. Management believes that the differences between the estimated fair values and carrying values of these financial instruments were not significant at December 31, 2005 and December 25, 2004. Estimated fair values are management's estimates; however, when there is no readily available market, the estimated fair values may not necessarily represent the amounts that could be realized in a current transaction, and these fair values could change significantly.

Derivative Financial Instruments

The company's primary objective for holding derivative financial instruments is to manage currency, interest rate and some equity market risks. The company's derivative instruments are recorded at fair value and are included in other current assets, other assets or other accrued liabilities. Derivative instruments recorded as assets totaled \$87 million at December 31, 2005 (\$117 million at December 25, 2004). Derivative instruments recorded as liabilities totaled \$65 million at December 31, 2005 (\$179 million at December 25, 2004). The company's accounting policies for certain of these instruments are based on whether they meet the company's criteria for designation as cash flow or fair value hedges. A hedge of the exposure to variability in the cash flows of an asset or a liability, or of a forecasted transaction, is referred to as a cash flow hedge. A designated hedge of the exposure to changes in fair value of an asset or a liability, or of an unrecognized firm commitment, is referred to as a fair value hedge. As of December 31, 2005, the company did not have any fair value hedges. The criteria for designating a derivative as a hedge include the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction and the probability of occurrence of the underlying transaction. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized currently in earnings, and generally offset changes in the values of related assets or liabilities.

As part of its strategic investment program, the company also acquires equity derivative instruments, such as warrants and equity conversion rights associated with debt instruments, which are not designated as hedging instruments. The gains or losses from changes in fair values of these equity derivatives are recognized in gains (losses) on equity securities, net.

Currency Risk. The company transacts business in various currencies other than the U.S. dollar, primarily the Euro and certain other European and Asian currencies. The company has established balance sheet and forecasted transaction risk management programs to protect against fluctuations in fair value and volatility of future cash flows caused by changes in exchange rates. The forecasted transaction risk management program includes anticipated transactions such as operating costs and capital purchases. The company uses currency forward contracts, currency options, currency interest rate swaps, and currency investments and borrowings in these risk management programs. These programs reduce, but do not always entirely eliminate, the impact of currency exchange movements.

Currency forward contracts and currency options that are used to hedge exposures to variability in the U.S.-dollar equivalent of anticipated non-U.S.-dollar-denominated cash flows are designated as cash flow hedges. The durations of these instruments are generally less than 12 months. For these derivatives, the after-tax gain or loss from the effective portion of the hedge is reported as a component of other comprehensive income in stockholders' equity and is reclassified into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction.

Currency interest rate swaps and currency forward contracts are used to offset the currency risk of investments in non-U.S.-dollar-denominated debt securities classified as trading assets, as well as other assets and liabilities denominated in various currencies. The durations of these instruments are generally less than 12 months, except for derivatives hedging certain long-term equity-related investments, which are generally five years or less. Changes in fair value of the underlying assets and liabilities are generally offset by the changes in fair value of the related derivatives, with the resulting net gain or loss, if any, recorded in interest and other, net or gains (losses) on equity securities, net.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Rate Risk. The company's primary objective for holding investments in debt securities is to preserve principal while maximizing yields without significantly increasing risk. To achieve this objective, the returns on the company's investments in fixed-rate debt securities are generally based on three-month LIBOR or, if longer term, are generally swapped to U.S. dollar LIBOR-based returns, using interest rate swaps and currency interest rate swaps in transactions that are not designated as hedges for accounting purposes. The floating interest rates on the swaps are reset on a monthly, quarterly or semiannual basis. Changes in fair value of the debt securities classified as trading assets are generally offset by changes in fair value of the related derivatives, resulting in negligible net impact recorded in interest and other, net.

The company may also enter into interest rate swap agreements to modify the interest characteristics of a portion of its outstanding long-term debt. These transactions would likely be designated as fair value hedges. The gains or losses from the changes in fair value of the interest rate swaps, as well as the offsetting change in the hedged fair value of the long-term debt, would be recognized in interest expense.

Equity Market Risk. The company may enter into transactions designated as fair value hedges using equity options, swaps or forward contracts to hedge the equity market risk of marketable securities in its portfolio of strategic equity investments once the securities are no longer considered to have strategic value. The gain or loss from the change in fair value of these equity derivatives, as well as the offsetting change in hedged fair value of the underlying equity securities, would be recognized currently in gains (losses) on equity securities, net. The company may use equity derivatives in transactions not designated as hedges to offset the change in fair value of certain equity securities classified as trading assets. The company may or may not enter into transactions to reduce or eliminate the market risks of its investments in strategic equity derivatives, including warrants.

Measurement of Effectiveness of Hedge Relationships. For most currency forward contracts, effectiveness is measured by comparing the cumulative change in the hedge contract with the cumulative change in the hedged item. For currency forward contracts used in cash flow hedging strategies related to long-term capital purchases, forward points are excluded and effectiveness is measured using spot rates to value both the hedge contract and the hedged item. For currency options and equity options accounted for as cash flow hedges, effectiveness is measured by comparing the cumulative change in the hedge contract with the cumulative change in the hedged item. For currency options and equity options accounted for as fair value hedges, time value is excluded and effectiveness is measured based on spot rates to value both the hedge contract and the hedged item. For interest rate swaps, effectiveness is measured by comparing the change in fair value of the hedged item with the change in fair value of the interest rate swap.

Any ineffective portion of the hedges, as well as amounts excluded from the assessment of effectiveness, are recognized currently in earnings within the same income statement line item as the underlying hedged transaction. If a cash flow hedge were to be discontinued because it is not probable that the original hedged transaction will occur as anticipated, the unrealized gain or loss on the related derivative would be reclassified into earnings. Subsequent gains or losses on the related derivative instrument would be recognized in income in each period until the instrument matures, is terminated, is re-designated as a qualified hedge or is sold.

For all periods presented, the portion of hedging instruments' gains or losses excluded from the assessment of effectiveness and the ineffective portions of hedges had an insignificant impact on earnings for both cash flow and fair value hedges. For all periods presented, there was no significant impact on results of operations from discontinued cash flow hedges as a result of forecasted transactions that did not occur. For 2005, \$38 million of net deferred gains were reclassified from accumulated other comprehensive income to cost of sales or operating expense related to the company's non-U.S. currency capital purchase hedging program and operating cost hedging program (\$8 million in 2004 and \$1 million in 2003). The company estimates that less than \$10 million of net derivative losses included in other comprehensive income will be reclassified into earnings within the next 12 months.

Inventories

Inventory cost is computed on a currently adjusted standard basis (which approximates actual cost on an average or first-in, first-out basis). Inventory is determined to be saleable based on a demand forecast within a specific time horizon, generally six months or less. Inventory in excess of saleable amounts is not valued and the remaining inventory is valued at the lower of cost or market. Inventories at fiscal year-ends were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>
Raw materials	\$ 409	\$ 388
Work in process	1,662	1,418
Finished goods	1,055	815
Total inventories	\$ 3,126	\$ 2,621

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment

Property, plant and equipment, net at fiscal year-ends was as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>
Land and buildings	\$ 13,938	\$ 13,277
Machinery and equipment	27,297	24,561
Construction in progress	2,897	1,995
	44,132	39,833
Less accumulated depreciation	<u>(27,021)</u>	<u>(24,065)</u>
Total property, plant and equipment, net	<u>\$ 17,111</u>	<u>\$ 15,768</u>

Property, plant and equipment is stated at cost. Depreciation is computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: machinery and equipment, 2–4 years; buildings, 4–40 years. Reviews are regularly performed if facts and circumstances exist which indicate that the carrying amount of assets may not be recoverable or that the useful life is shorter than originally estimated. The company assesses the recoverability of its assets held for use by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. If assets are determined to be recoverable, but the useful lives are shorter than originally estimated, the net book value of the assets is depreciated over the newly determined remaining useful lives.

Goodwill

Goodwill is recorded when the purchase price of an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The company performs an impairment review for each reporting unit using a fair value approach. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. In determining the carrying value of the reporting unit, an allocation of the company's manufacturing and assembly and test assets must be made because of the interchangeable nature of the company's manufacturing and assembly and test capacity. This allocation is based on each reporting unit's relative percentage utilization of the manufacturing and assembly and test assets. For further discussion of goodwill, see "Note 14: Goodwill."

Identified Intangible Assets

Acquisition-related intangibles include developed technology and customer lists that are amortized on a straight-line basis over periods ranging from 2–6 years. Also included in acquisition-related intangibles is workforce-in-place related to acquisitions that did not qualify as business combinations. Intellectual property assets primarily represent rights acquired under technology licenses and are amortized over the periods of benefit, ranging from 2–10 years, generally on a straight-line basis. All identified intangible assets are classified within other assets on the balance sheet. In the quarter following the period in which identified intangible assets become fully amortized, the fully amortized balances are removed from the gross asset and accumulated amortization amounts.

The company performs a quarterly review of its identified intangible assets to determine if facts and circumstances exist which indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances do exist, the company assesses the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

Product Warranty

The company generally sells products with a limited warranty of product quality and a limited indemnification of customers against intellectual property infringement claims related to the company's products. The company accrues for known warranty and indemnification issues if a loss is probable and can be reasonably estimated, and accrues for estimated incurred but unidentified issues based on historical activity. The accrual and the related expense for known issues were not significant during the periods presented. Due to product testing and the short time typically between product shipment and the detection and correction of product failures, and considering the historical rate of payments on indemnification claims, the accrual and related expense for estimated incurred but unidentified issues were not significant during the periods presented.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition

The company recognizes net revenue when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, as well as fixed pricing and probable collectibility. Pricing allowances, including discounts based on contractual arrangements with customers, are recorded when revenue is recognized as a reduction to both accounts receivable and revenue. Because of frequent sales price reductions and rapid technology obsolescence in the industry, sales made to distributors under agreements allowing price protection and/or right of return are deferred until the distributors sell the merchandise. Shipping charges billed to customers are included in net revenue, and the related shipping costs are included in cost of sales.

Advertising

Cooperative advertising programs reimburse customers for marketing activities for certain of the company's products, subject to defined criteria. Cooperative advertising obligations are accrued and the costs expensed at the same time the related revenue is recognized. All other advertising costs are expensed as incurred. Cooperative advertising expenses are recorded as marketing, general and administrative expense to the extent that an advertising benefit separate from the revenue transaction can be identified and the cash paid does not exceed the fair value of that advertising benefit received. Any excess of cash paid over the fair value of the advertising benefit received is recorded as a reduction in revenue. Advertising expense was \$2.6 billion in 2005 (\$2.1 billion in 2004 and \$1.8 billion in 2003).

Employee Equity Incentive Plans

The company has employee equity incentive plans, which are described more fully in "Note 11: Employee Equity Incentive Plans." During the three years ended December 31, 2005, the company accounted for its equity incentive plans under the intrinsic value recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The exercise price of options is equal to the market price of Intel common stock (defined as the average of the high and low trading prices reported by The NASDAQ Stock Market*) on the date of grant. Accordingly, no share-based compensation, other than insignificant amounts of acquisition-related share-based compensation, was recognized in net income.

The table below illustrates the effect on net income and earnings per share as if the company had applied the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," to options granted under the company's equity incentive plans and rights to acquire stock granted under the company's Stock Participation Plan. For purposes of this pro forma disclosure, the value of the options and rights to acquire stock granted under the company's Stock Participation Plan are estimated using a Black-Scholes option pricing model and amortized ratably over the vesting periods. Because the estimated value is determined as of the date of grant, the actual value ultimately realized by the employee may be significantly different.

<u>(In Millions— Except Per Share Amounts)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income, as reported	\$ 8,664	\$ 7,516	\$ 5,641
Less: total share-based compensation determined under the fair value method for all awards, net of tax	<u>1,262</u>	<u>1,271</u>	<u>991</u>
Pro forma net income	<u>\$ 7,402</u>	<u>\$ 6,245</u>	<u>\$ 4,650</u>
Reported basic earnings per common share	<u>\$ 1.42</u>	<u>\$ 1.17</u>	<u>\$ 0.86</u>
Pro forma basic earnings per common share	<u>\$ 1.21</u>	<u>\$ 0.98</u>	<u>\$ 0.71</u>
Reported diluted earnings per common share	<u>\$ 1.40</u>	<u>\$ 1.16</u>	<u>\$ 0.85</u>
Pro forma diluted earnings per common share	<u>\$ 1.20</u>	<u>\$ 0.97</u>	<u>\$ 0.71</u>

In 2005, the company recognized net additional pro forma compensation expense and related tax effects of \$69 million, reflecting a detailed analysis of option grants and vesting provisions and a revised estimate of forfeitures. The company periodically adjusts pro forma compensation expense for changes to the estimate of expected forfeitures based on actual forfeiture experience. The company recognized additional pro forma compensation expense and related tax effects totaling \$58 million in 2004 because actual forfeitures were lower than previous estimates. In 2003, the company reversed previously recognized pro forma compensation expense and related tax effects totaling \$190 million because actual forfeitures were higher than previous estimates.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The company's equity incentive plans provide for retirement-related acceleration of vesting for a portion of certain employee stock options based on the employee's age and years of service under two retirement programs. For this pro forma disclosure, the company recognizes any remaining unamortized expense related to a retirement-accelerated option in the period of the retirement. For awards granted or modified after the adoption of SFAS No. 123 (revised 2004), "Share-Based Payment," in the first quarter of 2006, the company will be required to amortize the expense over a shorter service period, based on the current or expected retirement eligibility of the employee. Had the company applied the new amortization policy under SFAS No. 123(R) retrospectively, there would not have been a significant effect on the pro forma results reported for the periods presented.

The weighted average estimated values of employee stock option grants and rights granted under the Stock Participation Plan, as well as the weighted average assumptions that were used in calculating such values during 2005, 2004 and 2003, were based on estimates at the date of grant as follows:

	Stock Options			Stock Purchase Plan		
	2005	2004	2003	2005	2004	2003
Weighted average estimated fair value of grant	\$ 6.02	\$ 10.79	\$ 9.02	\$ 5.78	\$ 6.38	\$ 5.65
Expected life (in years)	4.7	4.2	4.4	.5	.5	.5
Risk-free interest rate	3.9%	3.0%	2.2%	3.2%	1.4%	1.1%
Volatility	.26	.50	.54	.23	.30	.50
Dividend yield	1.4%	.6%	.4%	1.3%	.6%	.4%

In light of Staff Accounting Bulletin (SAB) 107 of the U.S. Securities and Exchange Commission (SEC), issued in the first quarter of 2005, the company reevaluated the assumptions used to estimate the value of employee stock options granted. Management determined that implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. Additionally, in 2005, the company began using the simplified calculation of expected life, described in SAB 107, due to changes in the vesting terms and contractual life of current option grants compared to the company's historical grants. Management believes that this calculation provides a reasonable estimate of expected life for the company's employee stock options. No adjustments to the 2004 and 2003 input assumptions have been made.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R). SFAS No. 123(R) requires employee share-based equity awards to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Opinion No. 25 and allowed under the original provisions of SFAS No. 123. SFAS No. 123(R) requires the use of an option pricing model for estimating fair value, which is then amortized to expense over the service periods. If the company had applied the provisions of SFAS No. 123(R) to the financial statements for 2005, net income would have been reduced by approximately \$1.3 billion. SFAS No. 123(R) allows for either prospective recognition of compensation expense or retrospective recognition. In the first quarter of 2006, the company began to apply the prospective recognition method and implemented the provisions of SFAS No. 123(R).

Note 3: Earnings Per Share

The shares used in the computation of the company's basic and diluted earnings per common share were as follows:

(In Millions)	2005	2004	2003
Weighted average common shares outstanding	6,106	6,400	6,527
Dilutive effect of employee stock options	70	94	94
Dilutive effect of convertible debt	2	—	—
Weighted average common shares outstanding, assuming dilution	6,178	6,494	6,621

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Basic earnings per common share is computed using net income and the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed using net income and the weighted average number of common shares outstanding and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include the assumed exercise of stock options using the treasury stock method, as well as the assumed conversion of debt using the if-converted method. The if-converted method also requires that net income be adjusted for the interest expense from convertible debt, net of tax, recognized in the income statement in the period. In 2005, interest expense related to convertible debt was capitalized, although insignificant. The above calculations are prescribed by SFAS No. 128, "Earnings per Share."

For 2005, 372 million of the company's outstanding stock options were excluded from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market value of the common shares, and therefore their inclusion would have been anti-dilutive (357 million in 2004 and 418 million in 2003). These options could be dilutive in the future if the average market value of the common shares increases and is greater than the exercise price of these options. The dilutive effect of convertible debt in 2005 was minimized by the timing of the related debt issuance. See "Note 5: Borrowings."

Note 4: Common Stock Repurchase Program

The company has an ongoing authorization, as amended in November 2005, from the Board of Directors to repurchase up to \$25 billion in shares of Intel's common stock in open market or negotiated transactions. The recent authorization includes the remaining shares available for repurchase under previous authorizations, which were expressed as share amounts. During 2005, the company repurchased 418 million shares of common stock at a cost of \$10.6 billion (301 million shares at a cost of \$7.5 billion during 2004 and 176 million shares at a cost of \$4.0 billion during 2003). Since the program began in 1990, the company has repurchased and retired 2.6 billion shares at a cost of approximately \$52 billion. As of December 31, 2005, \$21.9 billion remained available for repurchase under the existing repurchase authorization.

Note 5: Borrowings

Short-Term Debt

Short-term debt included non-interest-bearing drafts payable of \$295 million and the current portion of long-term debt of \$18 million as of December 31, 2005 (drafts payable of \$168 million and the current portion of long-term debt of \$33 million as of December 25, 2004). The company also borrows under a commercial paper program. Maximum borrowings under the company's commercial paper program reached approximately \$150 million during 2005 (\$550 million during 2004), and did not exceed authorized borrowings of \$3.0 billion during either period. No commercial paper was outstanding as of December 31, 2005 or December 25, 2004. The company's commercial paper is rated A-1+ by Standard & Poor's and P-1 by Moody's.

Long-Term Debt

Long-term debt at fiscal year-ends was as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>
Junior subordinated convertible debentures due 2035 at 2.95%	\$ 1,585	\$ —
Euro debt due 2006–2018 at 2.6%–11%	378	735
Arizona bonds adjustable 2010, due 2035 at 4.375%	160	—
Other debt	1	1
	<u>2,124</u>	<u>736</u>
Less current portion of long-term debt	<u>(18)</u>	<u>(33)</u>
Total long-term debt	<u>\$ 2,106</u>	<u>\$ 703</u>

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In December 2005, the company issued \$1.6 billion of 2.95% junior subordinated convertible debentures (the debentures) due 2035. The debentures are initially convertible, subject to certain conditions, into shares of the company's common stock at a conversion rate of 31.7162 shares of common stock per \$1,000 principal amount of debentures, representing an initial effective conversion price of approximately \$31.53 per share of common stock. Holders may surrender the debentures for conversion at any time. The conversion rate will be subject to adjustment for certain events outlined in the indenture governing the debentures but will not be adjusted for accrued interest. In addition, the conversion rate will increase for a holder who elects to convert the debentures in connection with certain changes. The debentures, which pay a fixed rate of interest semiannually beginning on June 15, 2006, have a contingent interest component that will require the company to pay interest based on certain thresholds and for certain events commencing on December 15, 2010, as outlined in the indenture governing the debentures. The maximum amount of contingent interest that will accrue is 0.40% per year. The fair value of the related embedded derivatives was not significant at December 31, 2005. The company may settle any conversions of the debentures in cash or stock at the company's option. On or after December 15, 2012, the company may redeem all or part of the debentures for the principal amount plus any accrued and unpaid interest if the closing price of the company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period prior to the date on which the company provides notice of redemption. If certain change events occur in the future, the indenture provides that each holder of the debentures may, for a pre-defined period of time, require the company to repurchase the holder's debentures for the principal amount plus any accrued and unpaid interest. The company may pay the repurchase price in cash or in shares of the company's common stock. In addition, on or prior to June 12, 2006, the company may redeem all or part of the debentures for cash at a premium if certain U.S. federal tax legislation, regulations or rules are enacted or are issued. The debentures are subordinated in right of payment to the company's existing and future senior debt and to the other liabilities of the company's subsidiaries. The debentures will be used to provide funds for general corporate purposes. The company may also use a portion of the proceeds to purchase shares of Intel common stock.

The company has guaranteed repayment of principal and interest on bonds issued by the Industrial Development Authority of the City of Chandler, Arizona (the Arizona bonds), which constitute an unsecured general obligation of the company. The aggregate principal amount, including premium, of the Arizona bonds issued December 2005 is \$160 million due 2035, and the bonds will bear interest at a fixed rate of 4.375% until 2010. The Arizona bonds are subject to mandatory tender on November 30, 2010, at which time, at the company's option, the bonds can be re-marketed as either fixed-rate bonds for a period of a specified duration or as variable-rate bonds until their final maturity on December 1, 2035. The proceeds from the issuance of these bonds will be used to provide funds to finance the costs of acquisition, construction and installation of certain industrial sewage and wastewater treatment facilities and solid waste disposal facilities as part of the company's semiconductor manufacturing plant located in the City of Chandler, Arizona.

The company has Euro borrowings made in connection with the financing of manufacturing facilities and equipment in Ireland. The company invested the proceeds in Euro-denominated loan participation notes of similar maturity to hedge currency and interest rate exposures. During 2005, the company retired approximately \$280 million of the Euro borrowings (approximately \$270 million during 2004) prior to their maturity dates through the simultaneous settlement of an equivalent amount of investments in loan participation notes (see "Note 8: Interest and Other, Net").

As of December 31, 2005, aggregate debt maturities were as follows: 2006—\$18 million; 2007—\$20 million; 2008—\$97 million; 2009—\$20 million; 2010—\$184 million; and thereafter—\$1.8 billion.

Note 6: Investments

Trading Assets

Trading assets outstanding at fiscal year-ends were as follows:

<u>(In Millions)</u>	2005		2004	
	Net Unrealized Gains (Losses)	Estimated Fair Value	Net Unrealized Gains	Estimated Fair Value
Debt instruments	\$ (1)	\$ 1,095	\$ 187	\$ 2,772
Equity securities offsetting deferred compensation	93	363	81	339
Total trading assets	\$ 92	\$ 1,458	\$ 268	\$ 3,111

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net gains (losses) for the period on fixed-income debt instruments classified as trading assets still held at the reporting date were \$(47) million in 2005 (\$80 million in 2004 and \$208 million in 2003). Net gains (losses) on the related derivatives were \$52 million in 2005 (\$77) million in 2004 and \$(192) million in 2003). These amounts were included in interest and other, net in the consolidated statements of income.

Certain equity securities within the trading asset portfolio are maintained to generate returns that seek to offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. These deferred compensation liabilities were \$316 million in 2005 (\$458 million in 2004), and are included in other accrued liabilities on the consolidated balance sheets. The decrease in 2005 was primarily related to an amendment of the company's U.S. defined-benefit plan, which resulted in a transfer of deferred compensation liabilities to the plan (see "Note 12: Retirement Benefit Plans"). Net gains for the period on equity securities offsetting deferred compensation arrangements still held at the reporting date were \$15 million in 2005 and were included within interest and other, net in the consolidated statements of income (\$29 million in 2004 and \$52 million in 2003).

Prior to 2004, the company held certain other marketable equity securities that were included in trading assets. Net gains for the period on these equity security trading assets still held at the reporting date were \$77 million in 2003. Net losses on the related derivatives were \$84 million in 2003. These gains and losses were included within losses on equity securities, net in the consolidated statements of income.

Available-for-Sale Investments

Available-for-sale investments at December 31, 2005 were as follows:

(In Millions)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Floating rate notes	\$ 5,428	\$ 1	\$ (1)	\$ 5,428
Commercial paper	4,898	—	(1)	4,897
Bank time deposits ¹	1,322	—	—	1,322
Asset-backed securities	1,143	1	—	1,144
Repurchase agreements	585	—	—	585
Corporate bonds	464	1	—	465
Non-U.S. government securities	459	—	—	459
Marketable strategic equity securities	376	161	—	537
U.S. government securities	343	—	(3)	340
Preferred stock and other equity	210	—	—	210
Total available-for-sale investments	\$ 15,228	\$ 164	\$ (5)	\$ 15,387
				Carrying Amount
Available-for-sale investments				\$ 15,387
Cost basis investments in loan participation notes				373
Cash on hand				226
Total				\$ 15,986
Reported as:				
Cash and cash equivalents				\$ 7,324
Short-term investments				3,990
Marketable strategic equity investments				537
Other long-term investments				4,135
Total				\$ 15,986

¹ Bank time deposits were mostly issued by U.S. institutions in 2005 and by institutions outside the U.S. in 2004.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Available-for-sale investments at December 25, 2004 were as follows:

(In Millions)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	\$ 7,992	\$ —	\$ (4)	\$ 7,988
Floating rate notes	2,697	—	(1)	2,696
Bank time deposits ¹	1,866	—	—	1,866
Non-U.S. government securities	985	—	—	985
Corporate bonds	794	—	—	794
Marketable strategic equity securities	589	118	(51)	656
Asset-backed securities	472	—	—	472
U.S. government securities	405	—	—	405
Preferred stock and other equity	200	—	—	200
Repurchase agreements	196	—	—	196
Total available-for-sale investments	\$ 16,196	\$ 118	\$ (56)	\$ 16,258
				Carrying Amount
Available-for-sale investments				\$ 16,258
Cost basis investments in loan participation notes				723
Cash on hand				299
Total				\$ 17,280
Reported as:				
Cash and cash equivalents				\$ 8,407
Short-term investments				5,654
Marketable strategic equity investments				656
Other long-term investments				2,563
Total				\$ 17,280

¹ Bank time deposits were mostly issued by U.S. institutions in 2005 and by institutions outside the U.S. in 2004.

The duration of the unrealized losses on available-for-sale investments at December 31, 2005 and December 25, 2004 did not exceed 12 months. The company's unrealized losses of \$51 million on investments in marketable strategic equity securities at December 25, 2004 related primarily to the company's investment in Micron Technology, Inc. The unrealized losses were due to market-price movements. Management does not believe that any of the unrealized losses represented an other-than-temporary impairment based on its evaluation of available evidence as of December 31, 2005 and December 25, 2004. However, during 2005, the company took an impairment charge on its investment in Micron for \$105 million reflecting the difference between the cost basis of the investment and the price of Micron's stock at the end of the second quarter of 2005. The impairment was principally based on management's assessment of Micron's financial results and the fact that the market price of Micron's stock had been below the company's cost basis for an extended period of time, as well as the competitive pricing environment for Dynamic Random Access Memory (DRAM) products. The investment in Micron is part of the company's strategy to support the development and supply of DRAM products.

The company sold available-for-sale securities with a fair value at the date of sale of \$1.7 billion in 2005 (\$1.1 billion in 2004 and \$865 million in 2003). The gross realized gains on these sales totaled \$96 million in 2005 (\$52 million in 2004 and \$16 million in 2003). For all periods presented, gross realized losses on sales, and gains on shares exchanged in third-party merger transactions were insignificant. The company recognized impairment losses on available-for-sale investments of \$105 million in 2005 (\$2 million in 2004 and none in 2003).

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amortized cost and estimated fair value of available-for-sale and loan participation investments in debt securities at December 31, 2005, by contractual maturity, were as follows:

<u>(In Millions)</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
Due in 1 year or less	\$ 10,661	\$ 10,660
Due in 1-2 years	2,038	2,038
Due in 2-5 years	976	974
Due after 5 years	197	197
Asset-backed securities not due at a single maturity date	1,143	1,144
Total	<u>\$ 15,015</u>	<u>\$ 15,013</u>

Non-Marketable Equity Securities

Non-marketable equity securities consist of both cost basis and equity method investments. At December 31, 2005, the carrying values of cost basis and equity method investments were \$502 million and \$59 million, respectively (\$449 million and \$58 million at December 25, 2004). The company recognized impairment losses on non-marketable equity securities of \$103 million in 2005 (\$115 million in 2004 and \$319 million in 2003).

Note 7: Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of investments in debt securities, derivative financial instruments and trade receivables.

Intel generally places its investments with high-credit-quality counterparties and, by policy, limits the amount of credit exposure to any one counterparty based on Intel's analysis of that counterparty's relative credit standing. Investments in debt securities with original maturities of greater than six months consist primarily of A and A2 or better rated financial instruments and counterparties. Investments with original maturities of up to six months consist primarily of A-1 and P-1 or better rated financial instruments and counterparties. Government regulations imposed on investment alternatives of Intel's non-U.S. subsidiaries, or the absence of A and A2 rated counterparties in certain countries, result in some minor exceptions, which are reviewed and approved annually by the Finance Committee of the Board of Directors. Credit rating criteria for derivative instruments are similar to those for investments. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which a counterparty's obligations exceed the obligations of Intel with that counterparty. At December 31, 2005, the total credit exposure to any single counterparty did not exceed \$365 million. Intel's practice is to obtain and secure available collateral from counterparties against obligations, including securities lending transactions, whenever Intel deems appropriate.

The majority of the company's trade receivables are derived from sales to original equipment manufacturers and original design manufacturers of computer systems, cellular handsets and handheld computing devices, and networking and communications equipment. The company also has accounts receivable derived from sales to industrial and retail distributors. The company's two largest customers accounted for 35% of net revenue for 2005 and 2004, and 34% of net revenue for 2003. At December 31, 2005, the two largest customers accounted for 42% of net accounts receivable (34% of net accounts receivable at December 25, 2004). Management believes that the receivable balances from these largest customers do not represent a significant credit risk based on cash flow forecasts, balance sheet analysis and past collection experience.

The company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the financial stability of the company's end customers and diverse geographic sales areas. To assess the credit risk of counterparties, a quantitative and qualitative analysis is performed. From this analysis, credit limits are established and a determination is made as to whether one or more credit support devices, such as obtaining some form of third-party guarantee or standby letter of credit, or obtaining credit insurance, for all or a portion of the account balance is necessary.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8: Interest and Other, Net

The components of interest and other, net were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Interest income	\$ 577	\$ 301	\$ 248
Interest expense	(19)	(50)	(62)
Other, net	7	38	6
Total	<u>\$ 565</u>	<u>\$ 289</u>	<u>\$ 192</u>

During 2004, the company recognized \$60 million of gains in other, net associated with terminating financing arrangements for manufacturing facilities and equipment in Ireland (see "Note 5: Borrowings"). Gains associated with terminating similar financing arrangements recognized in 2005 were insignificant.

Note 9: Comprehensive Income

The components of comprehensive income and related tax effects were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income	\$ 8,664	\$ 7,516	\$ 5,641
Change in net unrealized holding gain on investments, net of tax of \$(60), \$(17) and \$(18) in 2005, 2004 and 2003, respectively	101	31	33
Less: adjustment for net gain on investments included in net income, net of tax of \$22, \$15 and \$5 in 2005, 2004 and 2003, respectively	(38)	(29)	(11)
Change in net unrealized holding gain on derivatives, net of tax of \$25, \$(34) and \$(15) in 2005, 2004 and 2003, respectively	(42)	63	27
Less: adjustment for amortization of net gain on derivatives included in net income, net of tax of \$22 in 2005 and \$4 in 2004	(38)	(8)	(1)
Minimum pension liability, net of tax of \$5 in 2005 and \$(2) in 2003	(8)	(1)	5
Total	<u>\$ 8,639</u>	<u>\$ 7,572</u>	<u>\$ 5,694</u>

The components of accumulated other comprehensive income, net of tax, were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>
Accumulated net unrealized holding gain on available-for-sale investments	\$ 100	\$ 37
Accumulated net unrealized holding gain on derivatives	37	117
Accumulated minimum pension liability	(10)	(2)
Total accumulated other comprehensive income	<u>\$ 127</u>	<u>\$ 152</u>

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10: Provision for Taxes

Income before taxes and the provision for taxes consisted of the following:

<u>(Dollars in Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Income before taxes:			
U.S.	\$ 10,397	\$ 7,422	\$ 5,705
Non-U.S.	2,213	2,995	1,737
Total income before taxes	<u>\$ 12,610</u>	<u>\$ 10,417</u>	<u>\$ 7,442</u>
Provision for taxes:			
Current:			
Federal	\$ 3,546	\$ 2,787	\$ 808
State	289	(69)	223
Non-U.S.	524	390	379
	<u>4,359</u>	<u>3,108</u>	<u>1,410</u>
Deferred:			
Federal	(360)	(128)	420
Other	(53)	(79)	(29)
	<u>(413)</u>	<u>(207)</u>	<u>391</u>
Total provision for taxes	<u>\$ 3,946</u>	<u>\$ 2,901</u>	<u>\$ 1,801</u>
Effective tax rate	<u>31.3%</u>	<u>27.8%</u>	<u>24.2%</u>

The tax benefit from employee equity incentive plans was \$351 million for 2005 (\$344 million for 2004 and \$216 million for 2003).

The difference between the tax provision at the statutory federal income tax rate and the tax provision attributable to income before income taxes was as follows:

<u>(In Percentages)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:			
State taxes, net of federal benefits	1.3	(0.4)	1.9
Non-U.S. income taxed at different rates	(2.0)	(2.5)	(2.8)
Non-deductible acquisition-related costs and goodwill impairments	—	0.1	3.1
Tax benefit related to divestitures	—	—	(10.2)
Export sales benefit	(2.8)	(4.8)	(2.5)
Repatriation of prior years' permanently reinvested earnings	1.8	—	—
Other	(2.0)	0.4	(0.3)
Income tax rate	<u>31.3%</u>	<u>27.8%</u>	<u>24.2%</u>

The American Jobs Creation Act of 2004 (the Jobs Act) created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividends-received deduction for certain dividends from controlled non-U.S. corporations. During 2005, the company's Chief Executive Officer and Board of Directors approved a domestic reinvestment plan, under which the company repatriated \$6.2 billion in earnings outside the U.S. pursuant to the Jobs Act. The company recorded additional tax expense in 2005 of approximately \$265 million (\$0.04 per common share, assuming dilution) related to this decision to repatriate non-U.S. earnings. This repatriation increased the company's effective rate for 2005 by approximately 2.1 percentage points, to 31.3%. The majority of this increase, 1.8%, is reflected as a separate line item in the rate reconciliation table above, representing the rate effect of the repatriation of prior years' permanently reinvested earnings. The remainder represents the rate effect of the repatriation of the current year's earnings and is included in the rate reconciliation table as part of "Non-U.S. income taxed at different rates."

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During 2004, in connection with preparing and filing its 2003 federal tax return and preparing its state tax returns, the company reduced its 2004 tax provision by \$195 million. This reduction in the 2004 tax provision was primarily driven by tax benefits for export sales and state tax benefits for divestitures that exceeded the amounts originally estimated in connection with the 2003 provision. Also during 2004, the company reversed previously accrued taxes related primarily to the closing of a state income tax audit that reduced the tax provision for 2004 by \$62 million.

The company reduced its tax provision for 2003 by approximately \$758 million due to the tax benefits related to the sale of certain businesses and assets through the sale of stock of acquired companies (see “Note 13: Acquisitions and Divestitures”).

The U.S. Internal Revenue Service (IRS) formally assessed certain adjustments to the amounts reflected by the company in its tax returns for the years 1999 through 2002. See “Note 18: Contingencies” for a discussion of these matters.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of the company’s deferred tax assets and liabilities at fiscal year-ends were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>
Deferred tax assets		
Accrued compensation and other benefits	\$ 212	\$ 265
Accrued advertising	170	115
Deferred income	241	232
Inventory valuation	251	193
Impairment losses on equity investments	93	110
State credits and net operating losses	107	107
Intercompany profit in inventory	105	82
Unremitted earnings of non-U.S. subsidiaries	161	5
Other, net	<u>273</u>	<u>92</u>
	1,613	1,201
Valuation allowance	<u>(86)</u>	<u>(75)</u>
Total deferred tax assets	<u>\$ 1,527</u>	<u>\$ 1,126</u>
Deferred tax liabilities		
Depreciation	\$ (806)	\$ (894)
Unrealized gains on investments	(123)	(82)
Other, net	<u>(117)</u>	<u>(26)</u>
Total deferred tax liabilities	<u>\$ (1,046)</u>	<u>\$ (1,002)</u>
Net deferred tax assets	<u>\$ 481</u>	<u>\$ 124</u>
Reported as:		
Current deferred tax assets	\$ 1,149	\$ 979
Non-current deferred tax assets ¹	35	—
Non-current deferred tax liabilities	<u>(703)</u>	<u>(855)</u>
Net deferred taxes	<u>\$ 481</u>	<u>\$ 124</u>

¹ Included in the “Deferred taxes and other assets” line item on the consolidated balance sheet.

The net deferred tax asset valuation allowance increased \$11 million to \$86 million at December 31, 2005 based on management’s assessments that it is more likely than not that certain deferred tax assets will not be realized in the foreseeable future. The valuation allowance is composed of unrealized state capital loss carry forwards and unrealized state credit carry forwards of \$74 million, and operating loss of non-U.S. subsidiaries of \$12 million.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During 2004, the company reclassified \$445 million from deferred tax liabilities to common stock and capital stock in excess of par value. The balance sheet reclassification represented the tax benefit attributable to certain prior-year stock option exercises by non-U.S. employees and had no impact on the accompanying statement of cash flows.

U.S. income taxes were not provided for on a cumulative total of approximately \$3.7 billion of undistributed earnings for certain non-U.S. subsidiaries. Determination of the amount of unrecognized deferred tax liability for temporary differences related to investments in these non-U.S. subsidiaries that are essentially permanent in duration is not practicable. The company currently intends to reinvest these earnings in operations outside the U.S.

Note 11: Employee Equity Incentive Plans

Stock Option Plans

Under the 2004 Equity Incentive Plan (the 2004 Plan), options to purchase shares may be granted to all employees and non-employee directors. Beginning in 2006, the company will also issue restricted stock units to employees and non-employee directors under the 2004 Plan. The company may use other types of equity incentive awards, such as stock units and stock appreciation rights under the 2004 Plan. The 2004 Plan also allows for performance-based vesting for equity incentive awards. In May 2005, the company obtained stockholder approval to extend the term of the 2004 Plan by one year, to June 30, 2007, and to make an additional 130 million shares of common stock available for issuance. Including this extension, the company has made a total of 370 million shares of common stock available for issuance under the 2004 Plan. The Intel Corporation 1984 Stock Option Plan expired in May 2004, and the Intel Corporation 1997 Stock Option Plan was terminated upon stockholder approval of the 2004 Plan. As of December 31, 2005, substantially all of the company's employees were participating in one of the stock option plans. Options granted by the company under the 2004 Plan generally expire seven years from the grant date. Options granted under the company's previous stock option plans generally expire 10 years from the grant date. Options granted in 2005 to existing and newly hired employees generally vest over a four-year period from the date of grant. Certain grants to key employees have delayed vesting, generally beginning six years from the date of grant. Intel may also assume the stock option plans and the outstanding options of certain acquired companies. Once assumed, Intel does not grant additional stock under these plans. Additional information with respect to stock option plan activity is as follows:

(Shares in Millions)	Shares Available for Grant	Outstanding Options	
		Number of Shares	Weighted Average Exercise Price
December 28, 2002	921.8	845.4	\$ 25.31
Grants	(109.9)	109.9	\$ 20.22
Exercises	—	(63.7)	\$ 10.08
Cancellations	40.0	(41.5)	\$ 30.49
Reduction in shares available for grant	(325.0)	—	—
December 27, 2003	526.9	850.1	\$ 25.54
Grants	(114.7)	114.7	\$ 26.23
Exercises	—	(48.4)	\$ 10.89
Cancellations	11.5	(32.5)	\$ 30.00
Expiration of 1984 Stock Option Plan	(143.2)	—	—
Cancellation of 1997 Stock Option Plan	(300.1)	—	—
Adoption of 2004 Equity Incentive Plan	240.0	—	—
December 25, 2004	220.4	883.9	\$ 26.26
Grants	(118.6)	118.9 ¹	\$ 23.36 ¹
Exercises	—	(64.5)	\$ 12.65
Cancellations	5.2	(38.4)	\$ 29.80
Additional shares approved for issuance	130.0	—	—
December 31, 2005	237.0	899.9	\$ 26.71
Options exercisable at:			
December 27, 2003		327.5	\$ 20.53
December 25, 2004		397.5	\$ 23.83
December 31, 2005		469.2	\$ 29.16

¹ Includes options assumed in connection with an acquisition.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The range of option exercise prices for options outstanding at December 31, 2005 was \$0.05 to \$87.90. This range reflects the impact of options assumed with acquired companies in addition to the fluctuating price of Intel common stock.

The following table summarizes information about options outstanding at December 31, 2005:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number of Shares (In Millions)	Weighted Average Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares (In Millions)	Weighted Average Exercise Price
\$0.05–\$15.00	29.0	1.0	\$ 8.38	28.6	\$ 8.40
\$15.01–\$20.00	176.3	4.6	\$ 18.22	124.6	\$ 18.34
\$20.01–\$25.00	354.4	6.1	\$ 22.61	88.0	\$ 20.80
\$25.01–\$30.00	160.4	7.0	\$ 27.23	68.6	\$ 26.79
\$30.01–\$40.00	95.6	4.6	\$ 33.45	77.1	\$ 33.78
\$40.01–\$87.90	84.2	4.3	\$ 59.45	82.3	\$ 59.39
Total	899.9	5.5	\$ 26.71	469.2	\$ 29.16

These options will expire if not exercised by specific dates through February 2015. Option exercise prices for options exercised during the three-year period ended December 31, 2005 ranged from \$0.01 to \$33.60.

Stock Participation Plan

In addition to the employee equity incentive plans, the company has a Stock Participation Plan under which eligible employees may purchase shares of Intel's common stock at 85% of the average of the high and low stock price reported on The NASDAQ Stock Market at specific, predetermined dates. Approximately 70% of the company's employees were participating in the Stock Participation Plan as of December 31, 2005. Of the 944 million shares authorized to be issued under the plan, 47.9 million shares remained available for issuance at December 31, 2005. Employees purchased 19.6 million shares in 2005 (18.4 million in 2004 and 23.8 million in 2003) for \$387 million (\$367 million in 2004 and \$328 million in 2003).

Note 12: Retirement Benefit Plans

Profit Sharing Plans

The company provides tax-qualified profit sharing retirement plans for the benefit of eligible employees, former employees and retirees in the U.S. and certain other countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis and provide for annual discretionary employer contributions. Amounts to be contributed to the U.S. Profit Sharing Plan are determined by the Chief Executive Officer of the company under delegation of authority from the Board of Directors, pursuant to the terms of the Profit Sharing Plan. As of December 31, 2005, approximately 90% of the assets of the U.S. Profit Sharing Plan had been allocated to domestic and international equity index funds and approximately 10% had been allocated to a fixed income fund. All assets are managed by an outside fund manager, consistent with the investment policy.

The company also provides a non-qualified profit sharing retirement plan (SERPLUS) for the benefit of eligible employees in the U.S. This plan is designed to permit certain discretionary employer contributions and to permit employee deferral of a portion of salaries in excess of certain tax limits and deferral of bonuses. This plan is unfunded.

The company expensed \$355 million for the qualified and non-qualified U.S. profit sharing retirement plans in 2005 (\$323 million in 2004 and \$302 million in 2003). The company expects to fund approximately \$320 million for the 2005 contribution to the U.S. qualified Profit Sharing Plan and less than \$10 million for SERPLUS.

Contributions made by the company to the U.S. Profit Sharing Plan on behalf of the employees vest based on the employee's years of service. Vesting begins after three years of service in 20% annual increments until the employee is 100% vested after seven years, or earlier if the employee reaches age 60.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pension and Postretirement Benefit Plans

U.S. Pension Benefits. The company provides a tax-qualified defined-benefit pension plan for the benefit of eligible employees and retirees in the U.S. The plan provides for a minimum pension benefit that is determined by a participant's years of service and final average compensation (taking into account the participant's social security wage base), reduced by the participant's balance in the Profit Sharing Plan. If the pension benefit exceeds the participant's balance in the Profit Sharing Plan, the participant will receive a combination of pension and profit sharing amounts equal to the pension benefit. However, the participant will receive only the benefit from the Profit Sharing Plan if that benefit is greater than the value of the pension benefit. The U.S. defined-benefit plan's projected benefit obligation assumes future contributions to the Profit Sharing Plan, and if the company does not continue to contribute to or significantly reduces contributions to the Profit Sharing Plan, the U.S. defined-benefit plan projected benefit obligation could increase significantly. Historically, the company has contributed 8% to 12.5% of participants' eligible compensation to the Profit Sharing Plan on an annual basis. The benefit obligation and related assets under this plan have been measured as of November 30, 2005.

In 2005, the company received a favorable determination letter from the IRS approving an amendment to the U.S. defined-benefit plan that was filed during 2004. Effective for the plan year ended 2005, the amendment allows for a portion of the SERPLUS liability to be included with the U.S. defined-benefit plan under Section 415 of the Internal Revenue Code. The amendment increased the projected benefit obligation and accumulated benefit obligation by approximately \$199 million. The company has funded the U.S. defined-benefit plan related to this amendment in accordance with applicable funding laws in 2005, and this has been reflected as employer contributions in the change in plan assets table below.

Non-U.S. Pension Benefits. The company also provides defined-benefit pension plans in certain other countries. Consistent with the requirements of local law, the company deposits funds for certain of these plans with insurance companies, third-party trustees, or into government-managed accounts, and/or accrues for the unfunded portion of the obligation. The assumptions used in calculating the obligation for the non-U.S. plans depend on the local economic environment. The benefit obligations and related assets under these plans have been measured as of December 31, 2005.

Postretirement Medical Benefits. Upon retirement, eligible U.S. employees are credited with a defined dollar amount based on years of service. These credits can be used to pay all or a portion of the cost to purchase coverage in an Intel-sponsored medical plan. If the available credits are not sufficient to pay the entire cost of the coverage, the remaining cost is the responsibility of the retiree.

Funding Policy. The company's practice is to fund the various pension plans in amounts at least sufficient to meet the minimum requirements of U.S. federal laws and regulations or applicable local laws and regulations. The assets of the various plans are invested in corporate equities, corporate debt securities, government securities and other institutional arrangements. The portfolio of each plan depends on plan design and applicable local laws. Depending on the design of the plan, local custom and market circumstances, the minimum liabilities of a plan may exceed qualified plan assets. The company accrues for all such liabilities.

Benefit Obligation and Plan Assets

The changes in the benefit obligations, plan assets and funded status for the plans described above were as follows:

(In Millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Change in projected benefit obligation:						
Beginning benefit obligation	\$ 42	\$ 49	\$ 327	\$ 306	\$ 177	\$ 178
Service cost	2	2	31	29	10	15
Interest cost	2	2	18	16	10	12
Plan participants' contributions	—	—	7	6	3	2
Actuarial (gain) loss	(7)	(10)	146	(40)	(2)	(26)
Currency exchange rate changes	—	—	(44)	17	—	—
Plan amendments	199	—	—	—	—	—
Benefits paid to plan participants	(1)	(1)	(12)	(7)	(5)	(4)
Ending projected benefit obligation	\$ 237	\$ 42	\$ 473	\$ 327	\$ 193	\$ 177

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Change in plan assets:						
Beginning fair value of plan assets	\$ 39	\$ 30	\$ 240	\$ 195	\$ 4	\$ 2
Actual return on plan assets	1	3	41	4	—	—
Employer contributions	187	7	96	31	1	4
Plan participants' contributions	—	—	7	6	2	2
Currency exchange rate changes	—	—	(32)	11	—	—
Benefits paid to participants	(1)	(1)	(12)	(7)	(5)	(4)
Ending fair value of plan assets	<u>\$ 226</u>	<u>\$ 39</u>	<u>\$ 340</u>	<u>\$ 240</u>	<u>\$ 2</u>	<u>\$ 4</u>

(In Millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Funded status:						
Ending funded status	\$ (11)	\$ (3)	\$ (133)	\$ (87)	\$ (191)	\$ (173)
Unrecognized transition obligation	—	—	2	2	—	—
Unrecognized net actuarial (gain) loss	(2)	5	112	(3)	4	6
Unrecognized prior service cost	—	1	—	—	29	33
Net amount recognized	<u>\$ (13)</u>	<u>\$ 3</u>	<u>\$ (19)</u>	<u>\$ (88)</u>	<u>\$ (158)</u>	<u>\$ (134)</u>

The amounts recognized on the balance sheet for the plans described above were as follows:

(In Millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Amounts recognized in the balance sheet:						
Prepaid benefit cost	\$ —	\$ 3	\$ 58	\$ 40	\$ —	\$ —
Accrued benefit liability	(13)	—	(93)	(131)	(158)	(134)
Deferred tax asset	—	—	—	1	—	—
Accumulated other comprehensive income	—	—	16	2	—	—
Net amount recognized	<u>\$ (13)</u>	<u>\$ 3</u>	<u>\$ (19)</u>	<u>\$ (88)</u>	<u>\$ (158)</u>	<u>\$ (134)</u>

The accumulated benefit obligations for the plans were as follows:

(In Millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Accumulated benefit obligation	\$226	\$ 38	\$ 310	\$ 222	\$ 193	\$ 177

Included in the aggregate data in the tables below are the aggregate amounts applicable to the company's pension plans with accumulated benefit obligations in excess of plan assets, as well as plans with projected benefit obligations in excess of plan assets. Amounts related to such plans were as follows:

(In Millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2005	2004	2005	2004
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	\$ —	\$ —	\$ 98	\$ 70
Plan assets	\$ —	\$ —	\$ 13	\$ 18
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	\$ 237	\$ 42	\$ 323	\$ 296
Plan assets	\$ 226	\$ 39	\$ 146	\$ 205

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assumptions

Weighted-average actuarial assumptions used to determine benefit obligations for the plans were as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Discount rate	5.4%	5.6%	5.4%	5.9%	5.6%	5.6%
Expected return on plan assets	5.6%	8.0%	6.1%	6.3%	—	—
Rate of compensation increase	5.0%	5.0%	4.0%	3.5%	—	—
Future profit sharing contributions	8.0%	8.0%	—	—	—	—

For the postretirement medical benefit plan, an increase in the assumed healthcare cost trend rate of one percentage point each year would not have a significant impact on the benefit obligation because the plan provides defined credits that the retiree can use to pay all or a portion of the cost to purchase medical coverage.

Weighted-average actuarial assumptions used to determine costs for the plans were as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2005	2004	2005	2004	2005	2004
Discount rate	5.6%	6.0%	5.9%	5.9%	5.6%	6.0%
Expected return on plan assets	8.0%	8.0%	6.3%	6.3%	—	—
Rate of compensation increase	5.0%	5.0%	3.5%	3.5%	—	—
Future profit sharing contributions	8.0%	8.0%	—	—	—	—

For the U.S. plan, the discount rate was developed by calculating the benefit payment streams by year to determine when benefit payments will be due. The benefit payment streams were then matched by year to U.S. Treasury zero coupon strips to match the timing and amount of the expected benefit payments. The company adjusted the zero coupon rate by a historical credit risk spread, and discounted it back to the measurement date to determine the appropriate discount rate. For the non-U.S. plans, the discount rate was developed by analyzing long-term bond rates and matching the bond maturity with the average duration of the pension liabilities. Several factors are considered in developing the asset return assumptions for the U.S. and non-U.S. plans. The company analyzed rates of return relevant to the country where each plan is in effect and the investments applicable to the plan. Additional analysis was performed in order to reflect expectations of future returns. The company analyzed local actuarial projections as well as the projected rates of return from investment managers. The expected long-term rate of return shown for the non-U.S. plan assets is weighted to reflect each country's relative portion of the non-U.S. plan assets.

Net Periodic Benefit Cost

The net periodic benefit cost for the plans included the following components:

(In Millions)	U.S. Pension Benefits			Non-U.S. Pension Benefits			Postretirement Medical Benefits		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Service cost	\$ 4	\$ 4	\$ 7	\$ 31	\$ 29	\$ 27	\$ 11	\$ 15	\$ 12
Interest cost	2	2	2	18	16	18	10	11	10
Expected return on plan assets	(3)	(2)	(2)	(18)	(14)	(1)	—	—	—
Amortization of prior service cost	—	1	1	—	—	—	4	4	4
Recognized net actuarial loss	—	—	1	—	—	1	—	1	—
Net periodic benefit cost	\$ 3	\$ 5	\$ 9	\$ 31	\$ 31	\$ 45	\$ 25	\$ 31	\$ 26

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. Plan Assets

In general, the investment strategy followed for U.S. plan assets is designed to assure that the pension assets are available to pay benefits as they come due and minimize market risk. When deemed appropriate, a portion of the fund may be invested in futures contracts for the purpose of acting as a temporary substitute for an investment in a particular equity security. The fund does not engage in speculative futures transactions. The expected long-term rate of return for the U.S. plan assets is 5.6%.

The asset allocation for the company's U.S. Pension Plan at the end of fiscal 2005 and 2004, and the target allocation rate for 2006, by asset category, are as follows:

Asset Category	Target Allocation ¹	Percentage of Plan Assets	
		2005	2004
Equity securities	13.0%	15.0%	100.0%
Debt securities	87.0%	85.0%	—

¹ The company's investment policy was revised in 2005 to invest a larger portion of the U.S. plan assets in debt securities, which is consistent with the company's goal of minimizing market risk and paying benefits as they come due.

Non-U.S. Plan Assets

The non-U.S. plans' investments are managed by insurance companies, third-party trustees or pension funds consistent with regulations or market practice of the country where the assets are invested. The investment manager makes investment decisions within the guidelines set by Intel or local regulations. Performance is evaluated by comparing the actual rate of return to the return of other similar assets. Investments that are managed by qualified insurance companies or pension funds under standard contracts follow local regulations, and Intel is not actively involved in the investment strategy. In general, the investment strategy followed is designed to accumulate a diversified portfolio among markets, asset classes or individual securities in order to reduce market risk and assure that the pension assets are available to pay benefits as they come due. The average expected long-term rate of return for the non-U.S. plan assets is 6.1%.

The asset allocation for the company's non-U.S. plans, excluding assets managed by qualified insurance companies, at the end of fiscal 2005 and 2004, and the target allocation rate for 2006, by asset category, are as follows:

Asset Category	Target Allocation	Percentage of Plan Assets	
		2005	2004
Equity securities	67.0%	67.0%	79.0%
Debt securities	21.0%	21.0%	13.0%
Other	12.0%	12.0%	8.0%

Investments that are managed by qualified insurance companies are invested as part of the insurance companies' general fund. Intel does not have control over the target allocation of these investments. These investments made up 30% of total non-U.S. plan assets in 2005 (35% in 2004).

Funding Expectations

No further contributions are required during 2006 under applicable law for the U.S. Pension Plan. The company intends to make voluntary contributions so that assets are not less than the accumulated benefit obligation at the end of the year. Expected funding for the non-U.S. plans during 2006 is approximately \$55 million. Employer contributions to the postretirement medical benefits plan are expected to be approximately \$5 million during 2006.

Estimated Future Benefit Payments

The total benefits to be paid from the U.S. and non-U.S. pension plans and other postretirement benefit plans are not expected to exceed \$60 million in any year through 2015.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13: Acquisitions and Divestitures

Business Combinations

All of the company's acquisitions that qualified as business combinations have been accounted for using the purchase method of accounting. Consideration includes the cash paid and the value of any options assumed, less any cash acquired, and excludes contingent employee compensation payable in cash and any debt assumed. The company accounts for the intrinsic value of stock options assumed related to future services as unearned compensation within stockholders' equity.

During 2005, the company completed three acquisitions qualifying as business combinations in exchange for aggregate net cash consideration of \$177 million, plus certain liabilities. Most of this consideration was allocated to goodwill and related to businesses within the "all other" category for segment reporting purposes. During 2004, the company completed one acquisition qualifying as a business combination in exchange for net cash consideration of approximately \$33 million, plus certain liabilities. The company also completed one acquisition in 2003 qualifying as a business combination in exchange for net cash consideration of \$21 million, plus certain liabilities. The operating results since the date of acquisition of the businesses acquired are included in the segment that completed the acquisition.

Development-Stage Operations

An acquisition of a development-stage operation does not qualify as a business combination under SFAS No. 141, "Business Combinations," and purchase consideration for such an acquisition is not allocated to goodwill. Workforce-in-place qualifies as an identified intangible asset for an acquisition of a development-stage operation.

During 2005, the company acquired a development-stage operation in exchange for total net cash consideration of \$19 million, which resulted in the recording of workforce-in-place of \$20 million. During 2004, there were no acquisitions qualifying as development-stage operations. During 2003, the company acquired a development-stage operation in exchange for total net cash consideration of approximately \$40 million, all of which was allocated to workforce-in-place. The operating results of these acquisitions are included in the segment completing the acquisition, as appropriate, for segment reporting purposes.

Divestitures

During 2003, the company recognized approximately \$758 million in tax benefits related to sales of the stock of certain previously acquired companies, primarily DSP Communications, Inc. (DSP), Dialogic Corporation and Xircom, Inc. A net benefit of approximately \$420 million was recognized on the divestiture of a portion of the intellectual property assets of DSP, through the sale of the stock of DSP. A benefit of approximately \$200 million was recognized on the divestiture of a portion of the assets, primarily real estate, of Dialogic, through the sale of the stock of Dialogic, and a benefit of approximately \$125 million was recognized related to the sale of a wireless WAN business, through the sale of the stock of Xircom. The pre-tax gains and losses on these sales for financial statement or book purposes were not significant. The company was able to recognize tax losses because the tax basis in the entities exceeded the book basis, as the goodwill allocated to the transactions for financial statement purposes was less than the amount the company could effectively deduct for tax purposes.

Note 14: Goodwill

During the first quarter of 2005, the company reorganized its business groups to bring all major product groups in line with the company's strategy to design and deliver technology platforms (see "Note 19: Operating Segment and Geographic Information"). Due to this reorganization of the company's business groups during the first quarter of 2005, goodwill was allocated to the new reporting units based on the estimated fair value of each business group within its original reporting unit relative to the estimated fair value of that reporting unit. In the fourth quarter of 2005, the company added the Flash Memory Group (FMG). As the flash products group was a separate reporting unit in MG, with no goodwill assigned, the transfer of the flash products group to FMG did not change the goodwill recorded within the operating segments. The majority of the "all other" category goodwill is included in the Digital Home Group operating segment, which is also a reporting unit.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill attributed to operating segments for the years ended December 25, 2004 and December 31, 2005 was as follows:

(In Millions)	Intel Communications Group	Intel Architecture Business	Digital Enterprise Group	Mobility Group	All Other	Total
December 27, 2003	\$ 3,638	\$ 67	\$ —	\$ —	\$ —	\$ 3,705
Transfer	(466)	466	—	—	—	—
Additions	29	—	—	—	—	29
Other	(15)	—	—	—	—	(15)
December 25, 2004	3,186	533	—	—	—	3,719
Transfer	(3,186)	(533)	3,403	258	58	—
Additions	—	—	—	—	165	165
Other	—	—	(3)	(8)	—	(11)
December 31, 2005	\$ —	\$ —	\$ 3,400	\$ 250	\$ 223	\$ 3,873

During 2005, the company completed three acquisitions for total purchase consideration, net of cash acquired, of \$177 million, plus liabilities assumed, which resulted in goodwill of \$165 million. The operating results of the acquired companies have been reported in the “all other” category from the date of acquisition.

During 2005 and 2004, the company completed its annual reviews and concluded that goodwill was not impaired in either year. During 2003, under the former reporting unit structure, the company found indicators of impairment of goodwill and recorded a non-cash impairment charge of \$611 million, which was included as a component of operating income in the “all other” category for segment reporting purposes. Under the former reporting structure, the wireless communications business unit had not performed as management had expected. It became apparent that the business was expected to grow more slowly than had previously been projected. A slower-than-expected rollout of products and slower-than-expected customer acceptance of the reporting unit’s products in the cellular baseband processor business, as well as a delay in the transition to next-generation phone networks, had pushed out the forecasts for sales into high-end data cell phones. These factors resulted in lower growth expectations for the reporting unit and triggered the goodwill impairment. Also during 2003, the goodwill related to one of the company’s small seed businesses, included in the “all other” category, was impaired.

Note 15: Identified Intangible Assets

Identified intangible assets are classified within other assets on the balance sheet and consisted of the following as of December 31, 2005:

(In Millions)	Gross Assets	Accumulated Amortization	Net
Intellectual property assets	\$ 976	\$ (382)	\$ 594
Acquisition-related developed technology	300	(275)	25
Other acquisition-related intangibles	112	(77)	35
Total identified intangible assets	\$ 1,388	\$ (734)	\$ 654

Intellectual property assets primarily represent technology licenses. During 2005, the company acquired intellectual property assets for \$209 million with a weighted average life of nine years. The majority of the intellectual property assets acquired represented the value of assets capitalized as a result of a settlement agreement with MicroUnity, Inc. (see “Note 18: Contingencies”). Pursuant to the agreement, Intel agreed to pay MicroUnity a total of \$300 million, of which \$140 million was charged to cost of sales, in exchange for a technology license. The charge to cost of sales related to the portion of the license attributable to certain product sales through the third quarter of 2005. The remaining \$160 million represented the value of the intellectual property assets capitalized and is being amortized over the assets’ remaining useful lives.

Other acquisition-related intangibles include items such as workforce-in-place and customer lists. In 2005, the company acquired a development-stage operation related to the hiring of a group of employees, which resulted in the recording of workforce-in-place of \$20 million with an estimated useful life of two years.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Identified intangible assets as of December 25, 2004 consisted of the following:

<u>(In Millions)</u>	<u>Gross Assets</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Intellectual property assets	\$ 799	\$ (285)	\$ 514
Acquisition-related developed technology	631	(514)	117
Other acquisition-related intangibles	91	(45)	46
Total identified intangible assets	\$ 1,521	\$ (844)	\$ 677

During 2004, the company acquired intellectual property assets for \$250 million with a weighted average life of eight years. The majority of the intellectual property assets acquired in 2004 related to a cross-license agreement for cash consideration of \$143 million. Also included was the value of assets capitalized as a result of a settlement agreement with Intergraph Corporation. Intel and Intergraph entered into a settlement agreement, pursuant to which Intel agreed to pay Intergraph a total of \$225 million, and Intergraph agreed to dismiss certain pending litigation, granted license rights in favor of Intel and Intel's customers, and covenanted not to sue any Intel customer for products that include an Intel microprocessor, Intel chipset and Intel motherboard. As a result of the settlement agreement, Intel recorded a \$162 million charge to cost of sales in the first quarter of 2004. The remaining \$63 million represented the value of intellectual property assets capitalized and is being amortized over the assets' remaining useful lives.

In 2004, the company acquired \$18 million in developed technology in connection with an acquisition qualifying as a business combination with an estimated useful life of four years (see "Note 13: Acquisitions and Divestitures"). Also in 2004, the company entered into certain arrangements related to the hiring of a group of employees that resulted in the recording of workforce-in-place of \$28 million with an estimated useful life of three years.

All of the company's identified intangible assets are subject to amortization. Amortization of intellectual property assets was \$123 million in 2005 (\$120 million in 2004 and \$118 million in 2003). The amortization of an intellectual property asset is generally included in either cost of sales or research and development. Amortization of acquisition-related intangibles and costs was \$126 million for 2005 (\$179 million for 2004 and \$301 million for 2003).

Based on identified intangible assets recorded at December 31, 2005, and assuming no subsequent impairment of the underlying assets, the annual amortization expense for each period, excluding acquisition-related stock compensation and other acquisition-related costs, is expected to be as follows:

<u>(In Millions)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Intellectual property assets	\$ 129	\$ 99	\$ 89	\$ 62	\$ 50
Acquisition-related intangibles	\$ 42	\$ 17	\$ 1	\$ —	\$ —

Note 16: Venture

During January 2006, Micron and Intel formed IM Flash Technologies, LLC (IMFT), a company that manufactures NAND flash memory. IMFT will manufacture products for Micron and Intel. Initial production from IMFT began in early 2006. Production will take place in manufacturing facilities located in Idaho, Virginia and Utah.

As part of the initial capital contribution to IMFT, Intel paid \$500 million in cash, issued \$581 million in notes, and owes an additional \$115 million in cash in exchange for a 49% interest. In exchange for a 51% interest, Micron contributed assets valued at \$995 million and \$250 million in cash. Intel is currently committed to purchasing 49% of IMFT's production output and production-related services.

IMFT will be governed by a Board of Managers, with the parties initially appointing an equal number of managers to the Board of Managers. The number of managers appointed by each party adjusts depending upon the parties' ownership interests in IMFT. IMFT will operate until 2015, but is subject to prior termination under certain terms and conditions.

Subject to certain conditions, Intel and Micron will each contribute approximately an additional \$1.4 billion over the next three years. As part of Intel's agreement with Micron related to IMFT, subject to the approval of Intel and Micron, Intel may be required to make additional capital contributions to IMFT for new fabrication facilities.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IMFT is a variable interest entity as defined by FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" (FIN 46), because all positive and negative variances in IMFT's cost structure are passed on to Intel and Micron through their purchase agreement with IMFT. Micron and Intel are considered related parties under the provisions of FIN 46, and Intel has determined that Intel is not the primary beneficiary of IMFT. Accordingly, Intel will account for its interest in IMFT using the equity method of accounting. Intel's maximum exposure to loss as a result of its involvement with IMFT is \$1.2 billion as of January 2006, which represents Intel's initial investment. Intel's investment in IMFT will be classified in other assets on the balance sheet.

Concurrent with the formation of IMFT, Intel paid Micron \$270 million for product designs developed by Micron as well as certain other intellectual property. Intel owns the rights with respect to all product designs and will license the designs to Micron. Micron paid Intel \$40 million to license these initial product designs and will pay additional royalties on new product designs. Intel has reflected its net investment in this technology of \$230 million as an identified intangible asset. The identified intangible asset will be amortized into cost of sales over its expected five-year life. Costs incurred by Intel and Micron for product and process development related to IMFT are generally split evenly between Intel and Micron and will be classified as research and development.

Additionally, Intel has entered into a long-term supply agreement with Apple Computer, Inc. to supply a significant portion of the NAND flash memory output that Intel will purchase from IMFT through December 31, 2010. In January 2006, Apple pre-paid \$250 million to Intel that will be applied to purchases of NAND flash memory by Apple beginning in 2008.

Note 17: Commitments

The company leases a portion of its capital equipment and certain of its facilities under operating leases that expire at various dates through 2021. Additionally, the company leases portions of its land that expire at various dates through 2059. Rental expense was \$150 million in 2005 (\$136 million in 2004 and \$149 million in 2003). Minimum rental commitments under all non-cancelable leases with an initial term in excess of one year are payable as follows: 2006—\$114 million; 2007—\$79 million; 2008—\$62 million; 2009—\$47 million; 2010—\$30 million; 2011 and beyond—\$102 million. Commitments for construction or purchase of property, plant and equipment remained approximately flat at \$2.7 billion at December 31, 2005 compared to \$2.8 billion at December 25, 2004. These capital purchase obligations relate primarily to capital equipment for manufacturing process technology. Other commitments as of December 31, 2005 totaled \$448 million. Other commitments include payments due under various types of licenses and non-contingent funding obligations. Funding obligations include, for example, agreements to fund various projects with other companies. In addition, in January 2006, the company entered into various contractual commitments related to the IMFT venture with Micron (see "Note 16: Venture").

Note 18: Contingencies

Tax Matters

In connection with the IRS's regular examination of Intel's tax returns for the years 1999 and 2000, the IRS formally assessed in early 2005 certain adjustments to the amounts reflected by Intel on those returns as a tax benefit for its export sales. Also in 2005, the IRS formally assessed similar adjustments to the amounts reflected by Intel for the years 2001 and 2002 as a tax benefit for export sales. The company does not agree with these adjustments and has appealed the assessments. If the IRS prevails in its position, Intel's federal income tax due for 1999 through 2002 would increase by approximately \$1.0 billion, plus interest. The IRS may make similar claims for years subsequent to 2002 in future audits, and if the IRS prevails, income tax due for 2003 through 2005 would increase by approximately \$1.2 billion, plus interest.

Although the final resolution of the adjustments is uncertain, based on currently available information, management believes that the ultimate outcome will not have a material adverse effect on the company's financial position, cash flows or overall trends in results of operations. There is the possibility of a material adverse impact on the results of operations of the period in which the matter is ultimately resolved, if it is resolved unfavorably, or in the period in which an unfavorable outcome becomes probable and reasonably estimable.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Legal Proceedings

In June 2005, Advanced Micro Devices, Inc. (AMD) filed a complaint in the United States District Court for the District of Delaware alleging that Intel and Intel's Japanese subsidiary engaged in various actions in violation of the Sherman Act and the California Business and Professions Code, including providing secret and discriminatory discounts and rebates and intentionally interfering with prospective business advantages of AMD. AMD's complaint seeks unspecified treble damages, punitive damages, an injunction and attorneys' fees and costs. Subsequently, AMD's Japanese subsidiary also filed suits in the Tokyo High Court and the Tokyo District Court against Intel's Japanese subsidiary, asserting violations of Japan's Antimonopoly Law and alleging damages of approximately \$55 million, plus various other costs and fees. At least 79 separate class actions, generally repeating AMD's allegations and asserting various consumer injuries, including that consumers in various states have been injured by paying higher prices for Intel microprocessors, have been filed in the U.S. District Courts for the Northern District of California, Southern District of California and the District of Delaware, as well as in various California, Kansas and Tennessee state courts. All the federal class actions have been consolidated by the Multidistrict Litigation Panel to the District of Delaware. All California class actions have been consolidated to the Superior Court of California in Santa Clara County. Intel disputes AMD's claims and the class-action claims, and intends to defend the lawsuits vigorously.

Intel is also subject to certain antitrust regulatory inquiries. In 2001, the European Commission commenced an investigation regarding claims by AMD that Intel used unfair business practices to persuade clients to buy Intel microprocessors. In June 2005, Intel received an inquiry from the Korea Fair Trade Commission requesting documents from Intel's Korean subsidiary related to marketing and rebate programs that Intel entered into with Korean PC manufacturers. Intel is cooperating with these agencies in their investigations and expects that these matters will be acceptably resolved.

In March 2004, MicroUnity, Inc. filed suit against Intel and Dell Inc. in the Eastern District of Texas. MicroUnity claimed that Intel® Pentium® III, Pentium® 4, Pentium® M and Itanium® 2 processors infringed seven MicroUnity patents, and that certain Intel chipsets infringed one MicroUnity patent. MicroUnity sought an injunction, unspecified damages and attorneys' fees against both Intel and Dell. In October 2005, MicroUnity and Intel entered into a license agreement whereby Intel agreed to pay MicroUnity \$300 million for a paid-up license to all MicroUnity patents and for certain other rights including rights on behalf of Intel customers. Under the agreement, MicroUnity dismissed all claims in the lawsuit against Intel and Dell with prejudice.

In June 2002, various plaintiffs filed a lawsuit in the Third Judicial Circuit Court, Madison County, Illinois, against Intel, Gateway Inc., Hewlett-Packard Company and HPDirect, Inc., alleging that the defendants' advertisements and statements misled the public by suppressing and concealing the alleged material fact that systems containing Intel Pentium 4 processors are less powerful and slower than systems containing Intel Pentium III processors and a competitor's microprocessors. In July 2004, the Court certified against Intel an Illinois-only class of certain end-use purchasers of certain Pentium 4 processors or computers containing such microprocessors. The Court denied plaintiffs' motion for reconsideration of this ruling. In January 2005, the Court granted a motion filed jointly by the plaintiffs and Intel that stayed the proceedings in the trial court pending appellate review of the Court's class certification order. The plaintiffs seek unspecified damages and attorneys' fees and costs. Intel disputes the plaintiffs' claims and intends to defend the lawsuit vigorously.

The company is currently a party to various claims and legal proceedings, including those noted above. If management believes that a loss arising from these matters is probable and can reasonably be estimated, the company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the company's financial position, cash flows or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases where injunctive relief is sought, an injunction prohibiting Intel from selling one or more products. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the business results of operations for the period in which the ruling occurs, or future periods.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 19: Operating Segment and Geographic Information

During the first quarter of 2005, the company reorganized its operating segments to bring all major product groups in line with the company's strategy to design and deliver technology platforms. The operating segments after the first-quarter reorganization included the Digital Enterprise Group, the Mobility Group, the Digital Home Group, the Digital Health Group and the Channel Platforms Group. In the fourth quarter of 2005, the company added the Flash Memory Group. The Digital Enterprise Group and the Mobility Group are reportable operating segments. The Flash Memory Group, Digital Home Group, Digital Health Group and Channel Platforms Group operating segments do not meet the quantitative thresholds for reportable segments as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." However, the Flash Memory Group is reported separately, as management believes that this information is useful to the reader. The Digital Home Group, Digital Health Group and Channel Platforms Group operating segments are included within the "all other" category. All prior-period amounts have been adjusted retrospectively to reflect the new organizational structure and certain minor reorganizations effected through the fourth quarter of 2005.

The Chief Operating Decision Maker (CODM), as defined by SFAS No. 131, is the company's President and Chief Executive Officer (CEO), Paul S. Otellini. The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss) before interest and taxes.

The Digital Enterprise Group operating segment's products include microprocessors and related chipsets and motherboards designed for the desktop (including consumer desktop) and enterprise computing market segments, communications infrastructure components such as network processors and embedded microprocessors, wired connectivity devices, and products for network and server storage. The Mobility Group operating segment's products include microprocessors and related chipsets designed for the notebook computing market segment, wireless connectivity products, and application and cellular baseband processors used in cellular handsets and handheld computing devices. The Flash Memory Group operating segment's products include NOR flash memory products designed for cellular phones and embedded form factors such as set-top boxes, networking products, and other devices including DVD players and DSL and cable modems. Beginning in 2006, the Flash Memory Group's products will also include NAND flash memory products manufactured by IMFT. Revenue for the "all other" category primarily consists of microprocessors and related chipsets sold by the Digital Home Group.

In addition to these operating segments, the company has sales and marketing, manufacturing, finance and administration groups. Expenses of these groups are generally allocated to the operating segments and are included in the operating results reported below. In addition to the operating results for the Digital Home Group, Digital Health Group and Channel Platforms Group operating segments, the "all other" category includes certain corporate-level operating expenses, including a portion of profit-dependent bonus and other expenses not allocated to the operating segments. "All other" also includes the results of operations of seed businesses that support the company's initiatives. Finally, "all other" includes acquisition-related costs, including amortization and any impairments of acquisition-related intangibles and goodwill, and charges for purchased in-process research and development. In 2003, acquisition-related costs included a goodwill impairment charge of \$611 million for the remaining goodwill balance related to the former Wireless Communications and Computing Group operating segment.

The company does not identify or allocate assets by operating segment, nor does the CODM evaluate operating segments using discrete asset information. Operating segments do not record intersegment revenue, and, accordingly, there is none to be reported. The company does not allocate interest and other income, interest expense or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for the company as a whole.

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net revenue and operating income or loss for operating segments for the three years ended December 31, 2005 were as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net revenue			
Digital Enterprise Group			
Microprocessor revenue	\$ 19,412	\$ 19,426	\$ 17,991
Chipset, motherboard and other revenue	<u>5,725</u>	<u>5,352</u>	<u>5,068</u>
	25,137	24,778	23,059
Mobility Group			
Microprocessor revenue	8,704	5,667	4,120
Chipset, motherboard and other revenue	<u>2,427</u>	<u>1,314</u>	<u>966</u>
	11,131	6,981	5,086
Flash Memory Group	2,278	2,285	1,608
All other	<u>280</u>	<u>165</u>	<u>388</u>
Total net revenue	<u>\$ 38,826</u>	<u>\$ 34,209</u>	<u>\$ 30,141</u>
Operating income (loss)			
Digital Enterprise Group	\$ 9,006	\$ 8,851	\$ 8,017
Mobility Group	5,330	2,833	1,743
Flash Memory Group	(154)	(149)	(152)
All other	<u>(2,092)</u>	<u>(1,405)</u>	<u>(2,075)</u>
Total operating income	<u>\$ 12,090</u>	<u>\$ 10,130</u>	<u>\$ 7,533</u>

In 2005, one customer accounted for 19% of the company's net revenue (19% in 2004 and 2003) while another customer accounted for 16% in 2005 (16% in 2004 and 15% in 2003). The majority of the revenue from both of these customers was from the sale of microprocessors, chipsets, and other components by the Digital Enterprise Group and Mobility Group operating segments.

Geographic revenue information for the three years ended December 31, 2005 is based on the location of the customer. Property, plant and equipment information is based on the physical location of the assets at the end of each of the fiscal years.

Revenue from unaffiliated customers by geographic region/country was as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Asia-Pacific			
Taiwan	\$ 7,225	\$ 5,391	\$ 4,405
China	5,347	4,651	3,679
Other Asia-Pacific	<u>6,758</u>	<u>5,338</u>	<u>4,077</u>
	19,330	15,380	12,161
Europe	8,210	7,755	6,868
Americas			
United States	5,662	6,563	7,644
Other Americas	<u>1,912</u>	<u>1,402</u>	<u>759</u>
	7,574	7,965	8,403
Japan	<u>3,712</u>	<u>3,109</u>	<u>2,709</u>
Total revenue	<u>\$ 38,826</u>	<u>\$ 34,209</u>	<u>\$ 30,141</u>

Revenue from unaffiliated customers outside the U.S. totaled \$33,164 million in 2005 (\$27,646 million in 2004 and \$22,497 million in 2003).

Net property, plant and equipment by country was as follows:

<u>(In Millions)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
United States	\$ 11,211	\$ 11,265	\$ 12,483
Ireland ¹	3,192	2,365	2,392
Other countries ¹	<u>2,708</u>	<u>2,138</u>	<u>1,786</u>
Total property, plant and equipment, net	<u>\$ 17,111</u>	<u>\$ 15,768</u>	<u>\$ 16,661</u>

¹ Net property, plant and equipment outside the U.S. totaled \$5,900 million in 2005 (\$4,503 million in 2004 and \$4,178 million in 2003).

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders, Intel Corporation

We have audited the accompanying consolidated balance sheets of Intel Corporation as of December 31, 2005 and December 25, 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Part IV, Item 15. These financial statements and schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intel Corporation at December 31, 2005 and December 25, 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Intel Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
February 21, 2006

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders, Intel Corporation

We have audited management's assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting, that Intel Corporation maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Intel Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Intel Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Intel Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2005 consolidated financial statements of Intel Corporation and our report dated February 21, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
February 21, 2006

INTEL CORPORATION
FINANCIAL INFORMATION BY QUARTER (UNAUDITED)

(In Millions—Except Per Share Amounts) 2005 For Quarter Ended	December 31	October 1	July 2	April 2
Net revenue	\$ 10,201	\$ 9,960	\$ 9,231	\$ 9,434
Gross margin	\$ 6,300	\$ 5,948	\$ 5,203	\$ 5,598
Net income ¹	\$ 2,453	\$ 1,995	\$ 2,038	\$ 2,178
Basic earnings per share ¹	\$ 0.41	\$ 0.33	\$ 0.33	\$ 0.35
Diluted earnings per share ¹	\$ 0.40	\$ 0.32	\$ 0.33	\$ 0.35
Dividends per share				
Declared	\$ —	\$ 0.16	\$ —	\$ 0.16
Paid	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Market price range common stock ²				
High	\$ 27.43	\$ 28.71	\$ 27.70	\$ 25.11
Low	\$ 22.65	\$ 23.83	\$ 22.12	\$ 21.99

(In Millions—Except Per Share Amounts) 2004 For Quarter Ended	December 25	September 25	June 26	March 27
Net revenue	\$ 9,598	\$ 8,471	\$ 8,049	\$ 8,091
Gross margin	\$ 5,377	\$ 4,719	\$ 4,780	\$ 4,870
Net income ³	\$ 2,123	\$ 1,906	\$ 1,757	\$ 1,730
Basic earnings per share ³	\$ 0.34	\$ 0.30	\$ 0.27	\$ 0.27
Diluted earnings per share ³	\$ 0.33	\$ 0.30	\$ 0.27	\$ 0.26
Dividends per share				
Declared	\$ —	\$ 0.08	\$ —	\$ 0.08
Paid	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04
Market price range common stock ²				
High	\$ 24.80	\$ 27.60	\$ 28.99	\$ 34.24
Low	\$ 19.68	\$ 19.72	\$ 25.73	\$ 26.16

¹ Net income for the quarter ended October 1, 2005 included an additional tax expense of approximately \$250 million related to the decision to repatriate non-U.S. earnings, decreasing both basic and diluted earnings per share by \$0.04 per share. Net income for the quarter ended July 2, 2005 included \$125 million of reversals of previously accrued tax items, primarily related to an increase in estimated research and development tax credits from prior years, increasing both basic and diluted earnings per share by \$0.02.

² Intel's common stock (symbol INTC) trades on The NASDAQ Stock Market* and is quoted in the Wall Street Journal and other newspapers. Intel's common stock also trades on The Swiss Exchange. At December 31, 2005, there were approximately 220,000 registered holders of common stock. All stock prices are closing prices per The NASDAQ Stock Market.

³ Net income for the quarter ended September 25, 2004 included \$195 million in tax benefits related to export sales and state tax benefits for divestitures that exceeded the amounts originally estimated in connection with the 2003 provision, increasing both basic and diluted earnings per share by \$0.03. Net income for the quarter ended June 26, 2004 included \$62 million in tax benefits related to the reversal of previously accrued taxes related primarily to the closing of a state income tax audit, increasing both basic and diluted earnings per share by \$0.01.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Form 10-K are certifications of Intel's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the Exchange Act). This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications. Part II, Item 8 of this Form 10-K sets forth the report of Ernst & Young LLP, our independent registered public accounting firm, regarding its audit of Intel's internal control over financial reporting and of management's assessment of internal control over financial reporting set forth below in this section. This section should be read in conjunction with the certifications and the Ernst & Young report for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (Disclosure Controls) as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of management, including our CEO and CFO. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of Disclosure Controls includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis for purposes of providing the management report which is set forth below.

The evaluation of our Disclosure Controls included a review of the controls' objectives and design, the company's implementation of the controls and their effect on the information generated for use in this Form 10-K. In the course of the controls evaluation, we reviewed identified data errors, control problems or acts of fraud and sought to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning the effectiveness of the Disclosure Controls can be reported in our periodic reports on Form 10-Q and Form 10-K. Many of the components of our Disclosure Controls are also evaluated on an ongoing basis by our Internal Audit Department and by other personnel in our Finance and Enterprise Services organization. The overall goals of these various evaluation activities are to monitor our Disclosure Controls, and to modify them as necessary. Our intent is to maintain the Disclosure Controls as dynamic systems that change as conditions warrant.

Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 10-K, our Disclosure Controls were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that material information related to Intel and its consolidated subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

[Table of Contents](#)

Management assessed our internal control over financial reporting as of December 31, 2005, the end of our fiscal year. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed by both our Internal Audit organization and our Finance and Enterprise Services organization.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors. In addition, on a quarterly basis we evaluate any changes to our internal control over financial reporting to determine if material changes occurred.

Our independent registered public accounting firm, Ernst & Young LLP, audited management's assessment and independently assessed the effectiveness of the company's internal control over financial reporting. Ernst & Young has issued an attestation report concurring with management's assessment, which is included at the end of Part II, Item 8 of this Form 10-K.

Inherent Limitations on Effectiveness of Controls

The company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding Directors and Executive Officers appearing under the headings “Proposal 1: Election of Directors” and “Other Matters—Section 16(a) Beneficial Ownership Reporting Compliance” of our 2006 Proxy Statement is incorporated by reference in this section. The information under the heading “Executive Officers of the Registrant” in Part I, Item 1 of this Form 10-K is also incorporated by reference in this section. In addition, the information included under the heading “The Board, Board Committees and Meetings” of our 2006 Proxy Statement identifying the “audit committee financial expert” who serves on the Audit Committee of our Board of Directors and the process by which stockholders may recommend candidates for the Board of Directors to the Corporate Governance and Nominating Committee is incorporated by reference in this section. There were no changes to the process by which stockholders may recommend candidates for the Board of Directors during 2005.

Intel has, for many years, maintained a set of Corporate Business Principles that incorporate our code of ethics applicable to all employees, including all officers, and including our independent directors, who are not employees of the company, with regard to their Intel-related activities. The Corporate Business Principles incorporate our guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. They also incorporate our expectations of our employees that enable us to provide accurate and timely disclosure in our filings with the SEC and other public communications. In addition, they incorporate Intel guidelines pertaining to topics such as environmental, health and safety compliance; diversity and non-discrimination; supplier expectations; privacy; and business continuity.

The full text of our Corporate Business Principles is published on our Investor Relations web site at www.intc.com. We intend to disclose future amendments to certain provisions of our Corporate Business Principles, or waivers of such provisions granted to executive officers and directors, on this web site within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under the headings “Directors’ Compensation,” “Stock Price Performance Graph,” “Report of the Compensation Committee on Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Executive Compensation” of our 2006 Proxy Statement is incorporated by reference in this section.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information appearing in our 2006 Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management” is incorporated by reference in this section.

See “Employee Equity Incentive Plans” in Part II, Item 7 of this Form 10-K regarding shares authorized for issuance under equity compensation plans approved by stockholders and not approved by stockholders. For descriptions of our equity incentive plans, see “Employee Equity Incentive Plans” in Part II, Item 7 and “Note 11: Employee Equity Incentive Plans” in Part II, Item 8 of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing in our 2006 Proxy Statement under the heading “Certain Relationships and Related Transactions” is incorporated by reference in this section.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information appearing in our 2006 Proxy Statement under the headings “Report of the Audit Committee” and “Proposal 4: Ratification of Selection of Independent Registered Public Accounting Firm” is incorporated by reference in this section.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Financial Statements: See “Index to Consolidated Financial Statements” in Part II, Item 8 of this Form 10-K.
2. Financial Statement Schedule: See “Schedule II—Valuation and Qualifying Accounts” of this Form 10-K.
3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Form 10-K.

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**Other names and brands may be claimed as the property of others.*

INTEL CORPORATION
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

December 31, 2005, December 25, 2004 and December 27, 2003
(In Millions)

	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Allowance for doubtful receivables¹				
2005	\$ 43	\$ 35	\$ 14	\$ 64
2004	\$ 55	\$ 4	\$ 16	\$ 43
2003	\$ 57	\$ 14	\$ 16	\$ 55
Valuation allowance for deferred tax asset				
2005	\$ 75	\$ 11	\$ —	\$ 86
2004	\$ —	\$ 75	\$ —	\$ 75
2003	\$ —	\$ —	\$ —	\$ —

¹ Deductions represent uncollectible accounts written off, net of recoveries.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
3.1	Intel Corporation Second Restated Certificate of Incorporation filed March 13, 2003	10-Q	000-06217	3.1	5/7/03	
3.2	Intel Corporation Bylaws, as amended on January 18, 2006	8-K	000-06217	3.1	1/19/06	
4.1	Registration Rights Agreement between Intel Corporation and J.P. Morgan Securities Inc. dated December 16, 2005					X
4.2	Indenture issued by Intel Corporation to Citibank N.A., dated as of December 16, 2005					X
10.1**	Intel Corporation 2004 Equity Incentive Plan, as amended and restated, effective May 18, 2005	8-K	000-06217	10.1	5/20/05	
10.2**	Standard Terms and Conditions Relating to Non-Qualified Stock Options granted to U.S. employees on and after May 19, 2004 under the Intel Corporation 2004 Equity Incentive Plan	10-Q	000-06217	10.5	8/2/04	
10.3**	Notice of Grant of Non-Qualified Stock Option under the Intel Corporation 2004 Equity Incentive Plan	10-Q	000-06217	10.7	8/2/04	
10.4**	Standard International Non-Qualified Stock Option Agreement under the Intel Corporation 2004 Equity Incentive Plan	10-Q	000-06217	10.6	8/2/04	
10.5**	Intel Corporation Non-Employee Director Non-Qualified Stock Option Agreement under the Intel Corporation 2004 Equity Incentive Plan	10-Q	000-06217	10.4	8/2/04	
10.6**	Form of ELTSOP Non-Qualified Stock Option Agreement under the Intel Corporation 2004 Equity Incentive Plan	8-K	000-06217	10.1	10/12/04	
10.7	Intel Corporation 1997 Stock Option Plan, as amended and restated effective July 16, 1997	10-K	000-06217	10.7	3/11/03	
10.8**	Intel Corporation 1988 Executive Long Term Stock Option Plan, as amended and restated effective July 16, 1997	10-Q	333-45395	10.2	8/11/98	
10.9**	Intel Corporation 1984 Stock Option Plan, as amended and restated effective July 16, 1997	10-Q	333-45395	10.1	8/11/98	
10.10**	Standard Terms and Conditions Relating to Restricted Stock Units granted under the Intel Corporation 2004 Equity Incentive Plan	8-K	000-06217	10.1	2/9/06	
10.11**	Form of Intel Corporation Restricted Stock Unit Agreement under the 2004 Equity Incentive Plan	8-K	000-06217	10.2	2/9/06	
10.12**	Standard Terms and Conditions Relating to Restricted Stock Units granted under the Intel Corporation 2004 Equity Incentive Plan (for grants under the ELTSOP Program)	8-K	000-06217	10.3	2/9/06	
10.13**	Form of Intel Corporation Restricted Stock Unit Agreement under the 2004 Equity Incentive Plan (for grants under the ELTSOP Program)	8-K	000-06217	10.4	2/9/06	
10.14**	Form of Notice of Grant of Restricted Stock Units	8-K	000-06217	10.5	2/9/06	
10.15**	Standard Terms and Conditions Relating to Non-Qualified Stock Options granted on and after January 18, 2006 under the Intel Corporation 2004 Equity Incentive Plan (other than grants made under the SOP Plus or ELTSOP Programs)					X
10.16**	Form of Intel Corporation Nonqualified Stock Option Agreement under the 2004 Equity Incentive Plan					X

[Table of Contents](#)

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File Number	Exhibit	
10.17**	Terms and Conditions relating to Nonqualified Stock Options granted on and after January 18, 2006 under the Intel Corporation 2004 Equity Incentive Plan for grants formerly known as ELTSOP Grants				X
10.18**	Form of Intel Corporation Nonqualified Stock Option Agreement under the 2004 Equity Incentive Plan (for grants after January 18, 2006 under the ELTSOP Program)				X
10.19**	Intel Corporation Executive Officer Incentive Plan, as amended and restated effective May 18, 2005	8-K	000-06217	10.2	5/20/05
10.20**	Description of Bonus Terms under the Executive Officer Incentive Plan	10-Q	000-06217	10.2	8/2/04
10.21**	Intel Corporation Deferral Plan for Outside Directors, effective July 1, 1998	10-K	333-45395	10.6	3/26/99
10.22**	Intel Corporation Special Deferred Compensation Plan	S-8	333-45395	4.1	2/2/98
10.23**	Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated effective July 15, 1996	S-8	033-63489	4.1.1	7/17/96
10.24**	Form of Indemnification Agreement with Directors and Executive Officers	10-K	000-06217	10.15	2/22/05
10.25**	Summary of Intel Corporation non-Employee Director Compensation	8-K	000-06217	10.1	7/25/05
10.26**	Named Executive Officer Compensation	10-Q	000-06217	10.1	5/11/05
12.1	Statement Setting Forth the Computation of Ratios of Earnings to Fixed Charges				X
21.1	Intel Corporation Subsidiaries				X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm				X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act)				X
31.2	Certification of Chief Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(a) of the Exchange Act				X
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X

**Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ ANDY D. BRYANT

Andy D. Bryant
Executive Vice President, Chief Financial Officer
and Principal Accounting Officer
February 24, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ CRAIG R. BARRETT

Craig R. Barrett
Chairman of the Board and Director
February 24, 2006

/s/ CHARLENE BARSHEFSKY

Charlene Barshefsky
Director
February 24, 2006

/s/ E. JOHN P. BROWNE

E. John P. Browne
Director
February 24, 2006

/s/ ANDY D. BRYANT

Andy D. Bryant
Executive Vice President, Chief Financial Officer and
Principal Accounting Officer
February 24, 2006

/s/ D. JAMES GUZY

D. James Guzy
Director
February 24, 2006

/s/ REED E. HUNDT

Reed E. Hundt
Director
February 24, 2006

/s/ PAUL S. OTELLINI

Paul S. Otellini
President, Chief Executive Officer, Director and
Principal Executive Officer
February 24, 2006

/s/ JAMES D. PLUMMER

James D. Plummer
Director
February 24, 2006

/s/ DAVID S. POTTRUCK

David S. Pottruck
Director
February 24, 2006

/s/ JANE E. SHAW

Jane E. Shaw
Director
February 24, 2006

/s/ JOHN L. THORNTON

John L. Thornton
Director
February 24, 2006

/s/ DAVID B. YOFFIE

David B. Yoffie
Director
February 24, 2006

\$1,400,000,000

Intel Corporation

2.95% Junior Convertible Subordinated Debentures due 2035

Registration Rights Agreement

December 16, 2005

J.P. Morgan Securities Inc.
277 Park Avenue
9th Floor
New York, New York 10172

Ladies and Gentlemen:

Intel Corporation, a Delaware corporation (the “**Company**”), proposes to issue and sell to J.P. Morgan Securities Inc. (the “**Initial Purchaser**”), upon the terms and subject to the conditions set forth in a purchase agreement dated December 13, 2005 (the “**Purchase Agreement**”), \$1,400,000,000 aggregate principal amount of its 2.95% Junior Convertible Subordinated Debentures due 2035 (the “**Firm Debentures**”) and, at the election of the Initial Purchaser, an additional \$200,000,000 aggregate principal amount of the Company’s 2.95% Junior Convertible Subordinated Debentures due 2035 (the “**Additional Debentures**” and, together with the Firm Debentures, the “**Debentures**”).

As an inducement to the Initial Purchaser to enter into the Purchase Agreement and in satisfaction of a condition to the obligations of the Initial Purchaser thereunder, the Company agrees with the Initial Purchaser, for the benefit of the holders (including the Initial Purchaser) of the Debentures and the Shares (as defined below), as follows:

1. *Certain Definitions.*

Capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement. For purposes of this Registration Rights Agreement, the following terms shall have the following meanings:

- (a) “**Additional Debentures**” has the meaning specified in the first paragraph of this Agreement.
 - (b) “**Additional Interest**” has the meaning assigned thereto in Section 2(d).
 - (c) “**Affiliate**” has the meaning set forth in Rule 405 under the Securities Act, except as otherwise expressly provided herein.
-

- (d) “**Agreement**” means this Registration Rights Agreement, as the same may be amended from time to time pursuant to the terms hereof.
- (e) “**Business Day**” shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.
- (f) “**Closing Date**” means the date on which any Debentures are initially issued.
- (g) “**Commission**” means the Securities and Exchange Commission, or any other federal agency at the time administering the Exchange Act or the Securities Act, whichever is the relevant statute for the particular purpose.
- (h) “**Company**” has the meaning specified in the first paragraph of this Agreement.
- (i) “**Debentures**” has the meaning specified in the first paragraph of this Agreement.
- (j) “**Deferral Notice**” has the meaning assigned thereto in Section 3(b).
- (k) “**Deferral Period**” has the meaning assigned thereto in Section 3(b).
- (l) “**Effective Period**” has the meaning assigned thereto in Section 2(a).
- (m) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
- (n) “**Firm Debentures**” has the meaning specified in the first paragraph of this Agreement.
- (o) “**Holder**” means each holder, from time to time, of Registrable Securities (including the Initial Purchaser).
- (p) “**Indenture**” means the Indenture dated as of December 16, 2005, among the Company and Citibank, N.A., as Trustee, pursuant to which the Debentures are being issued.
- (q) “**Initial Placement**” means the initial placement of the Debentures pursuant to the terms of the Purchase Agreement.
- (r) “**Initial Purchaser**” has the meaning specified in the first paragraph of this Agreement.
- (s) “**Material Event**” has the meaning assigned thereto in Section 3(a)(iv).

(t) “**Majority Holders**” shall mean, on any date, holders of the majority of the Shares constituting Registrable Securities; for the purposes of this definition, Holders of Debentures constituting Registrable Securities shall be deemed to be the Holders of the number of Shares into which such Debentures are or would be convertible as of such date.

(u) “**NASD**” shall mean the National Association of Securities Dealers, Inc.

(v) “**Notice and Questionnaire**” means a written notice delivered to the Company containing the information called for by the Form of Selling Securityholder Notice and Questionnaire attached as Annex A to the Offering Memorandum.

(w) “**Notice Holder**” means, on any date, any Holder that has delivered a properly completed Notice and Questionnaire to the Company on or prior to such date.

(x) “**Offering Memorandum**” means the Offering Memorandum dated December 13, 2005 relating to the offer and sale of the Securities.

(y) “**Person**” means a corporation, association, partnership, organization, business, individual, government or political subdivision thereof or governmental agency.

(z) “**Prospectus**” means the prospectus included in any Shelf Registration Statement, as amended or supplemented by any amendment or prospectus supplement, including post-effective amendments, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such Prospectus.

(aa) “**Purchase Agreement**” has the meaning specified in the first paragraph of this Agreement.

(bb) “**Registrable Securities**” means the Securities; *provided, however*, that such Securities shall cease to be Registrable Securities when (i) in the circumstances contemplated by Section 2(a), a registration statement registering such Securities under the Securities Act has been declared or becomes effective and such Securities have been sold or otherwise transferred by the Holder thereof pursuant to such effective registration statement; (ii) such Securities are sold pursuant to Rule 144 under circumstances in which any legend borne by such Securities relating to restrictions on transferability thereof, under the Securities Act or otherwise, is removed or such Securities are eligible to be sold pursuant to Rule 144(k) or any successor provision; or (iii) such Securities shall cease to be outstanding (including, in the case of the Debentures, upon conversion into Shares).

(cc) “**Registration Default**” has the meaning assigned thereto in Section 2(d).

(dd) “**Registration Expenses**” has the meaning assigned thereto in Section 5.

(ee) “**Rule 144**,” “**Rule 405**” and “**Rule 415**” means, in each case, such rule as promulgated under the Securities Act.

(ff) “**Securities**” means, collectively, the Debentures and the Shares.

(gg) “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(hh) “**Shares**” means the shares of common stock of the Company, par value \$0.001 per share, into which the Debentures are convertible or that have been issued upon any conversion from Debentures into common stock of the Company.

(ii) “**Shelf Registration Statement**” means the shelf registration statement referred to in Section 2(a), as amended or supplemented by any amendment or supplement, including post-effective amendments, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such Shelf Registration Statement.

(jj) “**Special Counsel**” shall have the meaning assigned thereto in Section 5.

(kk) “**Subsidiary**” has the meaning set forth in Rule 405 under the Securities Act.

(ll) “**Trust Indenture Act**” means the Trust Indenture Act of 1939, or any successor thereto, and the rules, regulations and forms promulgated thereunder, all as the same shall be amended from time to time.

(mm) “**Trustee**” shall have the meaning assigned such term in the Indenture.

Unless the context otherwise requires, any reference herein to a “Section” or “clause” refers to a Section or clause, as the case may be, of this Agreement, and the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision. Unless the context otherwise requires, any reference to a statute, rule or regulation refers to the same (including any successor statute, rule or regulation thereto) as it may be amended from time to time.

2. Registration Under the Securities Act.

(a) The Company agrees to file under the Securities Act within 180 days after the Closing Date, a shelf registration statement providing for the registration of, and the sale on a continuous or delayed basis by the Holders of, all of the Registrable Securities, pursuant to Rule 415 or any similar rule that may be adopted by the Commission. The Company agrees to use its reasonable best efforts to cause the Shelf Registration Statement to become or be declared effective within 180 days after the Closing Date and to keep such Shelf Registration Statement continuously effective until the earlier of (i) the second anniversary of the Closing Date or (ii) such time as there are no longer any Registrable Securities outstanding (the “**Effective Period**”).

(b) The Company further agrees that it shall cause the Shelf Registration Statement and the related Prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement or such amendment or supplement, (i)

to comply in all material respects with the applicable requirements of the Securities Act; and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading, and the Company agrees to furnish to the Holders of the Registrable Securities copies of any supplement or amendment prior to its being used or promptly following its filing with the Commission; *provided, however*, that the Company shall have no obligation to deliver to Holders of Registrable Securities copies of any amendment consisting exclusively of an Exchange Act report or other Exchange Act filing otherwise publicly available on the Company's website.

(c) Each Holder of Registrable Securities agrees that if such Holder wishes to sell Registrable Securities pursuant to the Shelf Registration Statement and related Prospectus, it will do so only in accordance with this Section 2(c) and Section 3(b). From and after the date the Shelf Registration Statement is declared effective, the Company shall, as promptly as is practicable after the date a Notice and Questionnaire is delivered, and in any event within fifteen Business Days after such date,

(i) if required by applicable law, file with the Commission a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that the Holder delivering such Notice and Questionnaire is named as a selling security holder in the Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law and, if the Company shall file a post-effective amendment to the Shelf Registration Statement, use its reasonable efforts to cause such post-effective amendment to become effective under the Securities Act as promptly as is reasonably practicable;

(ii) provide such Holder copies of any documents filed pursuant to Section 2(c)(i); and

(iii) notify such Holder as promptly as practicable after the effectiveness under the Securities Act of any post-effective amendment filed pursuant to Section 2(c)(i);

provided that the Company shall not be required to make more than one such filing in any calendar quarter in the form of a post-effective amendment to the Shelf Registration Statement; *provided, further*, that if such Notice and Questionnaire is delivered during a Deferral Period, the Company shall so inform the Holder delivering such Notice and Questionnaire and shall take the actions set forth in clauses (i), (ii) and (iii) above upon expiration of the Deferral Period in accordance with Section 3(b). Notwithstanding anything contained herein to the contrary, the Company shall be under no obligation to name any Holder that is not a Notice Holder as a selling securityholder in any Shelf Registration Statement or related Prospectus; *provided, however*, that any Holder that

becomes a Notice Holder pursuant to the provisions of this Section 2(c) (whether or not such Holder was a Notice Holder at the time the Shelf Registration Statement was declared effective) shall be named as a selling securityholder in the Shelf Registration Statement or related Prospectus in accordance with the requirements of this Section 2(c).

(d) If any of the following events (any such event a “**Registration Default**”) shall occur, then additional interest (the “**Additional Interest**”) shall become payable by the Company to Holders in respect of the Debentures as follows:

(i) if the Shelf Registration Statement is not filed and declared effective by the Commission within 180 days following the Closing Date, then commencing on the 181st day after the Closing Date, Additional Interest shall accrue on the principal amount of the outstanding Debentures that are Registrable Securities at a rate of 0.25% per annum for the first 90 days following such 181st day and at a rate of 0.5% per annum thereafter;

(ii) if the Company has failed to perform its obligations set forth in Section 2(c) hereof within the time periods required therein, then commencing on the first day after the date by which the Company was required to perform such obligations, Additional Interest shall accrue on the principal amount of the outstanding Debentures that are Registrable Securities at a rate of 0.25% per annum for the first 90 days and at a rate of 0.5% per annum thereafter;

(iii) if the Shelf Registration Statement has been declared effective but such Shelf Registration Statement ceases to be effective at any time during the Effective Period (other than pursuant to Section 3(b) hereof), then commencing on the day such Shelf Registration Statement ceases to be effective, Additional Interest shall accrue on the principal amount of the outstanding Debentures that are Registrable Securities at a rate of 0.25% per annum for the first 90 days following such date on which the Shelf Registration Statement ceases to be effective and at a rate of 0.5% per annum thereafter; and

(iv) if the aggregate duration of Deferral Periods in any period exceeds the number of days permitted in respect of such period pursuant to Section 3(b) hereof, then commencing on the day the aggregate duration of Deferral Periods in any period exceeds the number of days permitted in respect of such period (and again on the first day of any subsequent Deferral Period during such period), Additional Interest shall accrue on the principal amount of the outstanding Debentures that are Registrable Securities at a rate of 0.25% per annum for the first 90 days and at a rate of 0.5% per annum thereafter;

provided, however, that the Additional Interest rate on the Debentures shall not exceed in the aggregate 0.5% per annum and shall not be payable under more than one clause above for any given period of time, except that if Additional Interest would be payable under more than one clause above, but at a rate of 0.25% per annum under one clause and at a rate of 0.5% per annum under the other, then the Additional Interest rate shall be the higher rate of 0.5% per annum; provided further, however, that (1) upon the filing and

effectiveness of the Shelf Registration Statement (in the case of clause (i) above), (2) upon the performance by the Company of its obligations set forth in Section 2(c) hereof within the time periods required therein (in the case of clause (ii) above), (3) upon the effectiveness of the Shelf Registration Statement which had ceased to remain effective (in the case of clause (iii) above), (4) upon the termination of the Deferral Period that caused the limit on the aggregate duration of Deferral Periods in a period set forth in Section 3(b) to be exceeded (in the case of clause (iv) above), (5) upon the termination of transfer restrictions on the Securities as a result of the application of Rule 144(k) or any successor provision or (6) after the end of the Effective Period, Additional Interest on the Debentures as a result of such clause, as the case may be, shall cease to accrue.

Additional Interest on the Debentures, if any, will be payable in arrears and will be payable in cash on June 15 and December 15 of each year to holders of record of outstanding Debentures that are Registrable Securities at the close of business on June 1 or December 1, as the case may be, immediately preceding the relevant interest payment date, *provided* that in the case of an event of the type described in clause (ii) above, such Additional Interest shall be paid only to the Holders that have delivered Notice and Questionnaires that caused the Company to incur the obligations set forth in Section 2(c), the non-performance of which is the basis of such Registration Default; *provided further* that Additional Interest shall not accrue with respect to any Debentures or portion thereof called for redemption on a redemption date or converted into Shares on a conversion date prior to the Registration Default. Following the cure of all Registration Defaults requiring the payment of Additional Interest to the Holders of Debentures that are Registrable Securities pursuant to this Section, the accrual of Additional Interest will cease (without in any way limiting the effect of any subsequent Registration Default requiring the payment of Additional Interest). Additional Interest on the Debentures, if any, will accrue from and including the date on which any Registration Default occurs to but excluding the date on which all Registration Defaults have been cured. If a Holder exchanges some or all of the Securities into shares of Common Stock, the Holder will not be entitled to receive Additional Interest on such shares of Common Stock.

The Company shall notify the Trustee immediately upon the occurrence of each and every Registration Default. The Trustee shall be entitled, on behalf of Holders of Securities, to enforce this Agreement and specifically, the requirement that the Company pay Additional Interest if any becomes due. Notwithstanding the foregoing, the parties agree that the sole monetary damages payable for a violation of the terms of this Agreement with respect to which additional monetary amounts are expressly provided shall be as set forth in this Section 2(d). Nothing shall preclude a Notice Holder or Holder of Registrable Securities from pursuing or obtaining specific performance or other equitable relief with respect to this Agreement.

3. *Registration Procedures.*

The following provisions shall apply to the Shelf Registration Statement filed pursuant to Section 2:

- (a) The Company shall:

(i) prepare and file with the Commission a registration statement with respect to the shelf registration on any form which may be utilized by the Company and which shall permit the disposition of the Registrable Securities in accordance with the intended method or methods thereof, as specified in writing by the Holders of the Registrable Securities, and use its reasonable best efforts to cause such registration statement to become effective in accordance with Section 2(a) above;

(ii) before filing any Shelf Registration Statement or Prospectus or any amendments or supplements thereto with the Commission, furnish to the Initial Purchaser copies of all such documents proposed to be filed and use its commercially reasonable efforts to reflect in each such document when so filed with the Commission such comments as the Initial Purchaser reasonably shall propose within three (3) Business Days of the delivery of such copies to the Initial Purchaser;

(iii) use its reasonable best efforts to prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement and file with the Commission any other required document as may be necessary to keep such Shelf Registration Statement continuously effective until the expiration of the Effective Period; cause the related Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act applicable to it with respect to the disposition of all Securities covered by such Shelf Registration Statement during the Effective Period in accordance with the intended methods of disposition by the sellers thereof set forth in such Shelf Registration Statement as so amended or such Prospectus as so supplemented;

(iv) as promptly as reasonably practicable, notify the Notice Holders of Registrable Securities:

(A) when such Shelf Registration Statement or the Prospectus included therein or any amendment or supplement to the Prospectus or post-effective amendment has been filed with the Commission, and, with respect to such Shelf Registration Statement or any post-effective amendment, when the same has become effective;

(B) of any request, following the effectiveness of the Shelf Registration Statement, by the Commission or any other Federal or state governmental authority for amendments or supplements to the Shelf Registration Statement or related Prospectus or for additional information (other than any such request relating to a review of the Company's Exchange Act filings);

(C) of the issuance by the Commission of any stop order suspending the effectiveness of such Shelf Registration Statement or the initiation or written threat of any proceedings for that purpose;

(D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities included in any Shelf Registration Statement for sale in any jurisdiction or the initiation or written threat of any proceeding for such purpose;

(E) of the occurrence of any event or the existence of any fact (a "**Material Event**") as a result of which any Shelf Registration Statement shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or any Prospectus shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading *provided, however*, that no notice by the Company shall be required pursuant to this clause (E) in the event that the Company either promptly files a prospectus supplement to update the Prospectus or a Form 8-K or other appropriate Exchange Act report that is incorporated by reference into the Shelf Registration Statement, which, in either case, contains the requisite information with respect to such Material Event that results in such Shelf Registration Statement no longer containing any untrue statement of material fact or omitting to state a material fact necessary to make the statements contained therein not misleading;

(F) of the determination by the Company that a post-effective amendment to the Shelf Registration Statement will be filed with the Commission, which notice may, at the discretion of the Company (or as required pursuant to Section 3(b)), state that it constitutes a Deferral Notice, in which event the provisions of Section 3(b) shall apply; or

(G) at any time when a Prospectus is required to be delivered under the Securities Act, that the Shelf Registration Statement, Prospectus, Prospectus amendment or supplement or post-effective amendment does not conform in all material respects to the applicable requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder;

(v) prior to any public offering of the Registrable Securities pursuant to the Shelf Registration Statement, use its commercially reasonable efforts to register or qualify, or cooperate with the Notice Holders of Securities included therein and their respective counsel in connection with the registration or qualification of, such Securities for offer and sale under the securities or blue sky laws of such jurisdictions within the United States as any such Notice Holders reasonably requests in writing and do any and all other reasonable acts or things

necessary or advisable to enable the offer and sale in such jurisdictions of the Securities covered by the Shelf Registration Statement; provided that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject;

(vi) prior to any public offering of the Registrable Securities pursuant to the Shelf Registration Statement, use its commercially reasonable efforts to keep each such registration or qualification (or exemption therefrom) effective during the Effective Period in connection with such Notice Holder's offer and sale of Registrable Securities pursuant to such registration or qualification (or exemption therefrom) and do any and all other reasonable acts or things necessary or advisable to enable the disposition in such jurisdictions within the United States of such Registrable Securities in the manner set forth in the Shelf Registration Statement and the related Prospectus; provided that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject;

(vii) use its commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of the Shelf Registration Statement or any post-effective amendment thereto, and to lift any suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction in which they have been qualified for sale, in each case at the earliest practicable date;

(viii) upon reasonable written notice in connection with any disposition of Securities, for a reasonable period prior to the filing of the Shelf Registration Statement and throughout any portion of the Effective Period that is not a Deferral Period, (i) make reasonably available for inspection by a representative of, and Special Counsel acting for, the Majority Holders of the Securities being sold, all relevant financial and other records, pertinent corporate documents and properties of the Company and its Subsidiaries and (ii) use its commercially reasonable efforts to have its officers, employees, accountants and counsel make available all relevant information reasonably requested by such representative, Special Counsel, in each case as is customary for the Company in its past practice to provide to underwriters or initial purchasers for similar "due diligence" examinations in connection with the offering of securities by the Company; *provided, however,* that the Company may require any such person to enter into a non-disclosure agreement in form and substance acceptable to the Company with respect to any confidential information that may be provided to any such person;

(ix) if reasonably requested in writing by the Initial Purchaser or any Notice Holder, incorporate in a Prospectus supplement or post-effective amendment to the Shelf Registration Statement such information as the Initial Purchaser or such Notice Holder shall, on the basis of a written opinion of

nationally-recognized counsel experienced in such matters, determine to be required to be included therein by applicable law and make any required filings of such Prospectus supplement or such post-effective amendment as promptly as reasonably practicable after the receipt of such written request from the Initial Purchaser or Notice Holder; *provided*, that the Company shall not be required to take any actions under this Section 3(a)(ix) that are not, in the reasonable opinion of counsel for the Company, in compliance with or necessary under applicable law;

(x) during the Effective Period, promptly furnish to each Notice Holder and the Initial Purchaser, upon their request and without charge, at least one conformed copy of the Shelf Registration Statement and any amendments thereto, including financial statements but excluding schedules, all documents incorporated or deemed to be incorporated therein by reference and all exhibits; *provided, however*, that the Company shall have no obligation to deliver to Notice Holders or the Initial Purchaser a copy of any amendment consisting exclusively of an Exchange Act report or other Exchange Act filing otherwise publicly available on the Company's website;

(xi) during the Effective Period, deliver to each Notice Holder in connection with any sale of Registrable Securities pursuant to the Shelf Registration Statement, without charge, as many copies of the Prospectus relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such Notice Holder may reasonably request; and the Company hereby consents (except during such periods that a Deferral Notice is outstanding and has not been revoked) to the use of such Prospectus or each amendment or supplement thereto by each Notice Holder in connection with any offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto in the manner set forth therein; and

(xii) during the Effective Period, cooperate with the Notice Holders of Securities to facilitate the timely preparation and delivery of certificates representing Securities to be sold pursuant to the Shelf Registration Statement free of any restrictive legends and in such denominations permitted by the Indenture and registered in such names as the Holders thereof may request in writing at least two Business Days prior to settlement of sales of Securities pursuant to such Shelf Registration Statement; *provided*, that nothing herein shall require the Company to deliver certificated Securities to any beneficial holder of Securities, except as required by the Indenture.

(b) Upon (A) the issuance by the Commission of a stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of proceedings with respect to the Shelf Registration Statement under Section 8(d) or 8(e) of the Securities Act, (B) the occurrence of any event or the existence of any Material Event as a result of which the Shelf Registration Statement shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or any Prospectus shall contain any untrue

statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (C) the occurrence or existence of any corporate development or business reason that, in the sole discretion of the Company, makes it appropriate to suspend the availability of the Shelf Registration Statement and the related Prospectus, including, without limitation, the acquisition or divestiture of assets, pending corporate developments, public filings with the Commission and similar events, the Company will:

(i) in the case of clause (B) above, subject to the paragraph below, as promptly as practicable prepare and file a post-effective amendment to such Shelf Registration Statement, Prospectus or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document that would be incorporated by reference into such Shelf Registration Statement and Prospectus so that such Shelf Registration Statement and Prospectus does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of the Prospectus in the light of the circumstances under which they were made); and

(ii) give notice to the Notice Holders that the availability of the Shelf Registration Statement is suspended (a “**Deferral Notice**”).

The Company will use its commercially reasonable efforts to ensure that the use of the Prospectus may be resumed (x) in the case of clause (A) above, as promptly as reasonably practicable, (y) in the case of clause (B) above, as soon as, in the sole judgment of the Company, public disclosure of such Material Event would not be prejudicial to or contrary to the interests of the Company or, if necessary to avoid unreasonable burden or expense, as soon as practicable thereafter and (z) in the case of clause (C) above, as soon as, in the sole discretion of the Company, such suspension is no longer appropriate; provided that the period during which the availability of the Shelf Registration Statement and any Prospectus is suspended (the “**Deferral Period**”), without the Company incurring any obligation to pay Additional Interest pursuant to Section 2(d), shall not exceed one 120 days in the aggregate in any 12-month period.

(c) Each Holder of Registrable Securities agrees that upon receipt of any Deferral Notice from the Company, such Holder shall forthwith discontinue (and cause any placement or sales agent or underwriters acting on their behalf to discontinue) the disposition of Registrable Securities pursuant to the registration statement applicable to such Registrable Securities until such Holder (i) shall have received copies of such amended or supplemented Prospectus and, if so directed by the Company, such Holder shall deliver to the Company (at the Company’s expense) all copies, other than permanent file copies, then in such Holder’s possession of the Prospectus covering such Registrable Securities at the time of receipt of such notice or (ii) shall have received notice from the Company that the disposition of Registrable Securities pursuant to the Shelf Registration may continue.

(d) The Company may require each Holder of Registrable Securities as to which any registration pursuant to Section 2(a) is being effected to furnish to the Company such information regarding such Holder and such Holder's intended method of distribution of such Registrable Securities as the Company may from time to time reasonably request in writing. Each such Holder agrees to notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by such Holder to the Company or of the occurrence of any event in either case as a result of which any Prospectus relating to such registration contains or would contain an untrue statement of a material fact regarding such Holder or such Holder's intended method of disposition of such Registrable Securities or omits to state any material fact regarding such Holder or such Holder's intended method of disposition of such Registrable Securities required to be stated therein or necessary to make the statements therein not misleading, and promptly to furnish to the Company any additional information required to correct and update any previously furnished information or required so that such Prospectus shall not contain, with respect to such Holder or the disposition of such Registrable Securities, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(e) The Company shall use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make generally available to its securityholders earning statements (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year of the Company) commencing on the first day of the first fiscal quarter of the Company commencing after the effective date of the Shelf Registration Statement, which statements shall cover said 12-month periods.

(f) The Company shall provide a CUSIP number for all Registrable Securities covered by the Shelf Registration Statement not later than the effective date of such Shelf Registration Statement and provide the Trustee for the Debentures and the transfer agent for the Shares with printed certificates for the Registrable Securities that are in a form eligible for deposit with The Depository Trust Company.

(g) The Company shall use its commercially reasonable efforts to provide such information as is required for any filings required to be made with the NASD.

(h) During the period from the Closing Date until two years after the Closing Date, without the prior written consent of the Initial Purchaser, the Company will not, and will not permit any of its "affiliates" (as defined in Rule 144 under the Securities Act) to, resell any of the Securities that constitute "restricted securities" under Rule 144 that have been reacquired by any of them.

(i) The Company shall use its commercially reasonable efforts to cause the Indenture to be qualified under the Trust Indenture Act in a timely manner.

(j) The Company shall take all necessary, reasonable and lawful actions (including those reasonably requested by the Majority Holders of the Registrable Securities being sold) in order to expedite or facilitate disposition of such Registrable Securities.

4. Holders' Obligations.

Each Holder agrees, by acquisition of the Registrable Securities, that no Holder of Registrable Securities shall be entitled to sell any of such Registrable Securities pursuant to the Shelf Registration Statement or to receive a Prospectus relating thereto, unless such Holder has furnished the Company with a Notice and Questionnaire as required pursuant to Section 2(c) hereof (including the information required to be included in such Notice and Questionnaire) and the information set forth in the next sentence. Each Notice Holder agrees promptly to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Notice Holder not misleading and any other information regarding such Notice Holder and the distribution of such Registrable Securities as may be required to be disclosed in the Shelf Registration Statement under applicable law or pursuant to Commission comments. Each Holder further agrees not to sell any Registrable Securities pursuant to the Shelf Registration Statement without delivering, or causing to be delivered, a Prospectus to the purchaser thereof and, following termination of the Effective Period, to notify the Company, within 10 Business Days of a request by the Company, of the amount of Registrable Securities sold pursuant to the Shelf Registration Statement and, in the absence of a response, the Company may assume that all of the Holder's Registrable Securities were so sold.

5. Registration Expenses.

The Company agrees to bear and to pay or cause to be paid promptly upon request being made therefor all expenses incident to the Company's performance of or compliance with this Agreement, including, but not limited to, (a) all Commission and any NASD registration and filing fees and expenses, (b) all fees and expenses in connection with the qualification of the Securities for offering and sale under the State securities and Blue Sky laws referred to in Section 3(a)(v) hereof, (c) all expenses relating to the preparation, printing, distribution and reproduction of the Shelf Registration Statement, the related Prospectus, each amendment or supplement to each of the foregoing, the certificates representing the Securities and all other documents relating hereto, (d) fees, disbursements and expenses of counsel and independent certified public accountants of the Company (including the expenses of any opinions or "cold comfort" letters required by or incident to such performance and compliance) and (e) reasonable fees, disbursements and expenses of one counsel for the Holders of Registrable Securities retained in connection with the Shelf Registration Statement (not to exceed \$30,000), as selected by the Company (unless reasonably objected to by the Majority Holders of the Registrable Securities being registered, in which case the Company shall select another counsel reasonably acceptable to the Holders) ("**Special Counsel**"), and fees, expenses and disbursements of any other Persons, including special experts, retained by the Company in connection with such registration (collectively, the "**Registration Expenses**"). To the extent that any Registration Expenses are properly incurred, assumed or paid by any Holder of Registrable Securities or any underwriter or placement agent therefor, the Company shall reimburse such Person for the full

amount of the Registration Expenses so incurred, assumed or paid promptly after receipt of a documented request therefor. Notwithstanding the foregoing, the Holders of the Registrable Securities being registered shall pay any underwriting discounts and commissions and placement agent fees and commissions attributable to the sale of such Registrable Securities and the fees and disbursements of any counsel or other advisors or experts retained by such Holders (severally or jointly), other than the counsel and experts specifically referred to above.

6. Indemnification.

(a) The Company shall indemnify and hold harmless each Holder (including, without limitation, the Initial Purchaser), its Affiliates, their respective officers, directors, employees, and each person, if any, who controls such Holder within the meaning of the Securities Act or the Exchange Act (collectively referred to for purposes of this Section 6 and Section 7 as a Holder) from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, without limitation, any loss, claim, damage, liability or action relating to purchases and sales of Securities), to which that Holder may become subject, whether commenced or threatened, under the Securities Act, the Exchange Act, any other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any such Registration Statement or any Prospectus forming part thereof or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and shall reimburse each Holder promptly upon demand for any legal or other expenses reasonably incurred by that Holder in connection with investigating or defending or preparing to defend against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with any information provided by a Holder in writing to the Company, including in its Notice and Questionnaire. This indemnity agreement shall be in addition to any liability that the Company may otherwise have.

(b) Each Holder shall indemnify and hold harmless the Company, its officers, directors, employees, and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act (collectively referred to for purposes of this Section 6(b) and Section 7 as the Company), from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company may become subject, whether commenced or threatened, under the Securities Act, the Exchange Act, any other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any such Registration Statement or any Prospectus forming part thereof or in any amendment or supplement thereto or (ii) the omission or alleged omission to state

therein a material fact required to be stated therein or necessary in order to make the statements therein (in the case of any Prospectus, in the light of the circumstances under which they were made), not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with any information provided by a Holder in writing to the Company, including in its Notice and Questionnaire, and shall reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending or preparing to defend against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that no such Holder shall be liable for any indemnity claims hereunder in excess of the amount of net proceeds received by such Holder from the sale of Securities pursuant to such Shelf Registration Statement. This indemnity agreement will be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of any claim or the commencement of any action or proceeding, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party pursuant to Section 6(a) or 6(b), notify the indemnifying party in writing of the claim or the commencement of that action; *provided, however*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 6 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and *provided, further*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. If any such claim or action shall be brought against an indemnified party, and it notifies the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than the reasonable costs of investigation; *provided, however*, that an indemnified party shall have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel for the indemnified party will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based upon advice of counsel to the indemnified party) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) a conflict or potential conflict exists (based upon advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party)

or (iv) the indemnifying party has not in fact employed counsel reasonably satisfactory to the indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm of attorneys (in addition to any local counsel) at any one time for all such indemnified party or parties. Each indemnified party, as a condition of the indemnity agreements contained in Sections 6(a) and 6(b), shall use all commercially reasonable efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment or if the indemnifying party has not paid the expenses and fees for which it is liable 20 days after notice by the indemnified party of request for reimbursement. No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (1) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (2) does not include a statement or admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) The provisions of this Section 6 and Section 7 shall remain in full force and effect, regardless of any investigation made by or on behalf of any Holder, the Company, or any of the indemnified Persons referred to in this Section 6 and Section 7, and shall survive the sale by a Holder of securities covered by the Shelf Registration Statement.

7. Contribution.

If the indemnification provided for in Section 6 is unavailable or insufficient to hold harmless an indemnified party under Section 6(a) or 6(b), then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company from the offering and sale of the Debentures, on the one hand, and a Holder with respect to the sale by such Holder of Securities, on the other, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and such Holder on the other with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the

Company on the one hand and a Holder on the other with respect to such offering and such sale shall be deemed to be in the same proportion as the total net proceeds from the offering of the Debentures (before deducting expenses) received by or on behalf of the Company, on the one hand, and the total discounts and commissions received by such Holder with respect to the Securities, on the other, bear to the total gross proceeds from the sale of Securities. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to the Company or information supplied by the Company on the one hand or to any information contained in the relevant Notice and Questionnaire supplied by such Holder on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 7 were to be determined by *pro rata* allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 7 shall be deemed to include, for purposes of this Section 7, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending or preparing to defend any such action or claim. Notwithstanding the provisions of this Section 7, an indemnifying party that is a Holder of Securities shall not be required to contribute any amount in excess of the amount by which the total price at which the Securities sold by such indemnifying party to any purchaser exceeds the amount of any damages which such indemnifying party has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

8. Rule 144A and Rule 144.

So long as any Registrable Securities remain outstanding, the Company shall use its commercially reasonable efforts to file the reports required to be filed by it under Rule 144A(d)(4) under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the written request of any Holder of Registrable Securities, make publicly available other information so long as necessary to permit sales of such Holder's securities pursuant to Rules 144 and 144A. The Company covenants that, as long as any Registrable Securities remain outstanding, it will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including, without limitation, the requirements of Rule 144A(d)(4)). Upon the written request of any Holder of Registrable Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements. Notwithstanding the foregoing, nothing in this Section 8 shall be deemed to require the Company to register any of its securities pursuant to the Exchange Act.

9. *Miscellaneous.*

(a) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained either (i) the written consent of the Majority Holders or (ii) the consent of the Majority Holders through The Depository Trust Company's Automated Tender Offer Program. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Securities are being sold pursuant to the Shelf Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by Holders of a majority in aggregate amount of the Securities being sold by such Holders pursuant to the Shelf Registration Statement.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telecopier or air courier guaranteeing next-day delivery:

(1) If to the Company, initially at the address set forth for it in the Purchase Agreement with a copy to Gibson, Dunn & Crutcher LLP, One Montgomery Street, 31st floor, San Francisco, CA 94104, Attention Stewart McDowell, Esq.;

(2) If to the Initial Purchaser, initially at the address set forth for it in the Purchase Agreement; and

(3) If to a Holder, to the address of such Holder set forth in the security register, the Notice and Questionnaire or other records of the Company.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; one Business Day after being delivered to a next-day air courier; five Business Days after being deposited in the mail; and when receipt is acknowledged by the recipient's telecopier machine, if sent by telecopier.

(c) Successors and Assigns. This Agreement shall be binding upon the Company and its respective successors and assigns, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders. In the event that any other person shall succeed to the Company under the Indenture, then such successor shall enter into an agreement, in form and substance reasonably satisfactory to the Initial Purchasers, whereby such successor shall assume all of the Company's obligations under this Agreement.

(d) Counterparts. This Agreement may be executed in any number of counterparts (which may be delivered in original form or by telecopier) and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(e) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(g) Remedies. In the event of a breach by the Company or by any Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law, including recovery of damages (other than the recovery of damages for a breach by the Company of its obligations under Section 2 hereof for which Additional Interest has been paid pursuant to Section 3 hereof), will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agree that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(h) No Inconsistent Agreements. The Company represents, warrants and agrees that (i) it has not entered into, and shall not, on or after the date of this Agreement, enter into any agreement with respect to securities that would impair the rights granted to the Holders in this Agreement, and (ii) without limiting the generality of the foregoing, without the written consent of the Majority Holders, it shall not grant to any person the right to request the Company to register any debt securities of the Company under the Securities Act unless the rights so granted do not impair the rights of the Holders under this Agreement.

(i) No Underwritten Offerings. No underwritten offering shall be effected pursuant to this Agreement without the prior written consent of the Company, which may be withheld in the Company's sole discretion. Any underwritten offering agreed to by the Company shall be on terms and conditions agreed to by the Company in connection with such offering.

(j) Severability. The remedies provided herein are cumulative and not exclusive of any remedies provided by law. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(k) Survival. This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Effective Period, except for any liabilities or obligations under Section 2(d), 5, 6 or 7 to the extent arising prior to the end of the Effective Period.

(l) Securities Held by the Company, etc. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Company or its Affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be Affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to us a counterpart hereof, whereupon this instrument will become a binding agreement between the Company and the Initial Purchaser in accordance with its terms.

Very truly yours,

INTEL CORPORATION

By: /s/ Ravi Jacob

Name:

Title:

Accepted: December 16, 2005

J.P. MORGAN SECURITIES INC.

By: /s/ David A. Seaman

Name: David A. Seaman

Title: Managing Director

INTEL CORPORATION

as Issuer

AND

Citibank, N.A.

as Trustee

Indenture

Dated as of December 16, 2005

2.95% Junior Subordinated Convertible Debentures due 2035

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

	<u>Page</u>
Section 1.01. <i>Definitions</i>	1
Section 1.02. <i>Compliance Certificates and Opinions</i>	16
Section 1.03. <i>Form of Documents Delivered to Trustee</i>	16
Section 1.04. <i>Acts of Holders; Record Dates</i>	17
Section 1.05. <i>Notices, Etc., to Trustee and Company</i>	18
Section 1.06. <i>Notice to Holders; Waiver</i>	18
Section 1.07. <i>Conflict with Trust Indenture Act</i>	19
Section 1.08. <i>Effect of Headings and Table of Contents</i>	19
Section 1.09. <i>Successors and Assigns</i>	19
Section 1.10. <i>Severability Clause</i>	19
Section 1.11. <i>Benefits of Indenture</i>	19
Section 1.12. <i>Governing Law</i>	19
Section 1.13. <i>Legal Holiday</i>	19
Section 1.14. <i>No Recourse Against Others</i>	20

ARTICLE 2 SECURITY FORMS

Section 2.01. <i>Forms Generally</i>	20
Section 2.02. <i>Form of Face of Security</i>	20
Section 2.03. <i>Form of Reverse of Security</i>	25
Section 2.04. <i>Form of Trustee's Certificate of Authentication</i>	35
Section 2.05. <i>Legend on Restricted Securities</i>	35

ARTICLE 3 THE SECURITIES

Section 3.01. <i>Title and Terms; Payments</i>	35
Section 3.02. <i>Denominations</i>	36
Section 3.03. <i>Execution, Authentication, Delivery and Dating</i>	36
Section 3.04. <i>Temporary Securities</i>	37
Section 3.05. <i>Registration; Registration of Transfer and Exchange; Restrictions on Transfer</i>	37
Section 3.06. <i>Mutilated, Destroyed, Lost and Stolen Securities</i>	40
Section 3.07. <i>Persons Deemed Owners</i>	40
Section 3.08. <i>Book-Entry Provisions for Global Securities</i>	41
Section 3.09. <i>Cancellation and Transfer Provisions</i>	42
Section 3.10. <i>CUSIP Numbers</i>	44

	<u>Page</u>
ARTICLE 4	
INTEREST	
Section 4.01. <i>Generally</i>	44
Section 4.02. <i>Contingent Interest</i>	46
Section 4.03. <i>Trustee's Responsibilities in Respect of Contingent Interest</i>	47
Section 4.04. <i>Payment of Contingent Interest</i>	47
Section 4.05. <i>Contingent Interest Notification</i>	47
Section 4.06. <i>Option to Extend Interest Payment</i>	48
Section 4.07. <i>Actions Prohibited During Extension Periods</i>	48
Section 4.08. <i>Notification of Extension Period</i>	49
ARTICLE 5	
SUBORDINATION	
Section 5.01. <i>Agreement of Subordination</i>	50
Section 5.02. <i>Payments to Holders</i>	50
Section 5.03. <i>Subrogation of Securities</i>	53
Section 5.04. <i>Authorization to Effect Subordination</i>	54
Section 5.05. <i>Notice to Trustee</i>	54
Section 5.06. <i>Trustee's Relation to Senior Debt</i>	55
Section 5.07. <i>No Impairment of Subordination</i>	56
Section 5.08. <i>Certain Conversions Not Deemed Payment</i>	56
Section 5.09. <i>Article Applicable to Paying Agents</i>	56
Section 5.10. <i>Senior Debt Entitled to Rely</i>	56
ARTICLE 6	
COVENANTS	
Section 6.01. <i>Payments</i>	56
Section 6.02. <i>Maintenance of Office or Agency</i>	57
Section 6.03. <i>Appointments to Fill Vacancies in Trustee's Office</i>	57
Section 6.04. <i>Money for Security Payments to be Held in Trust</i>	57
Section 6.05. <i>Statement by Officers as to Default</i>	59
Section 6.06. <i>Existence</i>	59
Section 6.07. <i>Rule 144A Information Requirement</i>	59
Section 6.08. <i>Resale of Certain Securities</i>	59
Section 6.09. <i>Book-Entry System</i>	60
Section 6.10. <i>Additional Interest under the Registration Rights Agreement</i>	60
Section 6.11. <i>Stay, Extension and Usury Laws</i>	60
Section 6.12. <i>Information for IRS Filings</i>	60
Section 6.13. <i>Further Instruments and Acts</i>	60
Section 6.14. <i>Tax Treatment of the Securities</i>	60

		<u>Page</u>
ARTICLE 7		
REDEMPTION		
Section 7.01.	<i>Right to Redeem; Notices to Trustee</i>	61
Section 7.02.	<i>Selection of Securities to be Redeemed</i>	62
Section 7.03.	<i>Notice of Redemption</i>	62
Section 7.04.	<i>Effect of Notice of Redemption</i>	63
Section 7.05.	<i>Deposit of Redemption Price</i>	64
Section 7.06.	<i>Securities Redeemed in Part</i>	64
ARTICLE 8		
FUNDAMENTAL CHANGES AND REPURCHASES THEREUPON		
Section 8.01.	<i>Repurchase at Option of Holders Upon a Fundamental Change</i>	64
Section 8.02.	<i>Effect of Fundamental Change Repurchase Notice</i>	70
Section 8.03.	<i>Withdrawal of Fundamental Change Repurchase Notice</i>	71
Section 8.04.	<i>Deposit of Fundamental Change Repurchase Price</i>	71
Section 8.05.	<i>Securities Repurchased in Whole or in Part</i>	72
Section 8.06.	<i>Covenant to Comply With Securities Laws Upon Repurchase of Securities</i>	72
Section 8.07.	<i>Repayment to the Company</i>	72
ARTICLE 9		
CONVERSION		
Section 9.01.	<i>Conversion Obligation</i>	72
Section 9.02.	<i>Conversion Procedure</i>	74
Section 9.03.	<i>Adjustment of Conversion Rate</i>	78
Section 9.04.	<i>Shares to Be Fully Paid</i>	87
Section 9.05.	<i>Conversion After a Public Acquiror Change of Control</i>	87
Section 9.06.	<i>Effect of Reclassification, Consolidation, Merger or Sale</i>	88
Section 9.07.	<i>Certain Covenants</i>	90
Section 9.08.	<i>Responsibility of Trustee</i>	90
Section 9.09.	<i>Notice to Holders Prior to Certain Actions</i>	91
Section 9.10.	<i>Stockholder Rights Plans</i>	92
Section 9.11.	<i>Alternate Conversion Arrangement</i>	92
ARTICLE 10		
EVENTS OF DEFAULT; REMEDIES		
Section 10.01.	<i>Events of Default</i>	92
Section 10.02.	<i>Acceleration of Maturity; Rescission and Annulment</i>	94
Section 10.03.	<i>Collection of Indebtedness and Suits for Enforcement by Trustee</i>	95

	<u>Page</u>
Section 10.04. <i>Trustee May File Proofs of Claim</i>	95
Section 10.05. <i>Application of Money Collected</i>	96
Section 10.06. <i>Limitation on Suits</i>	96
Section 10.07. <i>Unconditional Right of Holders to Receive Payment</i>	97
Section 10.08. <i>Restoration of Rights and Remedies</i>	97
Section 10.09. <i>Rights and Remedies Cumulative</i>	97
Section 10.10. <i>Delay or Omission Not Waiver</i>	98
Section 10.11. <i>Control by Holders</i>	98
Section 10.12. <i>Waiver of Past Defaults</i>	98
Section 10.13. <i>Undertaking for Costs</i>	98
Section 10.14. <i>Waiver of Stay or Extension Laws</i>	99

ARTICLE 11

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 11.01. <i>Company May Consolidate, etc., Only on Certain Terms</i>	99
Section 11.02. <i>Successor Substituted</i>	100

ARTICLE 12

THE TRUSTEE

Section 12.01. <i>Certain Duties and Responsibilities</i>	100
Section 12.02. <i>Notice of Defaults</i>	100
Section 12.03. <i>Certain Rights Of Trustee</i>	101
Section 12.04. <i>Not Responsible for Recitals</i>	103
Section 12.05. <i>May Hold Securities</i>	103
Section 12.06. <i>Money Held in Trust</i>	103
Section 12.07. <i>Compensation and Reimbursement</i>	103
Section 12.08. <i>Disqualification; Conflicting Interests</i>	104
Section 12.09. <i>Corporate Trustee Required; Eligibility</i>	104
Section 12.10. <i>Resignation and Removal; Appointment of Successor</i>	105
Section 12.11. <i>Acceptance of Appointment by Successor</i>	106
Section 12.12. <i>Merger; Conversion, Consolidation or Succession to Business</i>	106
Section 12.13. <i>Preferential Collection of Claims against the Company</i>	107

ARTICLE 13

HOLDERS' LISTS AND REPORTS BY TRUSTEE

Section 13.01. <i>Company to Furnish Trustee Names and Addresses of Holders</i>	107
Section 13.02. <i>Preservation of Information; Communications to Holders</i>	107
Section 13.03. <i>Reports By Trustee</i>	108
Section 13.04. <i>Reports by Company</i>	108

		<u>Page</u>
	ARTICLE 14	
	SATISFACTION AND DISCHARGE	
Section 14.01.	<i>Satisfaction and Discharge of Indenture</i>	109
Section 14.02.	<i>Application of Trust Money</i>	109
	ARTICLE 15	
	SUPPLEMENTAL INDENTURES	
Section 15.01.	<i>Supplemental Indentures Without Consent of Holders</i>	110
Section 15.02.	<i>Supplemental Indentures With Consent of Holders</i>	111
Section 15.03.	<i>Execution of Supplemental Indentures</i>	112
Section 15.04.	<i>Effect of Supplemental Indentures</i>	112
Section 15.05.	<i>Conformity with Trust Indenture Act</i>	112
Section 15.06.	<i>Reference in Securities to Supplemental Indentures</i>	112

INDENTURE, dated as of December 16, 2005, between Intel Corporation, a corporation duly organized and existing under the laws of the State of Delaware, as Issuer (the “**Company**”), having its principal office at 2200 Mission College Boulevard, Santa Clara, California 95054 and Citibank, N.A., a national banking association, as Trustee (the “**Trustee**”).

RECITALS OF THE COMPANY

WHEREAS, the Company has duly authorized the creation of an issue of 2.95% Junior Subordinated Convertible Debentures due 2035 (each a “**Security**” and collectively, the “**Securities**”) of the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with the terms of the Securities and the Indenture, have been done;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, for and in consideration of the premises and the purchases of the Securities by the Holders thereof, it is mutually agreed, for the benefit of the Company and the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. *Definitions.* For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (i) the terms defined in this Article 1 have the meanings assigned to them in this Article and include the plural as well as the singular;
 - (ii) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
 - (iii) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP; and
-

(iv) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

“**105% Exception**” means, and shall be deemed applicable with respect to the definition of “Fundamental Change” in, any event in which the Last Reported Sale Price of the Company’s Common Stock for any 5 Trading Days within the 10 consecutive Trading Days ending immediately before the date of any Change of Control Event or Termination of Trading or the public announcement thereof equals or exceeds 105% of the applicable Conversion Price of the Securities immediately before such event or the public announcement thereof.

“**Acquiror Securities**” has the meaning specified in Section 8.01(d).

“**Act**,” when used with respect to any Holder, has the meaning specified in Section 1.04.

“**Additional Interest**” shall mean Additional Interest as defined in the Registration Rights Agreement.

“**Additional Shares**” has the meaning specified in Section 9.01(b).

“**Adjustment Determination Date**” has the meaning specified in Section 9.03(j).

“**Adjustment Event**” has the meaning specified in Section 9.03(j).

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agent Members**” has the meaning specified in Section 3.08.

“**Bid Solicitation Agent**” means an independent nationally recognized securities dealer selected by the Company to solicit market bid quotations for the Securities, which shall in no event be an Affiliate of the Company.

“**Board of Directors**” means, with respect to any Person, either the board of directors of such Person or any duly authorized committee of that board.

“**Board Resolution**” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to

have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or obligated by law, or executive order or governmental decree to be closed.

“**Capital Stock**” means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock and, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership.

“**Change of Control Event**” shall mean the occurrence of any of the following:

(i) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act other than the Company, its Subsidiaries or the Company’s or its Subsidiaries’ employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of more than 50% of the total voting power of all shares of the Company’s Capital Stock that are entitled to vote generally in the election of directors;

(ii) consummation of any share exchange, consolidation or merger of the Company pursuant to which the Company’s Common Stock will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any person other than the Company or one of its Subsidiaries; *provided*, however, that a transaction where (1) the Company’s Common Stock is not changed or exchanged at all except to the extent necessary to reflect a change in the Company’s jurisdiction of incorporation or (2) the holders of more than 50% of all classes of the Company’s Common Stock immediately prior to such transaction own, directly or indirectly, more than 50% of the aggregate voting power of all shares of Capital Stock of the continuing or surviving corporation or transferee immediately after such event shall not be deemed a Change of Control Event; or

(iii) Continuing Directors cease to constitute at least a majority of the Company’s Board of Directors.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Commission**” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

“**Common Stock**” means the shares of common stock, par value \$0.001 per share, of the Company as they exist on the date of this Indenture or any other shares of Capital Stock of the Company into which the Common Stock shall be reclassified or changed or, in the event of a merger, consolidation or other similar transaction involving the Company that is otherwise permitted hereunder in which the Company is not the surviving corporation, the common stock, common equity interests, ordinary shares or depositary shares or other certificates representing common equity interests of such surviving corporation or its direct or indirect parent corporation.

“**Company**” means the Person named as the “Company” in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Company” shall mean such successor Person.

“**Company Request**” or “**Company Order**” means a written request or order signed in the name of the Company by its Chairman of the Board of Directors, its Vice Chairman of the Board of Directors, its President or any Vice President, and by its Chief Financial Officer, its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

“**Comparable Yield Rate**” means 6.45%, compounded semi-annually.

“**Compounded Interest**” has the meaning specified in Section 4.06(b).

“**Contingent Debt Regulations**” has the meaning specified in Section 6.14.

“**Contingent Interest**” has the meaning specified in Section 4.02(a).

“**Continuing Director**” means, at any date, a member of the Company’s Board of Directors (i) who was a member of such board on December 13, 2005, or (ii) became a director of the Company subsequent to December 13, 2005, and whose election, appointment or nomination for election by the holders of the Company’s Capital Stock was duly approved by a majority of the Continuing Directors on the Board of Directors of the Company at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the entire Board of Directors of the Company in which such individual was named as nominee for director.

“**Conversion Agent**” means the Trustee or such other office or agency designated by the Company where Securities may be presented for conversion.

“**Conversion Date**” has the meaning specified in Section 9.02(e).

“**Conversion Obligation**” has the meaning specified in Section 9.01(a).

“**Conversion Price**” means as of any date \$1,000 divided by the Conversion Rate as of such date.

“**Conversion Rate**” has the meaning specified in Section 9.01(a).

“**Conversion Value**” means, at any date, the product of (i) the Conversion Rate in effect on such date and (ii) the average of the Volume-Weighted Average Prices of the Company’s Common Stock for the five consecutive Trading Days ending on the Trading Day immediately preceding such date.

“**Corporate Trust Office**” means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date of this Indenture, located at 388 Greenwich Street, 14th Floor, New York, New York 10013, Attention: Agency & Trust, and shall mean for purposes of Section 6.02, 111 Wall Street, 15th Floor, New York, New York 10005, Attention: Floor Window.

“**Corporation**” means a corporation, association, company, joint-stock company or business trust.

“**Default**” means any event that is or with the passage of time or the giving of notice or both would become an Event of Default.

“**Deferred Interest**” means any Interest that is accrued and unpaid and the payment of which has been deferred as a result of the Company’s declaration of an Extension Period.

“**Depository**” means The Depository Trust Company until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Depository” shall mean such successor Depository.

“**Designated Senior Debt**” means, with respect to the Company, obligations under any Senior Debt in which the instrument creating or evidencing such Senior Debt or the assumption or guarantee thereof (or related agreements or documents to which the Company is a party) expressly provides that such Senior Debt shall be “Designated Senior Debt” for purposes of this Indenture. The instrument, agreement or other document evidencing any Designated Senior Debt may place limitations and conditions on the right of such Senior Debt to exercise the rights of Designated Senior Debt.

“**Distributed Property**” has the meaning specified in Section 9.03(c).

“**Downside Trigger**” means \$800 per \$1,000 Principal Amount of Securities during the period prior to December 15, 2020. Beginning on December 15, 2020, and ending on December 15, 2034, inclusive, the Downside Trigger will increase in increments of \$10 per \$1,000 Principal Amount of Securities per year on December 15 of each year within such period. As an example, the Downside Trigger will be \$820 per \$1,000 Principal Amount of Securities during the period commencing on December 15, 2021, and ending on December 14, 2022.

“**Effective Date**” has the meaning specified in Section 9.01(b).

“**Event of Default**” has the meaning specified in Section 10.01.

“**Ex-Dividend Date**” means, with respect to any dividend, distribution or issuance on the Common Stock or any other equity security, the first date on which the shares of Common Stock or such other equity security trade on the applicable exchange or in the applicable market, regular way, without the right to receive such dividend, distribution or issuance.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Exchange Rate Contract**” means, with respect to any Person, any currency swap agreement, forward exchange rate agreement, foreign currency future or option, exchange rate collar agreement, exchange rate insurance or other agreement or arrangement, or combination thereof, the principal purpose of which is to provide protection against fluctuations in currency exchange rates. An Exchange Rate Contract may also include an Interest Rate Agreement.

“**Extension Period**” has the meaning specified in Section 4.06.

“**Extraordinary Dividend**” has the meaning specified in Section 4.02(a).

“**Fundamental Change**” means any transaction or event resulting in either a Change of Control Event or a Termination of Trading; *provided*, however, that a Fundamental Change will not be deemed to have occurred if either (i) the 105% Exception is applicable or (ii) not less than 90% of the consideration, excluding cash payments for fractional shares and cash payments made in respect of dissenter’s rights, associated with any of the events described in clauses (i) or (ii) of the definition of “Change of Control Event” consists of Publicly Traded Securities and as a result of such Change of Control Event the Securities become convertible into shares of such Publicly Traded Securities.

“**Fundamental Change Company Notice**” has the meaning specified in Section 8.01(b).

“**Fundamental Change Repurchase Date**” has the meaning specified in Section 8.01(a).

“**Fundamental Change Repurchase Notice**” has the meaning specified in Section 8.01(a).

“**Fundamental Change Repurchase Price**” has the meaning specified in Section 8.01(a).

“**GAAP**” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, in each case, as in effect in the United States on the date hereof.

“**Global Security**” means a Security in global form registered in the Security Register in the name of a Depository or a nominee thereof.

“**Holder**” or “**Securityholder**” means a Person in whose name a Security is registered in the Security Register.

“**Indebtedness**” means, with respect to any Person, without duplication, (i) any indebtedness or obligation, whether contingent or not, (1) evidenced by a credit or loan agreement, note, bond, debenture or similar written obligation or instrument (whether or not the recourse of the lender is to the whole of the assets of such Person or to only a portion thereof) or (2) for money borrowed, (ii) all obligations (1) as lessee under leases required to be capitalized on such Person’s balance sheet under GAAP or (2) as lessee under other leases for facilities, capital equipment or related assets, whether or not capitalized, entered into or leased for financing purposes, (iii) all obligations under Interest Rate Agreements, Exchange Rate Contracts, treasury management agreements or similar agreements or arrangements, (iv) all obligations and liabilities (contingent or otherwise) of such Person with respect to letters of credit, bankers’ acceptances and similar facilities (including reimbursement obligations with respect to the foregoing), (v) all obligations and liabilities (contingent or otherwise) of such Person issued or assumed as the deferred purchase price of any property or services (but excluding trade accounts payable and accrued liabilities arising in the ordinary course of business), (vi) obligations of the type described in clauses (i) through (v) above of any third party and all dividends of any third party payment of which, in either case, such Person has assumed or guaranteed, or for which the Person first referenced above is responsible or liable, directly or indirectly, jointly or severally, as obligor, guarantor or otherwise, or that are secured by a lien on such Person’s property and (vii) any and all renewals, extensions, modifications,

replacements, restatements and refundings of, or any indebtedness or obligation issued in exchange for, any indebtedness, obligation or liability of the kinds described in clauses (i) through (vi). The amount of any Indebtedness outstanding as of any date shall be the accreted value thereof, in the case of any Indebtedness issued with original issue discount. The amount of any Indebtedness outstanding as of any date with respect to any Exchange Rate Contract or Interest Rate Agreement shall be the termination value thereof. Indebtedness shall not include liabilities for taxes of any kind.

“**Indenture**” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

“**Initial Conversion Value**” means \$847.4569.

“**Initial Purchaser**” means J.P. Morgan Securities Inc.

“**Interest**” means (i) Regular Interest, (ii) Contingent Interest, if any, (iii) Additional Interest, if any, and (iv) Compounded Interest, if any.

“**Interest Payment Date**” means (i) with respect to any payment of Interest other than Interest payable upon designation of an Extraordinary Dividend or a prepayment of Deferred Interest, each June 15 and December 15 of each year, beginning June 15, 2006, (ii) with respect to Interest payable upon designation of an Extraordinary Dividend, the date specified by the Company’s Board of Directors for the payment of such Interest in accordance with Section 4.02(a)(ii) and (iii) with respect to a prepayment of Deferred Interest, the date specified for such prepayment by the Company.

“**Interest Rate Agreement**” means, with respect to any Person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement the principal purpose of which is to protect the party indicated therein against fluctuations in interest rates.

“**Investment Company Act**” means the Investment Company Act of 1940 and any statutory successor thereto, in each case as amended from time to time.

“**Issue Date**” means the date the Securities are originally issued as set forth on the face of the Security under this Indenture.

“**Last Reported Sale Price**” of the Company’s Common Stock on any date means the closing sale price per share (or if no closing sale price is reported,

the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported by The Nasdaq National Market or, if the Company's Common Stock is not quoted on The Nasdaq National Market, then on the principal U.S. national or regional securities exchange on which the Company's Common Stock is then listed. If the Company's Common Stock is not either quoted on The Nasdaq National Market or listed on any U.S. national or regional securities exchange on the relevant date, the Last Reported Sale Price will be the last quoted bid price for the Company's Common Stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If the Company's Common Stock is not so quoted, the Last Reported Sale Price will be the average of the mid-point of the last bid and ask prices for the Company's Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose, which shall in no case be Affiliates of the Company.

"Majority Owned" means, with respect to an entity, that another entity has "beneficial ownership" (as defined in Rule 13(d)(3) under the Exchange Act) of more than 50% of the total voting power of all shares of the first entity's Capital Stock that are entitled to vote generally in the election of directors. **"Majority Owner"** has the correlative meaning.

"Make-Whole Fundamental Change" means any event described in clause (ii) of the definition of "Change of Control Event" that constitutes a Fundamental Change, determined without regard to the 105% Exception.

"Maturity," when used with respect to any Security, means the date on which the principal, Redemption Price or Fundamental Change Repurchase Price of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity, on a Redemption Date or Fundamental Change Repurchase Date, by declaration of acceleration or otherwise.

"Merger Event" has the meaning specified in Section 9.06.

"Non-Payment Default" has the meaning specified in Section 5.02(b).

"Notice of Conversion" has the meaning specified in Section 9.02(d).

"Notice of Default" has the meaning specified in Section 10.01.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or any Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant

to Section 6.05 shall be the principal executive, financial or accounting officer of the Company.

“**Opinion of Counsel**” means a written opinion of counsel, who may be external or in-house counsel for the Company, and who shall be reasonably acceptable to the Trustee.

“**Outstanding**,” when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or accepted by the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment, redemption or repurchase money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; *provided* that if such Securities are to be redeemed or repurchased prior to the maturity thereof, notice of such redemption or repurchase shall have been given to the Holders as herein provided, or provision satisfactory to a Responsible Officer of the Trustee shall have been made for giving such notice; and

(iii) Securities that have been paid or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture;

provided, however, that, in determining whether the Holders of the requisite Principal Amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

“**Paying Agent**” means any Person (including the Company) authorized by the Company to pay the Principal Amount of, Interest on or Redemption Price or Fundamental Change Repurchase Price of, any Securities on behalf of the Company. The Trustee shall initially be the Paying Agent.

“**Payment Blockage Notice**” has the meaning specified in Section 5.02(b).

“**Payment Default**” has the meaning specified in Section 5.02(a).

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Physical Securities**” means permanent certificated Securities in registered form issued in denominations of \$1,000 Principal Amount and integral multiples thereof.

“**Principal Amount**” of a Security means the Principal Amount as set forth on the face of the Security.

“**Public Acquiror Change of Control**” means a Fundamental Change in which the acquiror has Public Acquiror Common Stock.

“**Public Acquiror Common Stock**” means, in reference to a Fundamental Change, any class of common stock of the acquiror in respect of such Fundamental Change that is traded on any U.S. national securities exchange or quoted on The Nasdaq National Market or which will be so traded or quoted when issued or exchanged in connection with such Fundamental Change. If an acquiror does not itself have a class of common stock satisfying the foregoing requirement, it shall be deemed to have Public Acquiror Common Stock if a corporation that directly or indirectly is the Majority Owner of the acquiror has a class of common stock satisfying the foregoing requirement; in such case, all references to Public Acquiror Common Stock shall refer to such class of common stock.

“**Publicly Traded Securities**” means shares of Capital Stock that are traded on a U.S. national securities exchange or quoted on The Nasdaq National Market or, with respect to a Change of Control Event, which will be so traded or quoted when issued or exchanged in connection with such event.

“**Purchase Agreement**” means the Purchase Agreement, dated December 13, 2005, entered into by the Company and the Initial Purchaser in connection with the sale of the Securities.

“**Qualified Institutional Buyer**” or “**QIB**” shall have the meaning specified in Rule 144A.

“**Record Date**” means (i) with respect to any payment of Interest other than Interest payable upon designation of an Extraordinary Dividend or a prepayment of Deferred Interest, each June 1 and December 1 (whether or not a Business Day), (ii) with respect to the payment of Interest payable upon designation of an Extraordinary Dividend, the record date specified by the Company’s Board of Directors for the payment of such Interest in accordance with Section 4.02(a)(ii) and (iii) with respect to a prepayment of Deferred Interest, the record date specified with respect to such prepayment by the Company.

“**Regular Interest**” has the meaning specified in Section 4.01(a).

“**Redemption Date**” shall mean the date specified for redemption of the Securities in accordance with the terms of the Securities and Article 7 hereof.

“**Redemption Price**” has the meaning specified in Section 7.01.

“**Reference Property**” has the meaning specified in Section 9.06(b).

“**Registration Rights Agreement**” means the Registration Rights Agreement, dated as of December 16, 2005, between the Company and the Initial Purchaser, for the benefit of itself and the Holders, as the same may be amended or modified from time to time in accordance with the terms thereof.

“**Representative**” means the (i) indenture trustee or other trustee, agent or representative for any Senior Debt or (ii) with respect to any Senior Debt that does not have any such trustee, agent or other representative, (1) in the case of such Senior Debt issued pursuant to an agreement providing for voting arrangements as among the holders or owners of such Senior Debt, any holder or owner of such Senior Debt acting with the consent of the required Persons necessary to bind such holders or owners of such Senior Debt and (2) in the case of all other such Senior Debt, the holder or owner of such Senior Debt.

“**Resale Registration Statement**” means a registration statement under the Securities Act registering the Securities for resale pursuant to the terms of the Registration Rights Agreement.

“**Responsible Officer**” means any officer of the Trustee within the Corporate Trust Office of the Trustee with direct responsibility for the administration of this Indenture and also, with respect to a particular matter, any other officer of the Trustee to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject.

“**Restricted Global Security**” means a Global Security representing Restricted Securities.

“**Restricted Security**” or “**Restricted Securities**” has the meaning specified in Section 2.05.

“**Rule 144**” means Rule 144 under the Securities Act (including any successor rule thereto), as the same may be amended from time to time.

“**Rule 144A**” means Rule 144A under the Securities Act (including any successor rule thereto), as the same may be amended from time to time.

“**Rule 144A Information**” has the meaning specified in the Securities.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

“**Security**” or “**Securities**” has the meaning specified in the first paragraph of the Recitals of the Company.

“**Security Register**” and “**Security Registrar**” have the respective meanings specified in Section 3.05.

“**Senior Debt**” means, with respect to the Company, means the principal of (and premium, if any) and interest (including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) on, and all fees and other amounts payable in connection with, any Indebtedness of the Company, whether absolute or contingent, secured or unsecured, due or to become due, outstanding on the date of this Indenture or thereafter created, incurred, assumed or guaranteed by the Company. Notwithstanding the foregoing, the term Senior Debt shall not include (i) the Securities, (ii) any Indebtedness, created, evidenced, assumed or guaranteed by an instrument that expressly provides that such Indebtedness shall not be senior in right of payment to the Securities or expressly provides that such Indebtedness is “pari passu” or “junior” to the Securities, (iii) any Indebtedness of the Company to any Subsidiary of the Company or (iv) any Indebtedness of or amounts owed by the Company for trade payables or otherwise for goods or materials purchased or services obtained in the ordinary course of business.

“**Spin-Off**” has the meaning specified in Section 9.03(c).

“**Stated Maturity**,” when used with respect to any Security, means the date specified in such Security as the fixed date on which an amount equal to the Principal Amount of such Security together with accrued and unpaid Interest, if any, is due and payable.

“**Stock Price**” means, with respect to the Company’s Common Stock in connection with a Make-Whole Fundamental Change, (i) if holders of Common

Stock receive only cash in such Make-Whole Fundamental Change, the cash amount paid per share of Common Stock and (ii) if holders of Common Stock receive any consideration other than cash in such Make-Whole Fundamental Change, the average of the Last Reported Sales Price of the Common Stock over the five Trading Days ending on the Trading Date preceding the effective date of such Make-Whole Fundamental Change.

“**Stock Transfer Agent**” means Computershare Limited or such other Person as may be designated by the Company as the transfer agent for the Common Stock.

“**Subsidiary**” means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, “voting stock” means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

“**Surviving Entity**” has the meaning specified in Section 11.01.

“**Tax Triggering Event**” means the enactment of U.S. federal legislation, promulgation of Treasury regulations, issuance of a published ruling, notice, announcement or equivalent form of guidance by the Treasury or the Internal Revenue Service, or the issuance of a judicial decision if the Company determines, or receives an opinion of its outside counsel to the effect that, any such authority will have the effect of lowering the comparable yield or delaying or otherwise limiting the current deductibility of interest or original issue discount with respect to the Securities, provided that the Company determines that such reduction, delay, or limit is material.

“**Termination of Trading**” means that the Company’s Common Stock or other common stock into which the Securities are convertible is neither listed for trading on a United States national securities exchange nor approved for listing on The NASDAQ National Market or any similar United States system of automated dissemination of quotations of securities prices.

“**Trading Day**” means (i) if the applicable security is quoted on The Nasdaq National Market or Nasdaq SmallCap Market, a day on which trades may be made on thereon, (ii) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another United States national security exchange, a day on which the New York Stock Exchange or such other national security exchange is open for business or (iii) if the applicable security is not so listed, admitted for trading or quoted, any Business Day.

“**Trading Price**” of the Securities on any date of determination means the average of the secondary market bid quotations per \$1,000 Principal Amount of Securities obtained by the Trustee for \$5,000,000 Principal Amount of Securities at approximately 3:30 p.m., New York City time, on such determination date from three Bid Solicitation Agents that are selected by the Company; *provided* that if at least three such bids cannot reasonably be obtained by the Trustee, but two such bids can reasonably be obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained, that one bid shall be used. If the Trustee cannot reasonably obtain at least one such bid for \$5,000,000 Principal Amount of Securities from a Bid Solicitation Agent selected by the Company or, in the reasonable judgment of the Company’s Board of Directors (acting through the board or a committee thereof), the bid quotations are not indicative of the secondary market value of the Securities, the Trading Price per \$1,000 Principal Amount of the Securities will be determined by the Company’s Board of Directors (acting through the board or a committee thereof) based on a good faith estimate of the fair value of the Securities.

“**Transfer Restricted Security**” means a Security required to bear the restricted legend set forth in the form of Security in Section 2.02.

“**Trigger Event**” has the meaning specified in Section 9.03(c).

“**Trust Indenture Act**” means the Trust Indenture Act of 1939 as in effect on the date as of which this Indenture was executed; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after such date, “Trust Indenture Act” means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

“**Trustee**” means the Person named as the “Trustee” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean such successor Trustee.

“**Upside Trigger**” means \$1,300 per \$1,000 Principal Amount of Securities.

“**Vice President**,” when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title “vice president.”

“**Volume-Weighted Average Price**” means, with respect to the Company’s Common Stock on a Trading Day, the price displayed under the heading “Bloomberg VWAP” on Bloomberg (or any successor service) page INTC <equity> AQR (or any successor page) in respect of the period from 9:30 a.m. to 4:00 p.m. New York City time on that Trading Day, or, if such price is not

available, the volume-weighted average price per share of the Company's Common Stock on that Trading Day as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company.

Section 1.02. *Compliance Certificates and Opinions.* Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

- (a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of each such individual, such individual has made such examination or investigation as is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.03. *Form of Documents Delivered to Trustee.* In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are

erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.04. *Acts of Holders; Record Dates.* (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as an “**Act**” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 12.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee reasonably deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action

or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 13.01) prior to such first solicitation or vote, as the case may be. With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 1.05. *Notices, Etc., to Trustee and Company.* Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(i) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its applicable Corporate Trust Office; or

(ii) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company, Attention: Secretary.

Section 1.06. *Notice to Holders; Waiver.* Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at such Holder's address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall

be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Whenever under this Indenture the Trustee is required to provide any notice by mail, in all cases the Trustee may alternatively provide notice by overnight courier or by telefacsimile, with confirmation of transmission.

Section 1.07. *Conflict with Trust Indenture Act.* If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required hereunder to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 1.08. *Effect of Headings and Table of Contents.* The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof, and all Article and Section references are to Articles and Sections, respectively, of this Indenture unless otherwise expressly stated.

Section 1.09. *Successors and Assigns.* All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 1.10. *Severability Clause.* In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.11. *Benefits of Indenture.* Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their respective successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.12. *Governing Law.* This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

Section 1.13. *Legal Holiday.* In any case where the Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other

provision of this Indenture or of the Securities) payment of principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on at the Stated Maturity.

Section 1.14. *No Recourse Against Others.* None of the Company's, or of any successor entity's, direct or indirect stockholders, employees, officers or directors, as such, past, present or future, shall have any personal liability in respect of the obligations of the Company under the Indenture or the Securities solely by reason of his or its status as such stockholder, employee, officer or director.

ARTICLE 2
SECURITY FORMS

Section 2.01. *Forms Generally.* The Securities and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository therefor, the Code and regulations thereunder, or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof.

The Securities shall initially be issued in the form of permanent Global Securities in registered form in substantially the form set forth in this Article. The aggregate Principal Amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository, as hereinafter provided.

Section 2.02. *Form of Face of Security.* **[INCLUDE IF SECURITY IS A RESTRICTED SECURITY — THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER AGREES (1) THAT IT WILL NOT WITHIN THE LATER OF (X) TWO YEARS AFTER THE LATEST ISSUE DATE OF THIS SECURITY AND (Y) THREE MONTHS AFTER IT CEASES TO BE AN AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER, RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF**

SUCH SECURITY, EXCEPT (A) TO THE ISSUER; (B) UNDER A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; (C) TO A PERSON THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, ALL IN COMPLIANCE WITH RULE 144A (IF AVAILABLE); OR (D) UNDER ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; AND (2) THAT IT WILL, PRIOR TO ANY TRANSFER OF THIS SECURITY WITHIN THE LATER OF (X) TWO YEARS AFTER THE LATEST ISSUE DATE OF THIS SECURITY AND (Y) THREE MONTHS AFTER IT CEASES TO BE AN AFFILIATE (WITHIN THE MEANING OF RULE 144 ADOPTED UNDER THE SECURITIES ACT) OF THE ISSUER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS MAY BE REQUIRED PURSUANT TO THE INDENTURE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.]

[INCLUDE IF SECURITY IS A GLOBAL SECURITY — THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (“DTC”), A NEW YORK CORPORATION, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY

PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE IF THE SECURITY IS NOT REGISTERED] — THIS SECURITY WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. PURSUANT TO SECTION 6.14 OF THE INDENTURE, THE COMPANY AGREES, AND BY ACCEPTANCE OF A BENEFICIAL OWNERSHIP INTEREST IN THE SECURITIES EACH BENEFICIAL HOLDER OF A SECURITY AGREES, FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, (I) TO TREAT THE SECURITIES AS INDEBTEDNESS OF THE COMPANY SUBJECT TO UNITED STATES TREASURY REGULATIONS SECTION 1.1275-4 (THE “CONTINGENT DEBT REGULATIONS”) AND, FOR PURPOSES OF THE CONTINGENT DEBT REGULATIONS, TO TREAT THE FAIR MARKET VALUE OF ANY COMMON STOCK BENEFICIALLY RECEIVED UPON CONVERSION AS A CONTINGENT PAYMENT, (II) TO BE BOUND BY THE COMPANY’S DETERMINATION OF THE “COMPARABLE YIELD” AND “PROJECTED PAYMENT SCHEDULE,” WITHIN THE MEANING OF THE CONTINGENT DEBT REGULATIONS, WITH RESPECT TO SUCH HOLDER’S SECURITIES AND (III) TO USE SUCH “COMPARABLE YIELD” AND “PROJECTED PAYMENT SCHEDULE” IN DETERMINING INTEREST ACCRUALS WITH RESPECT TO SUCH HOLDER’S SECURITIES AND IN DETERMINING ADJUSTMENTS THERETO. A HOLDER OF SECURITIES MAY OBTAIN THE ISSUE DATE, YIELD TO MATURITY, COMPARABLE YIELD AND THE PROJECTED PAYMENT SCHEDULE BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO: INTEL CORPORATION, 2200 MISSION COLLEGE BLVD., M/S SC4-203, SANTA CLARA, CA 95052-8119, ATTENTION: CORPORATE SECRETARY, WITH A COPY TO: INTEL CORPORATION, 2200 MISSION COLLEGE BLVD., M/S RN6-46, SANTA CLARA, CA 95052-8119, ATTENTION: TREASURER.]

2.95% Junior Convertible Subordinated Debentures due 2035

No. _____

CUSIP NO. 458140 AC 4

U.S. \$ _____

Intel Corporation, a corporation duly organized and validly existing under the laws of the State of Delaware (herein called the “**Company**”), which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to Cede & Co., or registered assigns, the principal sum of One Billion Four Hundred Million United States Dollars (\$1,600,000,000) (which amount may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository, in accordance with the rules and procedures of the Depository) on December 15, 2035. Payment of the principal of this Security shall be made by check mailed to the address of the Holder of this Security specified in the register of Securities, or, at the option of the Company, by wire transfer in immediately available funds, in such lawful money of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

The issue date of this Security is December 16, 2005.

Reference is made to the further provisions of this Security set forth on the reverse hereof, including, without limitation, provisions giving the Company the right to redeem this Security under certain circumstances and provisions giving the Holder the right to convert this Security into Common Stock of the Company and to require the Company to repurchase this Security upon certain events, in each case, on the terms and subject to the limitations referred to on the reverse hereof and as more fully specified in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place. Capitalized terms used but not defined herein shall have such meanings as are ascribed to such terms in the Indenture.

This Security shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of said State.

This Security shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

INTEL CORPORATION

By: _____
Authorized Signatory

INTEL CORPORATION

2.95% Junior Subordinated Convertible Debentures due 2035

This Security is one of a duly authorized issue of Securities of the Company, designated as its 2.95% Junior Convertible Subordinated Debentures due 2035 (the "Securities"), all issued or to be issued under and pursuant to an Indenture dated as of December 16, 2005 (the "Indenture"), between the Company and Citibank, N.A. (the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities.

Interest. The Securities will bear Regular Interest at a rate of 2.95% per year, payable semi-annually in arrears on June 15 and December 15 of each year beginning on June 15, 2006. In addition to Regular Interest, the Securities will also bear Contingent Interest (i) commencing on December 15, 2010, during any semi-annual interest period in which the average trading price of the Securities for the 10 Trading Day period immediately preceding the first day of such semi-annual period is greater than or equal to \$1,300 per \$1,000 Principal Amount of the Securities, at a rate of 0.40% of such trading price per annum, (ii) commencing on December 15, 2010, during any semi-annual interest period in which the average trading price of the Securities for the 10 Trading Day period immediately preceding the first day of such semi-annual period is less than or equal to a threshold that will initially be set at \$800 per \$1,000 Principal Amount of the Securities and that will increase over time in accordance with the Indenture, at a rate of 0.25% of such trading price per annum and (iii) at any time that Securities are outstanding in the event that the Company pays an extraordinary cash dividend or distribution to holders of the Company's Common Stock that the Company's Board of Directors designates as payable to Holders of the Securities.

So long as the Company is not in Default in the payment of Interest on the Securities, the Company may defer the payment of Interest on the Securities (other than Contingent Interest relating to an Extraordinary Dividend) for a period not to exceed 10 consecutive semi-annual interest payment periods, during which time Compounded Interest will accrue as provided in the Indenture.

Subordination. The Securities are unsecured junior obligations of the Company subordinated in right of payment to the Company's existing and future Senior Debt and effectively subordinated in right of payment to all indebtedness and other liabilities of the Company's subsidiaries.

Redemption at the Option of the Company. No sinking fund is provided for the Securities. The Securities are redeemable as a whole, or from time to time in part, (i) at any time commencing on December 15, 2012 at the option of the Company if the Last Reported Sale Price of the Company's Common Stock has been greater than or equal to 130% of Conversion Price then in effect for at least 20 Trading Days during any 30 consecutive Trading Day period prior to the date on which the Company provides notice of redemption and (ii) on or prior to June 12, 2006, if certain U.S. federal tax legislation, regulations or rules are enacted or are issued. The redemption price (the "**Redemption Price**") for any such redemption is equal to (a) in the case of a redemption described in clause (i) above, 100%, expressed as a percentage of the Principal Amount of Securities to be redeemed, together with accrued and unpaid Interest to, but excluding, the Redemption Date and (b) in the case of a redemption described in clause (ii) above, 101.5%, expressed as a percentage of the Principal Amount of Securities to be redeemed, together with accrued and unpaid Interest to, but excluding, the Redemption Date and, if the Conversion Value of the Securities being redeemed exceeds their Initial Conversion Value, 77% of the amount determined by subtracting the Initial Conversion Value of the Securities being redeemed from their Conversion Value.

Repurchase by the Company at the Option of the Holder Upon a Fundamental Change. Subject to the terms and conditions of the Indenture, the Company shall become obligated, at the option of the Holder, to repurchase the Securities if a Fundamental Change occurs at any time prior to the Stated Maturity at 100% of the Principal Amount plus accrued and unpaid Interest to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), which Fundamental Change Repurchase Price will be paid in cash; *provided* that the Company may elect, subject to the satisfaction of certain conditions described in the Indenture, to pay all or a portion of the Fundamental Change Repurchase Price in Common Stock, Acquiror Securities or a combination thereof. The number of shares of Common Stock or Acquiror Securities that a Holder will receive will equal the quotient obtained by dividing (i) the portion of the Fundamental Change Repurchase Price to be paid in shares of Common Stock or Acquiror Securities, as applicable, by (ii) 95% of the average Closing Price of the shares of Common Stock or Acquiror Securities, as applicable, for the five Trading Day period immediately preceding and including the third Trading Day immediately preceding the Fundamental Change Repurchase Date, subject to adjustment as described in the Indenture.

Withdrawal of Repurchase Notice and Fundamental Change Repurchase Notice. Holders have the right to withdraw, in whole or in part, any Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

Payment of Redemption Price, Repurchase Price and Fundamental Change Repurchase Price. If cash or, if permitted under the Indenture, Common Stock, Acquiror Securities or any combination of the foregoing, sufficient to pay the Redemption Price or Fundamental Change Repurchase Price, as the case may be, of all Securities or portions thereof to be redeemed or repurchased on a Redemption Date or on a Fundamental Change Repurchase Date, as the case may be, is deposited with the Paying Agent on the Redemption Date or the Fundamental Change Repurchase Date, as the case may be, such Securities will cease to be outstanding and Interest will cease to accrue on such Securities (or portions thereof) immediately after such Redemption Date or Fundamental Change Repurchase Date, as the case may be, and the Holder thereof shall have no other rights as such (other than the right to receive the Redemption Price or Fundamental Change Repurchase Price, as the case may be, upon surrender of such Security).

Conversion. A Holder may convert each of its Securities into shares of the Company's common stock at an initial conversion rate of 31.7162 shares per \$1,000 Principal Amount of Securities (the "**Conversion Rate**"), at any time prior to the close of business on December 14, 2035; *provided*, that the Company may elect to deliver cash equal to (i) the average of the Last Reported Sale Price for the Company's Common Stock for the five consecutive Trading Days immediately following the date on which the Company gives notice of such election or, if the Company has delivered a notice of redemption, the Conversion Date, multiplied by (ii) the number of shares of Common Stock issuable upon conversion of such Securities on the Conversion Date. The Conversion Rate in effect at any given time is subject to adjustment as provided in the Indenture. A Holder may convert fewer than all of such Holder's Securities so long as the Securities converted are an integral multiple of \$1,000 principal amount. Except as otherwise provided in the Indenture, Holders will not receive any cash payment representing accrued and unpaid Interest upon conversion of a Security. Accrued and unpaid Interest will be deemed paid in full rather than canceled, extinguished or forfeited.

In the event of a deposit or withdrawal of an interest in this Security, including an exchange, transfer, repurchase or conversion of this Security in part only, the Trustee, as custodian of the Depository, shall make an adjustment on its records to reflect such deposit or withdrawal in accordance with the rules and procedures of the Depository.

Subject to certain limitations in the Indenture, at any time when the Company is not subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, upon the request of a Holder of a Restricted Security, the Company will promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder of Restricted Securities, or to a prospective purchaser of any such security designated by any such Holder, to the

extent required to permit compliance by any such Holder with Rule 144A under the Securities Act of 1933, as amended (the “**Securities Act**”). “**Rule 144A Information**” shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

If an Event of Default shall occur and be continuing, the Principal Amount plus Interest through such date on all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate Principal Amount of the Outstanding Securities. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate Principal Amount of the Outstanding Securities, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of any provision of or applicable to this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities, the Holders of not less than 25% in aggregate Principal Amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity satisfactory to it, the Trustee shall not have received from the Holders of a majority in Principal Amount of Outstanding Securities a direction inconsistent with such request, and the Trustee shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of the Principal Amount, Redemption Price or Fundamental Change Repurchase Price hereof on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the Principal Amount, Redemption Price or

Fundamental Change Repurchase Price of, and Interest on, this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate Principal Amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form in denominations of \$1,000 and any integral multiple of \$1,000 above that amount, as provided in the Indenture and subject to certain limitations therein set forth. Securities are exchangeable for a like aggregate Principal Amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company and the Security Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and the Security Registrar and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Security shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

If you want to assign this Security, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Security to:

(Print or type name, address and zip code and social security or tax ID number of assignee)

and irrevocably appoint _____ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: _____ Signed: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act, as amended (the “**Securities Act**”), covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) the second anniversary of the Issue Date set forth on the face of this Security, the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with the transfer and that this Security is being transferred:

[Check One]

- (1) to the Company or a subsidiary thereof; or
- (2) to a “Qualified Institutional Buyer” pursuant to and in compliance with Rule 144A under the Securities Act; or
- (3) pursuant to the exemption from registration provided by Rule 144 under the Securities Act.

Unless one of the above boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided* that if box (3) is checked, the Company may require (and shall deliver to the Trustee and the Security Registrar), prior to registering any such transfer of the Securities, in its sole discretion, such legal opinions, certifications and other information as the Company may reasonably request to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

If none of the foregoing boxes is checked, the Trustee or Security Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 3.09 of the Indenture shall have been satisfied.

Date: _____ Signed: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

Note: Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“**STAMP**”) or such other “signature guarantee program” as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “**qualified institutional buyer**” within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: _____ Signed: _____

NOTICE: To be executed by an executive officer.

CONVERSION NOTICE

If you want to convert this Security into Common Stock of the Company, check the box:

To convert only part of this Security, state the Principal Amount to be converted (which must be \$1,000 or an integral multiple of \$1,000):

\$ _____

If you want the stock certificate made out in another person's name, fill in the form below:

(Insert other person's social security or tax ID no.)

(Print or type other person's name, address and zip code)

Date: _____ Signed: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("**STAMP**") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Section 2.04. *Form of Trustee's Certificate of Authentication.* This is one of the Securities referred to in the within-mentioned Indenture.

Dated: _____

Citibank, N.A., as Trustee

By _____

Authorized Signatory

Section 2.05. *Legend on Restricted Securities.* During the period beginning on the Issue Date and ending on the date two years from such date, any Security, including any Security issued in exchange therefor or in lieu thereof, shall be deemed a "**Restricted Security**" and shall be subject to the restrictions on transfer provided in the legends set forth on the face of the form of Security in Section 2.02; *provided, however,* that the term "**Restricted Security**" shall not include any Securities as to which restrictions have been terminated in accordance with Section 3.05. All Securities shall bear the applicable legends set forth on the face of the form of Security in Section 2.02. Except as provided in Section 3.05 and Section 3.09, the Trustee shall not issue any unlegended Security until it has received an Officers' Certificate from the Company directing it to do so.

ARTICLE 3
THE SECURITIES

Section 3.01. *Title and Terms; Payments.* The aggregate Principal Amount of Securities that may be authenticated and delivered under this Indenture is initially limited to \$1,600,000,000, except for Securities authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 3.04, 3.05, 3.06, 7.06, 8.05 or 15.06.

The Securities shall be known and designated as the "2.95% Junior Subordinated Convertible Debentures due 2035" of the Company. The Principal Amount shall be payable at the Stated Maturity.

The Securities shall not have the benefit of a sinking fund.

The Securities shall be subordinated to all Senior Debt of the Company.

The Principal Amount of and Interest on Global Securities registered in the name of The Depository Trust Company or its nominee shall be paid by wire

transfer in immediately available funds to The Depository Trust Company or its nominee, as applicable.

The Principal Amount of Physical Securities shall be payable at the office or agency of the Company in The City of New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose. Interest on Physical Securities will be payable (i) to Holders having an aggregate Principal Amount of \$2,000,000 or less of Securities, by check mailed to such Holders and (ii) to Holders having an aggregate Principal Amount of more than \$2,000,000 of Securities, either by check mailed to such Holders or, upon application by a Holder to the Security Registrar not later than the relevant Record Date for such Interest payment, by wire transfer in immediately available funds to such Holder's account within the United States, which application shall remain in effect until the Holder notifies the Security Registrar to the contrary in writing.

Section 3.02. *Denominations.* The Securities shall be issuable only in registered form without coupons and in denominations of \$1,000 and any integral multiple of \$1,000 above that amount.

Section 3.03. *Execution, Authentication, Delivery and Dating.* The Securities shall be executed on behalf of the Company by its Chairman of the Board of Directors, its President or one of its Vice Presidents.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities. The Company Order shall specify the amount of Securities to be authenticated, and shall further specify the amount of such Securities to be issued as a Global Security or as Physical Securities. The Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be

conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 3.04. *Temporary Securities*. Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities; *provided*, that any such temporary Securities shall bear legends on the face of such Securities as set forth in Section 2.02.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 6.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Principal Amount of Physical Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as Physical Securities.

Section 3.05. *Registration; Registration of Transfer and Exchange; Restrictions on Transfer*. (a) The Company shall cause to be kept at the applicable Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 6.02 being herein sometimes collectively referred to as the “**Security Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed “Security Registrar” (the “**Security Registrar**”) for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 6.02 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate Principal Amount and tenor, each such Security bearing such restrictive legends as may be required by this Indenture (including Sections 2.02, 2.05 and 3.09).

At the option of the Holder and subject to the other provisions of this Section 3.05 and to Section 3.09, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate Principal Amount and tenor, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. As a condition to the registration of transfer of any Restricted Securities, the Company or the Trustee may require evidence satisfactory to them as to the compliance with the restrictions set forth in the legend on such securities.

Except as provided in the following sentence and in Section 3.09, all Securities originally issued hereunder and all Securities issued upon registration of transfer or exchange or replacement thereof shall be Restricted Securities and shall bear the legends required by Sections 2.02 and 2.05, unless the Company shall have delivered to the Trustee (and the Security Registrar, if other than the Trustee) a Company Order stating that the Security is not a Restricted Security and may be issued without such legend thereon. Securities that are issued upon registration of transfer of, or in exchange for, Securities that are not Restricted Securities shall not be Restricted Securities and shall not bear such legend.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company and the Security Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.04 not involving any transfer.

Neither the Company nor the Security Registrar shall be required to exchange or register a transfer of any Security (i) during the period beginning at the opening of business 15 days before the earliest date on which a notice of redemption is deemed to have been given to all Holders of Securities to be redeemed and ending at the close of business on the date on which a notice of redemption is deemed to have been given to all Holders of Securities to be

redeemed, (ii) after any notice of redemption has been given to Holders, except that where such notice provides that such Security is to be redeemed only in part, the Company and the Security Registrar shall be required to exchange or register a transfer of the portion thereof not to be redeemed, (iii) that has been surrendered for conversion or (iv) as to which a Fundamental Change Repurchase Notice has been delivered and not withdrawn, except that where such Fundamental Change Repurchase Notice provides that such Security is to be purchased only in part, the Company and the Security Registrar shall be required to exchange or register a transfer of the portion thereof not to be purchased.

(b) Beneficial ownership of every Restricted Security shall be subject to the restrictions on transfer provided in the legends required to be set forth on the face of each Restricted Security pursuant to Sections 2.02 and 2.05, unless such restrictions on transfer shall be terminated in accordance with this Section 3.05(b) or Section 3.09. The Holder of each Restricted Security, by such Holder's acceptance thereof, agrees to be bound by such restrictions on transfer.

The restrictions imposed by this Section 3.05 and by Sections 2.02, 2.05 and 3.09 upon the transferability of any particular Restricted Security shall cease and terminate upon delivery by the Company to the Trustee of an Officers' Certificate stating that such Restricted Security has been sold pursuant to an effective Resale Registration Statement under the Securities Act or transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto). Any Restricted Security as to which the Company has delivered to the Trustee an Officers' Certificate stating that such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon surrender of such Restricted Security for exchange to the Security Registrar in accordance with the provisions of this Section 3.05, be exchanged for a new Security, of like tenor and aggregate Principal Amount, which shall not bear the restrictive legends required by Sections 2.02 and 2.05. The Company shall inform the Trustee in writing of the effective date of any resale registration statement registering the Securities under the Securities Act. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned resale registration statement.

As used in the preceding two paragraphs of this Section 3.05, the term "**transfer**" encompasses any sale, pledge, transfer or other disposition of any Restricted Security.

(c) Neither the Trustee, the Security Registrar nor any of their respective agents shall (i) have any duty to monitor compliance with or with respect to any federal or state or other securities or tax laws or (ii) have any duty to obtain documentation relating to any transfers or exchanges other than as specifically required hereunder.

Section 3.06. *Mutilated, Destroyed, Lost and Stolen Securities.* If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and Principal Amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and Principal Amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable or has been called for redemption in full, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section 3.06, the Company may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section 3.06 in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 3.07. *Persons Deemed Owners.* Prior to due presentment of a Security for registration of transfer, the Company, the Trustee, the Security Registrar and any agent of the Company, the Trustee or the Security Registrar may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of the principal of such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee, the Security Registrar nor any

agent of the Company, the Trustee or the Security Registrar shall be affected by notice to the contrary.

Section 3.08. *Book-Entry Provisions for Global Securities.* (a) The Global Securities initially shall (i) be registered in the name of the Depository or the nominee of such Depository, (ii) be delivered to the Trustee as custodian for the Depository and (iii) bear legends as set forth on the face of the form of Security in Section 2.02.

Members of, or participants in, the Depository (“**Agent Members**”) shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depository, or the Trustee as its custodian, or under the Global Security, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of any Holder.

(b) Transfers of the Global Securities shall be limited to transfers in whole, but not in part, to the Depository, its successors or their respective nominees. Interests of beneficial owners in a Global Security may be transferred or exchanged, in whole or in part, for Physical Securities in accordance with the rules and procedures of the Depository and the provisions of Section 3.09. In addition, Physical Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in the Global Securities if (A) such Depository has notified the Company that the Depository (i) is unwilling or unable to continue as Depository for such Global Security or (ii) has ceased to be a clearing agency registered under the Exchange Act when the Depository is required to be so registered to act as such Depository and, in either such case, no successor Depository shall have been appointed within 90 days of such notification, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security and the Outstanding Securities shall have become due and payable pursuant to Section 10.02 and the Trustee requests that Physical Securities be issued or (C) the Company, at its option, notifies the Trustee that it elects to cause the issuance of Physical Securities, subject to applicable procedures of the Depository; *provided* that Holders of Physical Securities offered and sold in reliance on Rule 144A shall have the right, subject to applicable law, to request that such Securities be exchanged for interests in the applicable Global Security.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in the Global Security to beneficial owners pursuant to

paragraph (b) above, the Security Registrar shall (if one or more Physical Securities are to be issued) reflect on its books and records the date and a decrease in the Principal Amount of the Global Security in an amount equal to the Principal Amount of the beneficial interest in the Global Security to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Physical Securities of like tenor and amount.

(d) In connection with the transfer of the entire Global Security to beneficial owners pursuant to paragraph (b) above, the Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depository in exchange for its beneficial interest in the Global Security, an equal aggregate Principal Amount of Physical Securities of authorized denominations and the same tenor.

(e) Any Physical Security constituting a Restricted Security delivered in exchange for an interest in the Global Security pursuant to paragraph (c) or (d) above shall, except as otherwise provided by paragraph (c) of Section 3.09, bear the legend regarding transfer restrictions applicable to the Physical Securities set forth on the face of the form of Security in Section 2.02.

(f) The Holder of the Global Securities may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Securities.

Section 3.09. *Cancellation and Transfer Provisions.* The Company at any time may deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold. The Trustee shall cancel and dispose of all Securities surrendered for registration of transfer, exchange, payment, purchase, repurchase, redemption, conversion (pursuant to Article 9 hereof) or cancellation in accordance with its customary practices. If the Company shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation. The Company may not issue new Securities to replace Securities it has paid in full or delivered to the Trustee for cancellation.

(a) *Transfers to QIBs.* The following provisions shall apply with respect to the registration of any proposed transfer of a Security constituting a Restricted Security to a QIB:

(i) the Security Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided for on the form of Security stating, or has otherwise advised the Company and the Security Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the form of Security stating, or has otherwise advised the Company and the Security Registrar in writing, that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A; and

(ii) if the proposed transferee is an Agent Member, and the Securities to be transferred consist of Physical Securities which after transfer are to be evidenced by an interest in the Global Security, upon receipt by the Security Registrar of instructions given in accordance with the Depository's and the Security Registrar's procedures, the Security Registrar shall reflect on its books and records the date and an increase in the Principal Amount of the Global Security in an amount equal to the Principal Amount of the Physical Securities to be transferred, and the Trustee shall cancel the Physical Securities so transferred.

(b) *Private Placement Legend.* Upon the registration of transfer, exchange or replacement of Securities not bearing the legends required by Sections 2.02 and 2.05, the Security Registrar shall deliver Securities that do not bear such legends. Except in the case of a registration of transfer, exchange or replacement contemplated by the Registration Rights Agreement, upon the registration of transfer, exchange or replacement of Securities bearing the legends required by Sections 2.02 and 2.05, the Security Registrar shall deliver only Securities that bear such legends unless there is delivered to the Security Registrar an Opinion of Counsel reasonably satisfactory to the Company and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

(c) *General.* By its acceptance of any Security bearing the legends required by Sections 2.02 and 2.05, each Holder of such a Security acknowledges the restrictions on transfer of such Security set forth in this Indenture and in such legends and agrees that it will transfer such Security only as provided in this Indenture.

The Security Registrar shall retain, in accordance with its customary procedures, copies of all letters, notices and other written communications received pursuant to this Section 3.09. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Security Registrar.

Section 3.10. *CUSIP Numbers*. In issuing the Securities, the Company may use “CUSIP” numbers (if then generally in use), and, if so, the Trustee shall use “CUSIP” numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the “CUSIP” numbers.

ARTICLE 4
INTEREST

Section 4.01. *Generally*.

(a) Regular interest (“**Regular Interest**”) shall accrue on the Securities from December 16, 2005 at a rate of 2.95% per annum until the principal thereof is paid or made available for payment. Regular Interest shall be payable semi-annually in arrears on June 15 and December 15 of each year, commencing June 15, 2006.

(b) Interest on the Securities shall be computed (i) for any full semi-annual period for which a particular interest rate (inclusive of any Contingent Interest, Additional Interest or Compounded Interest payable with respect to the Securities) is applicable, on the basis of a 360-day year of twelve 30-day months and (ii) for any period for which a particular interest rate (inclusive of any Contingent Interest, Additional Interest or Compounded Interest payable with respect to the Securities) is applicable shorter than a full semi-annual period for which interest is calculated, on the basis of a 30-day month and, for such periods of less than a month, the actual number of days elapsed over a 30-day month.

(c) Except as otherwise provided in this Section 4.01(c), a Holder of any Securities at the close of business on a Record Date shall be entitled to receive Interest on such Securities on the corresponding Interest Payment Date.

(i) A Holder of any Securities as of a Record Date that are converted after the close of business on such Record Date and prior to the

opening of business on the corresponding Interest Payment Date shall be entitled to receive Interest on the principal amount of such Securities, notwithstanding the conversion of such Securities prior to such Interest Payment Date. However, a Holder that surrenders any Securities for conversion between the close of business on a Record Date and the opening of business on the corresponding Interest Payment Date shall be required to pay the Company an amount equal to the Interest payable by the Company with respect to such Securities on such Interest Payment Date at the time such Holder surrenders such Securities for conversion, *provided*, however, that this sentence shall not apply to a Holder that converts Securities:

(A) in respect of which the Company has given notice of redemption pursuant to Section 7.03 on a Redemption Date that is after the relevant Record Date and on or prior to the relevant Interest Payment Date;

(B) in respect of which the Company has specified a Fundamental Change Repurchase Date that is after the relevant Record Date and on or prior to the relevant Interest Payment Date; or

(C) following the Record Date for the payment of Regular Interest on December 15, 2035.

Accordingly, a Holder that converts Securities under any of the circumstances described in clauses (A), (B) or (C) above will not be required to pay to the Company an amount equal to the Interest payable by the Company with respect to such Securities on the relevant Interest Payment Date.

(ii) Notwithstanding any other provision of this Section 4.01(c), a Holder of any Security that surrenders Securities for conversion shall not be required to pay to the Company any Deferred Interest or overdue interest that exists on the Conversion Date for such conversion, regardless of whether the Conversion Date for such conversion falls between the close of business on a Record Date and the opening of business on the corresponding Interest Payment Date.

(iii) Notwithstanding any other provision of this Section 4.01(c), any Interest payable on a Redemption Date that falls between the close of business on a Record Date and the opening of business on the corresponding Interest Payment Date shall be payable to the Holder of the Securities being redeemed as provided in Section 7.01(b) and shall not be payable to the Holder on the Record Date immediately preceding such

redemption. The payment of such Interest to the Holder of the Securities being redeemed as provided in Section 7.01(b) shall be deemed to satisfy the Company's obligations in respect of such Interest.

(iv) Notwithstanding any other provision of this Section 4.01(c), any Interest payable on a Fundamental Change Repurchase Date that falls between the close of business on a Record Date and the opening of business on the corresponding Interest Payment Date shall be payable to the Holder of the Securities being repurchased as provided in Section 8.01(a) and shall not be payable to the Holder on the Record Date immediately preceding such redemption. The payment of such Interest to the Holder of the Securities being repurchased as provided in Section 8.01(a) shall be deemed to satisfy the Company's obligations in respect of such Interest..

Section 4.02. *Contingent Interest.* (a) Contingent interest on the Securities ("**Contingent Interest**") shall accrue and the Company shall pay such Contingent Interest to the Holders as follows:

(i) beginning with the six-month interest payment period commencing December 15, 2010:

(A) during any six-month interest payment period with respect to which the average Trading Price for the 10 Trading Days immediately preceding the first day of such six-month interest payment period is greater than or equal to the Upside Trigger, in which case the Contingent Interest payable on each \$1,000 Principal Amount for such six-month interest payment period shall be equal to 0.40% per annum of the average Trading Price for the 10 Trading Days immediately preceding the first day of such six-month interest payment period;

(B) during any six-month interest payment period with respect to which the average Trading Price for the 10 Trading Days immediately preceding the first day of such six-month interest payment period is less than or equal to the Downside Trigger, in which case the Contingent Interest payable on each \$1,000 Principal Amount for such six-month interest payment period shall be equal to 0.25% per annum of the average Trading Price for the 10 Trading Days immediately preceding the first day of such six-month interest payment period; and

(ii) at any time Securities are outstanding, upon the declaration by the Company's Board of Directors of an extraordinary cash dividend or distribution to all or substantially all holders of the Company's Common

Stock that the Company's Board of Directors designates as payable with respect to the Securities (an "**Extraordinary Dividend**"), in which case (A) Contingent Interest will be payable on the same date as, and in an amount equal to, the dividend or distribution that a Holder would have received had such Holder converted its Securities immediately prior to the record date for the payment of the corresponding dividend or distribution to holders of the Company's Common Stock and (B) the record date for such Interest shall be the same as the record date for the payment of the corresponding extraordinary dividend or distribution to holders of the Company's Common Stock.

(b) The Company shall have no obligation to determine the Trading Price of the Securities or to request the Trustee to determine the Trading Price of the Securities unless a Holder of Securities provides the Company with reasonable evidence that the Trading Price of the Securities is greater than or equal to the Upside Trigger or is less than or equal to the Downside Trigger, at which time the Company shall instruct the Trustee to determine the Trading Price of the Securities beginning on the next Trading Day and on each successive Trading Day until the Trading Price of the Securities is less than the Upside Trigger or is greater than the Downside Trigger, as applicable.

Section 4.03. *Trustee's Responsibilities in Respect of Contingent Interest.* The Trustee's sole responsibility pursuant to Section 4.02 shall be to obtain the Trading Price of the Securities for each of the 10 Trading Days immediately preceding the first day of the applicable six-month interest payment period and to provide such information to the Company. The Company shall determine whether Holders are entitled to receive Contingent Interest, and if so, provide notice to the Trustee and issue a press release as required by Section 4.05. Notwithstanding any term contained in this Indenture or any other document to the contrary, the Trustee shall have no responsibilities, duties or obligations for or with respect to (i) determining whether the Company must pay Contingent Interest or (ii) determining the amount of Contingent Interest, if any, payable by the Company.

Section 4.04. *Payment of Contingent Interest.* Subject to Section 4.01 hereof, Contingent Interest for any six-month interest payment period shall be paid on the applicable Interest Payment Date to the Holder in whose name any Security is registered on the Security Register at the corresponding Record Date. Contingent Interest due under this Article 4 shall be treated for all purposes of this Indenture like any other interest accruing on the Securities.

Section 4.05. *Contingent Interest Notification.* By the third Business Day of a six-month interest payment period for which Contingent Interest specified in Section 4.02(a)(i) will be paid, the Company will disseminate a press release through Reuters Economic Services and Bloomberg Business News stating that

Contingent Interest will be paid on the Securities and identifying such six-month interest payment period as the six-month interest payment period for which such Contingent Interest will be paid. By the third Business Day following the designation by the Company's Board of Directors of an extraordinary cash dividend or distribution as an Extraordinary Dividend pursuant to Section 4.02(a)(ii), the Company will disseminate a press release through Reuters Economic Services and Bloomberg Business News stating that Contingent Interest will be paid on the Securities and identifying the Record Date for the payment of such Contingent Interest and the amount of such extraordinary cash dividend or distribution payable with respect to each share of the Company's Common Stock.

Section 4.06. *Option to Extend Interest Payment.* (a) Subject to the provisions of this Article 4, the Company may from time to time extend the time for payments of Interest on the Securities other than Contingent Interest paid in connection with any Extraordinary Dividend (any period during which payments are so extended, an "**Extension Period**"); *provided*, however, that no Extension Period may commence if there exists an Event of Default under Section 10.01(a). The Company may specify the length of any Extension Period so declared, may further extend any Extension Period prior to the termination of such Extension Period and, subject to the provisions of this Article 4, may declare successive Extension Periods, *provided*, however, that no Extension Period or series of successive Extension Periods (i) may exceed 10 consecutive six-month interest payment periods in length or (ii) may extend beyond the Stated Maturity of the Securities.

(b) No Interest or Deferred Interest will be due and payable during any Extension Period, but Deferred Interest will accrue and all such accrued and unpaid Deferred Interest will itself bear interest at the Comparable Yield Rate, compounded semi-annually (such interest, "**Compounded Interest**"). The Company may prepay Deferred Interest at any time by designating a Record Date and Interest Payment Date for the payment thereof and providing not less than 30 nor more than 60 days' notice of such dates, together with the amount of Deferred Interest to be prepaid.

(c) Any Extension Period in effect shall automatically terminate upon the occurrence of a Default or Event of Default.

Section 4.07. *Actions Prohibited During Extension Periods.* During any Extension Period (and, with respect to Section 4.07(c), at any time that there exists any accrued and unpaid Deferred Interest with respect to any Securities), the Company shall not:

(a) declare or pay any dividends on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of the Company's

Common Stock or preferred stock, or make any guarantee payments with respect thereto; *provided*, however, that the foregoing will not apply:

(i) to repurchases, redemptions or other acquisitions of shares of the Company's Capital Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, which contract, plan or arrangement is approved by the Company's Board of Directors;

(ii) as a result of an exchange or conversion of any class or series of the Company's Capital Stock for any other class or series of the Company's Capital Stock;

(iii) to the purchase of fractional interests in shares of the Company's Capital Stock pursuant to the conversion or exchange provisions of such Capital Stock or a security being converted or exchanged into such Capital Stock; or

(iv) to stock dividends or other stock distributions (including rights, warrants or options to purchase Capital Stock) paid by the Company;

(b) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any of the Company's debt securities that rank in right of payment *pari passu* with, or junior to, the Securities; or

(c) redeem the Securities pursuant to Article 7 hereof or give notice of redemption of the Securities pursuant to Section 7.03 hereof.

Section 4.08. *Notification of Extension Period.* The Company shall give notice to the Trustee of the commencement of an Extension Period (and shall direct the Trustee to deliver such notice to each Holder of Securities) at least 16 days prior to the earlier of (i) any Interest Payment Date in respect of which payment of Interest will be deferred and (ii) the date on which the Company is required to give notice to The Nasdaq National Market (if the Securities are then listed thereon) or other applicable self-regulatory organization or to Holders of the Securities of the record or payment date of the related interest payment. Such notice shall specify the commencement and end of such Extension Period and the Comparable Yield Rate applicable to any Compounded Interest that may accrue during such Extension Period.

ARTICLE 5
SUBORDINATION

Section 5.01. *Agreement of Subordination.* The Company covenants and agrees, and each Holder of Securities issued hereunder by its acceptance thereof likewise covenants and agrees, that all Securities shall be issued subject to the provisions of this Article 5; and each Person holding any Security, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees to be bound by such provisions.

The payment of the principal of and Interest on all Securities (including, but not limited to, the Redemption Price and the Fundamental Change Repurchase Price with respect to the Securities subject to redemption or repurchase in accordance with Articles 7 and 8, respectively, and the payment of any cash upon conversion in accordance with Article 9) issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full in cash or other payment satisfactory to the holders of Senior Debt of all Senior Debt, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article 5 shall prevent the occurrence of any Default or Event of Default hereunder.

Section 5.02. *Payments to Holders.* No payment shall be made with respect to the principal of or Interest on the Securities (including, but not limited to, the Redemption Price and the Fundamental Change Repurchase Price with respect to the Securities subject to redemption or purchase in accordance with Articles 7 and 8, respectively, and any payment of cash upon conversion in accordance with Article 9), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 5.05, if:

(a) a default in the payment of principal, premium, interest or other amounts due on any Senior Debt, or in respect of any redemption or repurchase obligation under any Senior Debt, occurs and is continuing (or, in the case of Senior Debt for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Senior Debt) (a “**Payment Default**”); or

(b) a default, other than a Payment Default, on any Designated Senior Debt occurs and is continuing that then permits holders of such Designated Senior Debt (or any Representative) to accelerate its maturity (a “**Non-Payment Default**”) and a Responsible Officer of the Trustee receives at the Corporate Trust Office a written notice of the default (a

“**Payment Blockage Notice**”) from the Company or a Representative of Designated Senior Debt.

Notwithstanding the foregoing, following the delivery of a Payment Blockage Notice, no new Payment Blockage Notice may be delivered and no new period of payment blockage with respect to the Securities may begin until both (i) 365 consecutive days have elapsed since the effectiveness of the first Payment Blockage Notice and (ii) all scheduled payments of principal and Interest with respect to the Securities that are due have been paid in full in cash. No default that existed or was continuing on the date of delivery of any Payment Blockage Notice with respect to the Designated Senior Debt whose holders delivered the Payment Blockage Notice may be made the basis of a subsequent Payment Blockage Notice by the holders of such Designated Senior Debt, whether or not within a period of 365 consecutive days.

The Company may and shall resume payments on and distributions in respect of the Securities upon:

(1) in the case of a Payment Default, the date upon which the default is cured or waived or ceases to exist, or

(2) in the case of a Non-Payment Default, the earlier of the date on which such default is cured or waived or ceases to exist, in each case as and to the extent permitted under the documentation for the Designated Senior Debt, or the 179th day after the date on which the applicable Payment Blockage Notice is received, in each case, unless the maturity of the Designated Senior Debt has been accelerated or this Article 5 otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company (whether voluntary or involuntary) or in bankruptcy, insolvency, receivership or similar proceedings, all amounts due or to become due upon all Senior Debt shall first be paid in full in cash, or other payments satisfactory to the holders of Senior Debt before any payment of cash, property or securities is made on account of the principal of or Interest on, or with respect to the conversion of, the Securities (except, to the extent required by applicable law, payments made pursuant to Article 14 from monies deposited with the Trustee pursuant thereto prior to commencement of proceedings for such dissolution, winding-up, liquidation or reorganization); and upon any such dissolution or winding-up or liquidation or reorganization of the Company or bankruptcy, insolvency, receivership or other proceeding, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or

securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provision of this Article 5, shall (except as aforesaid) be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Debt (pro rata to such holders on the basis of the respective amounts of Senior Debt held by such holders, or as otherwise required by law or a court order) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Debt may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Debt in full in cash, or other payment satisfactory to the holders of Senior Debt, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt, before any payment or distribution is made to the Holders of the Securities or to the Trustee.

For purposes of this Article 5, the words, "cash, property or securities" shall not be deemed to include shares of Capital Stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article 5 with respect to the Securities to the payment of all Senior Debt which may at the time be outstanding; provided that (i) the Senior Debt is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Debt (other than leases which are not assumed by the Company or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance, transfer or lease of all or substantially all its property to another corporation upon the terms and conditions provided for in Article 11 shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 5.02 if such other corporation shall, as a part of such consolidation, merger, conveyance, transfer or lease, comply with the conditions stated in Article 11.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Debt or their Representatives of such acceleration. The Company shall not pay the Securities until five days after the holders or Representatives for the holders of Senior Debt receive notice of the acceleration and after which the Company shall pay the Securities only if this Article 5 otherwise permits payment at that time.

In the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise), prohibited by the foregoing, shall be received by the Trustee or the

Holders of the Securities before all Senior Debt is paid in full, in cash or other payment satisfactory to the holders of Senior Debt, or provision is made for such payment thereof in accordance with its terms in cash or other payment satisfactory to the holders of Senior Debt, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Debt or their Representative or Representatives, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Debt remaining unpaid to the extent necessary to pay all Senior Debt in full, in cash or other payment satisfactory to the holders of Senior Debt or their Representative, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Debt.

Nothing in this Section 5.02 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 10.05 and Section 12.07. This Section 5.02 shall be subject to the further provisions of Section 5.05.

Section 5.03. *Subrogation of Securities.* Subject to the payment in full, in cash or other payment satisfactory to the holders of Senior Debt, of all Senior Debt, the rights of the Holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Debt pursuant to the provisions of this Article 5 (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to other indebtedness of the Company to substantially the same extent as the Securities are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Debt until the principal of and Interest on the Securities shall be paid in full in cash or other payment satisfactory to the Holders of Securities; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Debt of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article 5, and no payment over pursuant to the provisions of this Article 5, to or for the benefit of the holders of Senior Debt by Holders of the Securities or the Trustee, shall, as between the Company, its creditors other than holders of Senior Debt, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of the Senior Debt; and no payment or distribution of cash, property or securities to or for the benefit of the Holders of the Securities pursuant to the subrogation provisions of this Article 5, which would otherwise have been paid to the holders of Senior Debt shall be deemed to be a payment by the Company to or for the account of the Securities. It is understood that the provisions of this Article 5 are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Senior Debt, on the other hand.

Nothing contained in this Article 5 or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Debt, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of and Interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of the Senior Debt.

Upon any payment or distribution of assets of the Company referred to in this Article 5, the Trustee, subject to the provisions of Section 12.01, and the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon and all other facts pertinent thereto or to this Article 5.

Section 5.04. *Authorization to Effect Subordination.* Each Holder of a Security by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 5 and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 5.03 hereof at least 30 days before the expiration of the time to file such claim, the holders of any Senior Debt or their representatives are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Securities.

Section 5.05. *Notice to Trustee.* The Company shall give prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any Paying Agent of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee or any Paying Agent in respect of the Securities pursuant to the provisions of this Article 5. Notwithstanding the provisions of this Article 5 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article 5, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the applicable Corporate Trust Office from the Company (in the form of an Officers' Certificate) or a Representative or a Holder or Holders of Senior Debt or from any trustee thereof; and before the receipt of any such written

notice, the Trustee, subject to the provisions of Section 12.01, shall be entitled in all respects to assume that no such facts exist; *provided* that, if on a date not less than two Business Days prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of or Interest on any Security) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section 5.05, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date. Notwithstanding anything in this Article 5 to the contrary, nothing shall prevent any payment by the Trustee to the Holders of monies deposited with it pursuant to Article 14, and any such payment shall not be subject to the provisions of this Article 5.

The Trustee, subject to the provisions of Section 12.01, shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Debt (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Debt. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article 5, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 5, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 5.06. *Trustee's Relation to Senior Debt.* The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article 5 in respect of any Senior Debt at any time held by it, to the same extent as any other holder of Senior Debt, and nothing in Section 12.13 or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Debt, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 5, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt and, subject to the provisions of Section 12.01, the Trustee shall not be liable to any holder of Senior Debt if it shall pay over or deliver to Holders of Securities, the Company or any other Person money or assets to which any holder of Senior Debt shall be entitled by virtue of this Article 5 or otherwise.

Section 5.07. *No Impairment of Subordination.* No right of any present or future holder of any Senior Debt to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Section 5.08. *Certain Conversions Not Deemed Payment.* For the purposes of this Article 5 only, the issuance and delivery of Common Stock and the payment of cash in lieu of fractional shares of such Common Stock upon conversion of a Security in accordance with Article 9 shall not be deemed to constitute a payment or distribution on account of the principal of or Interest on such Security. Nothing contained in this Article 5 or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than holders of Senior Debt and the Holders, the right, which is absolute and unconditional, of the Holder of any Security to convert such Security in accordance with Article 9.

Section 5.09. *Article Applicable to Paying Agents.* If at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; *provided*, however, that the first paragraph of Section 5.05 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

Section 5.10. *Senior Debt Entitled to Rely.* The holders of Senior Debt (including, without limitation, Designated Senior Debt) shall have the right to rely upon this Article 5, and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

ARTICLE 6 COVENANTS

Section 6.01. *Payments.* The Company shall duly and punctually make all payments in respect of the Securities in accordance with the terms of the Securities and this Indenture.

Any payments made or due pursuant to this Indenture shall be considered paid on the applicable date due if by 10:00 a.m., New York City time, on such

date the Paying Agent holds, in accordance with this Indenture, cash sufficient to pay all such amounts then due. Payment of the principal of and Interest on the Securities shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Section 6.02. *Maintenance of Office or Agency.* The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served, which shall initially be the applicable Corporate Trust Office of the Trustee. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided*, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 6.03. *Appointments to Fill Vacancies in Trustee's Office.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 12.10, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 6.04. *Money for Security Payments to be Held in Trust.* If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of any payment in respect of any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to make the payment so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of any payment in respect of any Securities, deposit with a

Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 6.04, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the making of payments in respect of any Security and remaining unclaimed for two years after such payment has become due shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided*, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining shall be repaid to the Company. In the absence of a written request from the Company to return funds remaining unclaimed for two years after such payment has become due to the Company, the Trustee shall from time to time deliver all unclaimed payments to or as directed by applicable escheat authorities, as determined by the Trustee in its sole discretion, in accordance with the customary practices and procedures of the Trustee. Any such unclaimed funds held by the Trustee

pursuant to this Section 6.04 shall be held uninvested and without any liability for interest.

Section 6.05. *Statement by Officers as to Default.* The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the knowledge of the signers thereof the Company is in Default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in Default, specifying all such Defaults and the nature and status thereof of which they may have knowledge.

Section 6.06. *Existence.* Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; *provided*, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 6.07. *Rule 144A Information Requirement.* Within the period prior to the expiration of the holding period applicable to sales of Securities or any Common Stock issuable on conversion thereof under Rule 144(k) under the Securities Act (or any successor provision), the Company covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the Exchange Act, make available to any Holder or beneficial Securityholder or any such Common Stock, in each case which continue to be Restricted Securities, in connection with any sale thereof and any prospective Purchasers of Securities or such Common Stock from such Holder or beneficial holder, the information required pursuant to Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial holder of the Securities or such Common Stock and it will take such further action as any Holder or beneficial holder of such Securities or such Common Stock may reasonably request, all to the extent required from time to time to enable such Holder or beneficial holder to sell its Securities or Common Stock without registration under the Securities Act within the limitation of the exemption provided by Rule 144A, as such rule may be amended from time to time. Upon the request of any Holder or any beneficial holder of the Securities or such Common Stock, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

Section 6.08. *Resale of Certain Securities.* During the period beginning on the Issue Date and ending on the date that is two years from the Issue Date, the Company shall not, and shall not permit any of its "**affiliates**" (as defined under Rule 144 under the Securities Act or any successor provision thereto) to, resell any Securities which constitute "**restricted securities**" under Rule 144 that have

been reacquired by any of them. The Trustee shall have no responsibility in respect of the Company's performance of its agreement in the preceding sentence.

Section 6.09. *Book-Entry System.* If the Securities cease to trade in the Depository's book-entry settlement system, the Company covenants and agrees that it shall use reasonable efforts to make such other book entry arrangements that it determines are reasonable for the Securities.

Section 6.10. *Additional Interest under the Registration Rights Agreement.* If at any time Additional Interest become payable by the Company pursuant to the Registration Rights Agreement, the Company shall promptly deliver to the Trustee a certificate to that effect and stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable pursuant to the terms of the Registration Rights Agreement. Unless and until a Responsible Officer of the Trustee receives such a certificate, the Trustee may assume without inquiry that no Additional Interest is payable. If the Company has paid Additional Interest directly to the Persons entitled to such Additional Interest, the Company shall deliver to the Trustee a certificate setting forth the particulars of such payment.

Section 6.11. *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.12. *Information for IRS Filings.* The Company shall provide to the Trustee on a timely basis such information as the Trustee requires to enable the Trustee to prepare and file any form required to be submitted by the Company to the Internal Revenue Service and the Holders of the Securities.

Section 6.13. *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

Section 6.14. *Tax Treatment of the Securities.* The Company agrees, and by acceptance of a beneficial ownership interest in the Securities each Holder of

Securities will be deemed to have agreed, for United States federal income tax purposes, (a) to treat the Securities as indebtedness of the Company subject to United States Treasury regulations section 1.1275-4 (the “**Contingent Debt Regulations**”) and, for purposes of the Contingent Debt Regulations, to treat the Fair Market Value of any Common Stock beneficially received by a Holder upon any conversion of the Securities as a contingent payment, (b) to be bound by the Company’s determination of the “comparable yield” and “projected payment schedule,” within the meaning of the Contingent Debt Regulations, with respect to the Securities and (c) to use such “comparable yield” and “projected payment schedule” in determining interest accruals with respect to such Holder’s Securities and in determining adjustments thereto. A Holder of Securities may obtain the issue date, yield to maturity, comparable yield and the projected payment schedule by submitting a written request for such information to: Intel Corporation, 2200 Mission College Blvd., M/S SC4-203, Santa Clara, CA 95052-8119, Attention: Corporate Secretary, with a copy to Intel Corporation, 2200 Mission College Blvd., M/S RN6-46, Santa Clara, CA 95052-8119, Attention: Treasurer.

ARTICLE 7
REDEMPTION

Section 7.01. *Right to Redeem; Notices to Trustee.* (a) The Securities may be redeemed in whole or in part at the option of the Company:

(i) on or prior to June 12, 2006, if any Tax Triggering Event has occurred; and

(ii) on or after December 15, 2012, if the Last Reported Sale Price of the Company’s Common Stock has been greater than or equal to 130% of Conversion Price then in effect for at least 20 Trading Days during any 30 consecutive Trading Day period prior to the date on which the Company provides notice of redemption.

(b) The redemption price at which the Securities are redeemable (the “**Redemption Price**”) shall be payable in cash and shall be equal to:

(i) in the case of a redemption pursuant to Section 7.01(a)(i), 101.5% of the Principal Amount of the Securities being redeemed plus (A) accrued and unpaid Interest to, but excluding, the Redemption Date and (B) if the Conversion Value as of the Redemption Date of the Securities being redeemed exceeds their Initial Conversion Value, 77% of the amount determined by subtracting the Initial Conversion Value of such Securities from their Conversion Value as of the Redemption Date; or

(ii) in the case of a redemption pursuant to Section 7.01(a)(ii), 100% of the Principal Amount of Securities to be redeemed, together with accrued and unpaid Interest to, but excluding, the Redemption Date; *provided*, however, that if Securities are redeemed on any Interest Payment Date, the Interest payable in respect of such Interest Payment Date shall be payable to the Holders of record as of the corresponding Record Date.

(c) The Company may not redeem any Securities unless all accrued and unpaid Interest thereon has been or is simultaneously paid for all semi-annual periods or portions thereof terminating prior to the Redemption Date. In addition, the Company may not redeem any Securities or deliver to any Holder of Securities a notice of redemption pursuant to Section 7.03 during any Extension Period or at any time when there exists any accrued and unpaid Deferred Interest.

(d) Except as provided in this Section 7.01, the Securities shall not be redeemable by the Company.

Section 7.02. *Selection of Securities to be Redeemed.* If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed pro rata or by lot or by any other method the Trustee considers fair and appropriate (so long as such method is not prohibited by the rules of The Nasdaq National Market or any stock exchange on which the Securities are then listed, as applicable). The Trustee shall make the selection within 7 days from its receipt of the notice from the Company delivered pursuant to Section 7.03 from Outstanding Securities not previously called for redemption.

Securities and portions of them the Trustee selects shall be in Principal Amounts of \$1,000 or integral multiples of \$1,000. Provisions of this Indenture that apply to Securities called for redemption in whole also apply to Securities called for redemption in part. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection.

Section 7.03. *Notice of Redemption.* At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder of Securities to be redeemed; *provided*, however, that the Company may not deliver any such notice to any Holder of Securities during any

Extension Period or at any time when there exists any accrued and unpaid Deferred Interest.

The notice shall specify the Securities to be redeemed and shall state:

- (i) the Redemption Date;
- (ii) the Redemption Price;
- (iii) the Conversion Price;
- (iv) the name and address of the Paying Agent and Conversion Agent;
- (v) that Securities called for redemption may be converted at any time before the close of business on the Business Day immediately preceding the Redemption Date;
- (vi) that Holders who want to convert Securities must satisfy the requirements set forth therein and in this Indenture;
- (vii) that Securities called for redemption must be surrendered to the Paying Agent for cancellation to collect the Redemption Price;
- (viii) if fewer than all the outstanding Securities are to be redeemed, the certificate numbers (if such Securities are held other than in global form) and Principal Amounts of the particular Securities to be redeemed;
- (ix) that, unless the Company defaults in making payment of such Redemption Price, Interest will cease to accrue on and after the Redemption Date; and
- (x) the CUSIP number of the Securities.

At the Company's written request delivered at least 30 days prior to the date such notice is to be given (unless a shorter time period shall be acceptable to the Trustee), the Trustee shall give the notice of redemption to each Holder of Securities to be redeemed in the Company's name and at the Company's expense.

Section 7.04. *Effect of Notice of Redemption.* Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice except for Securities that are converted in accordance with the terms of this Indenture. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price stated in the notice.

Section 7.05. *Deposit of Redemption Price.* Prior to 10:00 a.m. (New York City time) on a Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall as promptly as practicable return to the Company any money not required for that purpose because of conversion of Securities pursuant to Article 9. If such money is then held by the Company in trust and is not required for such purpose it shall be discharged from such trust.

Section 7.06. *Securities Redeemed in Part.* Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Security in an authorized denomination equal in principal amount to the unredeemed portion of the Security surrendered. The Company shall not be required to (i) issue, register the transfer of, or exchange any Securities during a period of 15 days before the Redemption Date or (ii) register the transfer of, or exchange any, Securities so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

ARTICLE 8

FUNDAMENTAL CHANGES AND REPURCHASES THEREUPON

Section 8.01. *Repurchase at Option of Holders Upon a Fundamental Change.*

(a) *Generally.* If a Fundamental Change occurs at any time, then each Securityholder shall have the right, at such Holder's option, to require the Company to repurchase all of such Holder's Securities or any portion thereof that is a multiple of \$1,000 Principal Amount, on the date (the "**Fundamental Change Repurchase Date**") specified by the Company that is not less than 20 Business Days and not more than 35 Business Days after the date of the Fundamental Change Company Notice (as defined below) at a repurchase price equal to 100% of the Principal Amount thereof, together with accrued and unpaid Interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"); *provided*, however, that if Securities are repurchased pursuant to this Section 8.01 on any Interest Payment Date, the Interest payable in respect of such Interest Payment Date shall be payable to the Holders of record as of the corresponding Record Date.

Repurchases of Securities under this Section 8.01 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Trustee (or other Paying Agent appointed by the Company) by a Holder of a duly completed notice (the “**Fundamental Change Repurchase Notice**”) in the form set forth on the reverse of the Securities prior to the close of business on the Fundamental Change Repurchase Date; and

(ii) delivery or book-entry transfer of the Securities to the Trustee (or other Paying Agent appointed by the Company) at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements) at the applicable Corporate Trust Office of the Trustee (or other Paying Agent appointed by the Company) in the Borough of Manhattan, such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor; *provided* that such Fundamental Change Repurchase Price shall be so paid pursuant to this Section 8.01 only if the Securities so delivered to the Trustee (or other Paying Agent appointed by the Company) shall conform in all respects to the description thereof in the related Fundamental Change Repurchase Notice.

The Fundamental Change Repurchase Notice shall state:

- (A) if certificated, the certificate numbers of Securities to be delivered for repurchase;
- (B) the portion of the Principal Amount of Securities to be repurchased, which must be \$1,000 or an integral multiple thereof; and
- (C) that the Securities are to be repurchased by the Company pursuant to the applicable provisions of the Securities and the Indenture.

Any purchase by the Company contemplated pursuant to the provisions of this Section 8.01 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Fundamental Change Repurchase Date and the time of the book-entry transfer or delivery of the Securities.

Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee (or other Paying Agent appointed by the Company) the Fundamental Change Repurchase Notice contemplated by this Section 8.01 shall have the right to withdraw such Fundamental Change Repurchase Notice at any time prior to the close of business on the Business Day prior to the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the Trustee (or

other Paying Agent appointed by the Company) in accordance with Section 8.03 below.

The Trustee (or other Paying Agent appointed by the Company) shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

(b) Fundamental Change Company Notice. On or before the 20th Business Day after the occurrence of a Fundamental Change, the Company shall provide to all Holders of record of the Securities and the Trustee and Paying Agent a notice (the “**Fundamental Change Company Notice**”) of the occurrence of such Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. Such mailing shall be by first class mail. Simultaneously with providing such Fundamental Change Company Notice, the Company shall publish a notice containing the information included therein once in a newspaper of general circulation in The City of New York or publish such information on the Company’s website or through such other public medium as the Company may use at such time.

Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder may exercise the repurchase right;
- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the Paying Agent and the Conversion Agent, if applicable;
- (vii) if applicable, the applicable Conversion Rate and any adjustments to the applicable Conversion Rate;
- (viii) whether the Company will pay the Fundamental Change Repurchase Price in cash, shares of the Company’s Common Stock, Acquiror Securities or a combination thereof, specifying the percentage of each;
- (ix) if applicable, that the Securities with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder

may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with Section 8.03; and

(x) the procedures that Holders must follow to require the Company to repurchase their Securities.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Securityholders' repurchase rights or affect the validity of the proceedings for the repurchase of the Securities pursuant to this Section 8.01.

(c) *No Payment During Events of Default.* There shall be no repurchase of any Securities pursuant to this Section 8.01 if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Securities, of the required Fundamental Change Repurchase Notice) and is continuing an Event of Default (other than a default that is cured by the payment of the Fundamental Change Repurchase Price with respect to such Securities). The Paying Agent will promptly return to the respective Holders thereof any Securities (i) with respect to which a Fundamental Change Repurchase Notice has been withdrawn in compliance with this Indenture, or (ii) held by it during the continuance of an Event of Default (other than a default that is cured by the payment of the Fundamental Change Repurchase Price with respect to such Securities) in which case, upon such return, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

(d) *Payment of Fundamental Change Repurchase Price.* The Securities to be repurchased pursuant to this Section 8.01 shall be paid for in cash; *provided* that if a Fundamental Change occurs as a result of a Change of Control Event and no Event of Default has occurred or is continuing, the Securities to be repurchased may be paid for, in whole or in part, at the election of the Company, in (i) shares of the Company's Common Stock that are Publicly Traded Securities, (ii) shares of Capital Stock of an acquiror of the Company that are Publicly Traded Securities ("**Acquiror Securities**") or (iii) any combination of cash or the shares specified in clauses (i) or (ii), in each case subject to the conditions set forth in paragraph (e) below.

(e) *Conditions for Election to Pay Fundamental Change Repurchase Price in Common Stock or Acquiror Securities.* If the Company elects to pay all or any portion of the Fundamental Change Repurchase Price in shares of Common Stock or in Acquiror Securities, the number of shares of Common Stock or Acquiror Securities to be paid will equal the quotient obtained by dividing (i) the portion of the Fundamental Change Repurchase Price to be paid in such shares of Common Stock or Acquiror Securities by (ii) 95% of the average of the Last Reported Sale Price of such shares of Common Stock or Acquiror Securities, as applicable, for the five Trading Day period immediately preceding but ending on the third Trading Day immediately preceding the Fundamental Change

Repurchase Date, appropriately adjusted to take into account the occurrence, during the period commencing on the first of the Trading Days during the five Trading Day period and ending on the Fundamental Change Repurchase Date, of any event described in Section 9.03. The Company shall designate, in the Fundamental Change Company Notice delivered pursuant to Section 8.01(b) above, whether it will repurchase the Securities for cash, shares of Common Stock or Acquiror Securities or, if a combination thereof, the percentages of the Fundamental Change Repurchase Price in respect of which it will pay cash, shares of Common Stock and Acquiror Securities; *provided* that the Company will pay cash for fractional interests in shares of Common Stock and Acquiror Securities. For purposes of determining the existence of potential fractional interests, all Securities subject to repurchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose Securities are repurchased pursuant to this Section 8.01 shall receive the same percentages of cash, shares of Common Stock and Acquiror Securities in payment of the Fundamental Change Repurchase Price for such Securities, except with regard to the payment of cash in lieu of fractional shares of Common Stock or Acquiror Securities. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given its Fundamental Change Company Notice to Holders except in the event of a failure to satisfy, prior to the close of business on the Business Day prior to the Fundamental Change Repurchase Date, any condition to the payment of the Fundamental Change Repurchase Price, in whole or in part, in shares of Common Stock or Acquiror Securities.

The Company shall, at least three Business Days prior to delivering the Fundamental Change Company Notice, deliver an Officers' Certificate to the Trustee specifying:

- (i) the manner of payment selected by the Company,
- (ii) the information required by the Fundamental Change Company Notice pursuant to Section 8.01(b),
- (iii) if the Company elects to pay the Fundamental Change Repurchase Price, or a specified percentage thereof, in shares of Common Stock or Acquiror Securities, that the conditions to such manner of payment set forth in this Section 8.01(e) have been or will be complied with, and
- (iv) whether the Company desires the Trustee to give the Fundamental Change Company Notice required by Section 8.01(b).

The Company's right to exercise its election to repurchase Securities through the delivery of shares of Common Stock or Acquiror Securities shall be conditioned upon:

(i) the Company's giving a timely Fundamental Change Company Notice containing an election to purchase all or a specified percentage of the Securities with shares of Common Stock or Acquiror Securities as provided herein;

(ii) the registration of such shares of Common Stock or Acquiror Securities under the Securities Act and, if required, the Exchange Act;

(iii) the listing of such shares of Common Stock or Acquiror Securities on a United States national securities exchange or the quotation of such shares of Common Stock or Acquiror Securities in an inter-dealer quotation system of any registered United States national securities association, in each case, if the Common Stock or Acquiror Securities, as applicable, are then listed on a national securities exchange or quoted in an inter-dealer quotation system;

(iv) any necessary qualification or registration of such shares of Common Stock or Acquiror Securities under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(v) the receipt by the Trustee of (1) an Officers' Certificate stating that the terms of the issuance of the shares of Common Stock or Acquiror Securities are in conformity with this Indenture, (2) an Opinion of Counsel to the effect that the shares of Common Stock or Acquiror Securities to be delivered in payment of the Fundamental Change Repurchase Price in respect of the Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Fundamental Change Repurchase Price in respect of the Securities, will be validly issued, fully paid and non-assessable and (3) an Officer's Certificate, stating that the conditions to the issuance of the shares of Common Stock or Acquiror Securities have been satisfied.

Such Officers' Certificate shall also set forth the Last Reported Sale Price of a share of Common Stock or Acquiror Securities, as applicable, on each Trading Day during the period commencing on the fifth Trading Day immediately preceding but ending on the third Business Day prior to the applicable Fundamental Change Repurchase Date. If the foregoing conditions are not satisfied prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date and the Company has elected to

repurchase the Securities through the issuance of shares of Common Stock or the delivery of Acquiror Securities, the Company shall pay the entire Fundamental Change Repurchase Price of the Securities in cash.

Promptly after determination of the actual number of shares of Common Stock or Acquiror Securities to be issued upon repurchase of Securities, the Company shall be required to disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing the information required by the Fundamental Change Company Notice or shall publish the information on the Company's website or through such other public medium as the Company may use at that time.

All shares of Common Stock and Acquiror Securities delivered upon repurchase of the Securities shall be duly authorized, validly issued, fully paid and nonassessable.

If a Holder of a repurchased Security is paid in shares of Common Stock or Acquiror Securities, the Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of Common Stock. However, the Holder shall pay any such tax that is due because the Holder requests that the Common Stock or Acquiror Securities be issued in a name other than the Holder's name. The Trustee (or other Paying Agent appointed by the Company) may refuse to deliver the certificates representing the shares of Common Stock or Acquiror Securities being issued in a name other than the Holder's name until the Trustee (or other paying agent appointed by the Company) receives a sum sufficient to pay any tax that will be due because the shares of Common Stock are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

Section 8.02. *Effect of Fundamental Change Repurchase Notice.* Upon receipt by the Paying Agent of the Fundamental Change Repurchase Notice specified in Section 8.01(a), the Holder of the Security in respect of which such Fundamental Change Repurchase Notice was given shall (unless such Fundamental Change Repurchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Fundamental Change Repurchase Price with respect to such Security. Such Fundamental Change Repurchase Price shall be paid to such Holder, subject to receipt of funds by the Paying Agent, promptly following the later of (x) the Fundamental Change Repurchase Date with respect to such Security (provided the conditions in Section 8.01(a) have been satisfied) and (y) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 8.01(b).

Section 8.03. *Withdrawal of Fundamental Change Repurchase Notice.*

(a) A Fundamental Change Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the Paying Agent in accordance with the Fundamental Change Company Notice at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date, specifying:

- (i) the Principal Amount of the Securities with respect to which such notice of withdrawal is being submitted;
- (ii) if Physical Securities have been issued, the certificate numbers of the withdrawn Securities; and
- (iii) the principal amount, if any, of such Securities that remains subject to the original Fundamental Change Repurchase Notice, which portion must be in principal amounts of \$1,000 or an integral multiple of \$1,000;

provided, however, that if the Securities are not in certificated form, the notice must comply with appropriate procedures of the Depositary.

Section 8.04. *Deposit of Fundamental Change Repurchase Price.* Prior to 10:00 a.m. (local time in The City of New York) on the Fundamental Change Repurchase Date, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of either of them is acting as the Paying Agent, shall segregate and hold in trust as provided herein) an amount of money (in immediately available funds if deposited on such Business Day) or Common Stock or Acquiror Securities, if permitted hereunder, sufficient to pay the Fundamental Change Repurchase Price, of all the Securities or portions thereof that are to be repurchased as of the Fundamental Change Repurchase Date. The Company shall promptly notify the Trustee in writing of the amount of any deposits of cash, Common Stock or Acquiror Securities made pursuant to this Section 8.04. If the Paying Agent holds cash, Common Stock or Acquiror Securities sufficient to pay the Fundamental Change Repurchase Price of any Security for which a Fundamental Change Repurchase Notice has been tendered and not withdrawn in accordance with this Indenture as of the close of business on the Business Day prior to the Fundamental Change Repurchase Date, then immediately following the Fundamental Change Repurchase Date, (a) such Security will cease to be outstanding and Interest will cease to accrue thereon and (b) all other rights of the Holder in respect thereof will terminate (other than the right to receive the Fundamental Change Repurchase Price and previously accrued and unpaid Interest upon delivery or transfer of such Security).

Section 8.05. *Securities Repurchased in Whole or in Part.* Any Security that is to be repurchased, whether in whole or in part, shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the Security so surrendered which is not repurchased.

Section 8.06. *Covenant to Comply With Securities Laws Upon Repurchase of Securities.* In connection with any offer to repurchase Securities under Section 8.01 (provided that such offer or repurchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or repurchase), the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with all Federal and state securities laws so as to permit the rights and obligations under Section 8.01 to be exercised in the time and in the manner specified in Section 8.01.

Section 8.07. *Repayment to the Company.* The Trustee and the Paying Agent shall return to the Company any cash that remains unclaimed, together with interest or dividends, if any, thereon, held by them for the payment of the Fundamental Change Repurchase Price; *provided* that to the extent that the aggregate amount of cash, Common Stock and/or Acquiror Securities deposited by the Company pursuant to Section 8.04 exceeds the aggregate Fundamental Change Repurchase Price of the Securities or portions thereof which the Company is obligated to repurchase as of the Fundamental Change Repurchase Date, then as soon as practicable following the Fundamental Change Repurchase Date, the Trustee or the Paying Agent, as the case may be, shall return any such excess to the Company.

ARTICLE 9 CONVERSION

Section 9.01. *Conversion Obligation.*

(a) Upon compliance with the provisions of this Article 9, a Holder shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is in a Principal Amount of \$1,000 or an integral multiple

thereof) of such Security at any time prior to the close of business on the scheduled Trading Day immediately preceding the Stated Maturity at a rate (the “**Conversion Rate**”) of 31.7162 shares of Common Stock (subject to adjustment as provided in this Indenture) per \$1,000 Principal Amount (the “**Conversion Obligation**”).

(b) (i) If a Holder elects to convert Securities at any time from and after the date that is 30 Business Days prior to the anticipated effective date of a Make-Whole Fundamental Change until the Fundamental Change Repurchase Date (or, if there is no Fundamental Change Repurchase Date because the 105% Exception is applicable, then until 30 Business Days following the date of such Fundamental Change, determined without regard to the 105% Exception), the Conversion Rate applicable to each \$1,000 Principal Amount of converted Securities shall be increased by an additional number of shares of Common Stock (the “**Additional Shares**”) as described below. Settlement of Securities tendered for conversion to which Additional Shares shall be added to the Conversion Rate as provided in this subsection shall be settled pursuant to Section 9.02(d) below.

(ii) The number of Additional Shares by which the Conversion Rate will be increased shall be determined by reference to the table attached as Exhibit B hereto, based on the date on which the Make-Whole Fundamental Change occurs or becomes effective (the “**Effective Date**”) and the Stock Price; *provided* that if the actual Stock Price is between two Stock Price amounts in such table or the Effective Date is between two Effective Dates in such table, the number of Additional Shares shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the next higher and next lower Stock Price amounts and the two nearest Effective Dates, as applicable, based on a 365-day year; *provided further* that if (1) the Stock Price is greater than \$100.00 per share of Common Stock (subject to adjustment in the same manner as set forth in Section 9.03), no Additional Shares will be added to the Conversion Rate, and (2) the Stock Price is less than \$26.72 per share (subject to adjustment in the same manner as set forth in Section 9.03), no Additional Shares will be added to the Conversion Rate. Notwithstanding the foregoing, in no event will the total number of Additional Shares of Common Stock issuable upon conversion exceed 5.7089 per \$1,000 Principal Amount (subject to adjustment in the same manner as set forth in Section 9.03).

(iii) The Stock Prices set forth in the first row of the table in Exhibit B hereto shall be adjusted as of any date on which the Conversion Rate of the Securities is adjusted. The adjusted Stock Prices shall equal the Stock Prices applicable immediately prior to such adjustment.

multiplied by a fraction, the numerator of which is the Conversion Rate in effect immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional Shares within the table shall be adjusted in the same manner as the Conversion Rate as set forth in Section 9.03 (other than by operation of an adjustment to the Conversion Rate by adding Additional Shares).

(iv) If at any time the Company obtains knowledge that a Make-Whole Fundamental Change will occur, then, no later than 30 Business Days prior to the anticipated effective date of such Make-Whole Fundamental Change (or, in the event that the Company obtains knowledge of such Make-Whole Fundamental Change less than 30 Business Days before such anticipated effective date, no later than 3 Business Days after the date on which the Company obtains such knowledge), the Company shall notify Holders of the Securities, the Trustee and the Paying Agent of the occurrence and anticipated effective date of such Make-Whole Fundamental Change and shall disseminate a press release through Reuters Economic Services and Bloomberg Business News stating that it expects a Make-Whole Fundamental Change to occur with respect to the Securities and identifying the anticipated effective date of such Make-Whole Fundamental Change.

Section 9.02. *Conversion Procedure.*

(a) Upon conversion of any Security, subject to this Section 9.02, Section 9.01 and Section 9.06, the Company will satisfy the Conversion Obligation with respect to each \$1,000 Principal Amount of Securities tendered for conversion by delivering either (i) on the fifth Business Day following the related Conversion Date, shares of fully paid Common Stock equal to the Conversion Rate or (ii) on the tenth Business Day following the related Conversion Date, cash or a combination of cash and the Company's Common Stock as provided in Section 9.02(b) or Section 9.02(c), as applicable. In either case, the Company will deliver cash in lieu of fractional shares of Common Stock as set forth pursuant to clause (l) below.

(b) If any adjustment to the Conversion Rate or conversion of Securities pursuant to this Article 9 would require the Company to issue shares of Common Stock in excess of the amount permitted by applicable listing standards of The Nasdaq National Market to be issued without approval by the Company's stockholders, the Company shall either (i) obtain the approval of its stockholders with respect to such issuance or (ii) in lieu of delivering shares of Common Stock in excess of such limitations, pay cash on a pro rata basis to the Holders of Securities being converted in an amount per share of Common Stock equal to the Last Reported Sale Price for the Company's Common Stock on the Trading Day

immediately prior to the Conversion Date, as determined by the Company or its agent.

(c) If there is no Event of Default with respect to the Securities that is continuing, then the Company may, at its option, in lieu of delivering shares of Common Stock, elect to pay the Holder surrendering such a Security for conversion an amount of cash equal to the average, as determined by the Company or its agent, of the Last Reported Sale Price of the Company's Common Stock for the five consecutive Trading Days immediately following (i) the date of delivery of notice of the Company's election to deliver cash if the Company has not given notice of redemption with respect to such Security pursuant to Section 7.03, or (ii) the Conversion Date, in the case of a conversion following the delivery by the Company of a notice of redemption with respect to such Security pursuant to Section 7.03, specifying that the Company intends to deliver cash upon conversion, in either case multiplied by the number of shares of Common Stock issuable upon conversion of such Security on that date. If the Company elects to deliver cash in lieu of Common Stock, the Company shall inform Holders of such election by delivering an irrevocable written notice to the Trustee and the Paying Agent prior to the close of business on the second Business Day after the Conversion Date, unless the Company has already informed Holders of its election by delivering an irrevocable notice in connection with redemption of the debentures pursuant to Section 7.03.

(d) Before any Holder of a Security shall be entitled to convert the same as set forth above, such Holder shall (1) in the case of a Global Security, comply with the procedures of the Depositary in effect at that time and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 9.02(j) and, if required pursuant to Section 9.02(g), pay all stamp, transfer or similar taxes or duties, if any, in connection with such conversion and (2) in the case of a Security issued in certificated form, (A) complete and manually sign and deliver an irrevocable written notice to the Conversion Agent in the form on the reverse of such certificated Security (or a facsimile thereof) (a "**Notice of Conversion**") at the office of the Conversion Agent and shall state in writing therein the principal amount of Securities to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any shares of Common Stock, if any, to be delivered upon settlement of the Conversion Obligation to be registered, (B) surrender such Securities, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (C) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 9.02(j), and (D) if required pursuant to Section 9.02(g), pay all stamp, transfer or similar taxes or duties, if any, in connection with such conversion. No Notice of Conversion with respect to any Securities may be tendered by a Holder thereof if such Holder has also tendered a Fundamental

Change Repurchase Notice and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 8.03.

If more than one Security shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Securities, if any, that shall be payable upon conversion shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof to the extent permitted thereby) so surrendered.

(e) A Security shall be deemed to have been converted immediately prior to the close of business on the date (the “**Conversion Date**”) that the Holder has complied with the requirements set forth in clause (d). Payment of the shares of Common Stock and cash, if any, pursuant to Section 9.02(a) in satisfaction of the Conversion Obligation shall be made by the Company in no event later than the date specified in Section 9.02(a) by paying such shares of Common Stock and cash, if any (in each case, together with any cash in lieu of fractional shares), to the Holder of a Security surrendered for conversion, or such Holder’s nominee or nominees, and issue, or cause to be issued, and deliver to the Conversion Agent or to such Holder, or such Holder’s nominee or nominees, certificates or a book-entry transfer through the Depository for the number of full shares of Common Stock to which such Holder shall be entitled as part of such Conversion Obligation.

(f) In case any Security shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Security so surrendered, without charge to such Holder, a new Security or Securities in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Securities.

(g) If a Holder submits a Security for conversion, the Company shall pay all stamp and other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of shares of Common Stock, if any, upon the conversion. However, the Holder shall pay any such tax which is due because the Holder requests any shares of Common Stock to be issued in a name other than the Holder’s name. The Conversion Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder’s name until the Trustee receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder’s name. Nothing herein shall preclude any tax withholding required by law or regulations.

(h) Except as provided in Section 9.03, no adjustment shall be made for dividends on any shares issued upon the conversion of any Security as provided in this Article.

(i) Upon the conversion of an interest in a Global Security, the Trustee shall make a notation on such Global Security as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of any Security effected through any Conversion Agent other than the Trustee.

(j) Upon conversion, a Securityholder will not receive any separate cash payment for accrued and unpaid Interest except as set forth below. The Company's settlement of the Conversion Obligation as described above shall be deemed to satisfy its obligation to pay the Principal Amount of the Security and accrued and unpaid Interest to, but not including, the Conversion Date. As a result, accrued and unpaid Interest to, but not including, the Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the preceding sentence, payments in respect of accrued and unpaid Interest on Securities converted after the close of business on a Record Date and prior to the opening of business on the related Interest Payment Date shall be governed by the provisions of Section 4.01 hereof. Except as described above, no payment or adjustment will be made for accrued interest on converted Securities.

(k) The Person in whose name the certificate for such shares of Common Stock is registered shall be treated as a stockholder of record on and after the Conversion Date; *provided*, however, that no surrender of Securities on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the Person or Persons entitled to receive the shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the Person or Persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; such conversion shall be at the Conversion Rate in effect on the date that such Securities shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed. Upon conversion of Securities, such Person shall no longer be a Securityholder.

(l) No fractional shares of Common Stock shall be issued upon conversion of any Security or Securities. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares that shall be issued upon conversion thereof shall be computed on the basis of the aggregate Principal Amount of the Securities (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock that would

otherwise be issued upon conversion of any Security or Securities (or specified portions thereof), the Company shall pay a cash adjustment in respect of such fraction (calculated to the nearest one-100th of a share) in an amount equal to the same fraction of the Last Reported Sale Price of the Common Stock on the related Conversion Date.

Section 9.03. *Adjustment of Conversion Rate.* The Conversion Rate shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall issue shares of Common Stock as a dividend or distribution to all holders of the outstanding Common Stock, or shall effect a subdivision into a greater number of shares of Common Stock or combination into a lesser number of shares of Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS'}{OS_0}$$

CR₀ = the Conversion Rate in effect immediately prior to such event;

CR' = the Conversion Rate in effect immediately after such event;

OS₀ = the number of shares of Common Stock outstanding immediately prior to such event; and

OS' = the number of shares of Common Stock outstanding immediately after such event.

Such adjustment shall become effective immediately after 9:00 a.m., New York City time, on the Business Day following the record date fixed for such determination. The Company will not pay any dividend or make any distribution on shares of Common Stock held in treasury by the Company. If any dividend or distribution of the type described in this Section 9.03(a) is declared but not so paid or made, or the outstanding shares of Common Stock are not subdivided or combined, as the case may be, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, or subdivide or combine the outstanding shares of Common Stock, as the case may be, to the Conversion Rate that would then be in effect if such dividend, distribution, subdivision or combination had not been declared.

(b) In case the Company shall issue to all or substantially all holders of its outstanding shares of Common Stock rights, warrants or convertible securities entitling them (for a period expiring within 45 calendar days after the record date fixed for such issuance) to subscribe for or purchase shares of Common Stock at a price per share less than the Last Reported Sale Price of the Common Stock on the Business Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where

CR₀ = the Conversion Rate in effect immediately prior to such event;

CR' = the Conversion Rate in effect immediately after such event;

OS₀ = the number of shares of Common Stock outstanding immediately prior to such event;

X = the total number of shares of Common Stock issuable pursuant to such rights, warrants or convertible securities; and

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise or convert such rights, warrants or convertible securities divided by the average of the Last Reported Sale Prices of Common Stock over the ten consecutive Trading Day period ending on the Business Day immediately preceding the record date (or, if earlier, the Ex-Dividend Date relating to such distribution) for the issuance of such rights, warrants or convertible securities.

Such adjustment shall be successively made whenever any such rights, warrants or convertible securities are issued and shall become effective immediately after 9:00 a.m., New York City time, on the Business Day immediately preceding the date of announcement of such issuance. The Company shall not issue any such rights, warrants or convertible securities in respect of shares of Common Stock held in treasury by the Company. To the extent that shares of Common Stock are not delivered after the expiration of such rights, warrants or convertible securities, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the issuance of such rights, warrants or convertible securities been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights, warrants or

convertible securities are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such record date for such distribution had not been fixed.

In determining whether any rights, warrants or convertible securities entitle the holders to subscribe for or purchase shares of Common Stock at less than such Last Reported Sale Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights, warrants or convertible securities and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) In case the Company shall, by dividend or otherwise, distribute to all or substantially all holders of its Common Stock shares of any class of Capital Stock of the Company (other than Common Stock as covered by Section 9.03(a)), evidences of its indebtedness or other assets or property of the Company (including securities, but excluding dividends and distributions covered by Section 9.03(b), Section 9.03(d), Section 9.03(e) or Section 9.06) (any of such shares of Capital Stock, indebtedness, or other asset or property hereinafter in this Section 9.03(c) called the “**Distributed Property**”), then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where

CR₀ = the Conversion Rate in effect immediately prior to such distribution;

CR' = the Conversion Rate in effect immediately after such distribution;

SP₀ = the average of the Last Reported Sale Prices of the Common Stock over the ten consecutive Trading Day period ending on the Business Day immediately preceding the record date for such distribution (or, if earlier, the Ex-Dividend Date relating to such distribution); and

FMV = the fair market value (as determined by the Company’s Board of Directors) of the shares of Capital Stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of Common Stock on the record date for such distribution (or, if earlier, the Ex-Dividend Date relating to such distribution).

Such adjustment shall become effective immediately prior to 9:00 a.m., New York City time, on the Business Day following the date fixed for the determination of stockholders entitled to receive such distribution. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the fair market value of any distribution for purposes of this Section 9.03(c) by reference to the actual or when issued trading market for any securities, it shall in doing so consider the prices in such market over the same period used in computing the average of the Last Reported Sale Prices prior to the applicable record date.

With respect to an adjustment pursuant to this Section 9.03(c) where there has been a payment of a dividend or other distribution on the Common Stock or shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit (a “**Spin-Off**”), the Conversion Rate in effect immediately before 5:00 p.m., New York City time, on the record date fixed for determination of stockholders entitled to receive the distribution will be increased based on the following formula:

$$CR' = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where

CR₀ = the Conversion Rate in effect immediately prior to such distribution;

CR' = the Conversion Rate in effect immediately after such distribution;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the first ten consecutive Trading Day period after the effective date of the Spin-Off; and

MP₀ = the average of the Last Reported Sale Prices of Common Stock over the first ten consecutive Trading Day period after the effective date of the Spin-Off.

Such adjustment shall occur on the tenth Trading Day from, and including, the effective date of the Spin-Off.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the

Company's Capital Stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 9.03 (and no adjustment to the Conversion Rate under this Section 9.03 will be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 9.03(c). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and record date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 9.03 was made, (1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

For purposes of this Section 9.03(c), Section 9.03(a), and Section 9.03(b), any dividend or distribution to which this Section 9.03(c) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock to which Section 9.03(b) applies (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of Capital Stock other than such shares of Common Stock or rights or warrants to which Section 9.03(b) applies (and any Conversion Rate adjustment required by this Section 9.03(c) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Rate adjustment required by Section 9.03(a) and Section

9.03(b) with respect to such dividend or distribution shall then be made), except (A) the record date of such dividend or distribution shall be substituted as “the record date”, “the date fixed for the determination of stockholders entitled to receive such rights or warrants” and “the date fixed for such determination” within the meaning of Section 9.03(a) and Section 9.03(b) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business immediately prior to such event” within the meaning of Section 9.03(a).

(d) In case the Company shall pay a dividend or make a distribution consisting exclusively of cash to all or substantially all holders of its Common Stock that is not designated as an Extraordinary Dividend payable to Securityholders, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where

- CR₀ = the Conversion Rate in effect immediately prior to the record date for such distribution;
- CR' = the Conversion Rate in effect immediately after the record date for such distribution;
- SP₀ = the Last Reported Sale Prices of the Common Stock on the Trading Day immediately preceding the record date for such distribution (or, if earlier, the Ex-Dividend Date relating to such distribution); and
- C = the amount in cash per share the Company distributes to holders of Common Stock in excess of \$0.10 per fiscal quarter, appropriately adjusted from time to time as necessary for any share dividends on, or subdivisions or combinations of, the Company's Common Stock.

Such adjustment shall become effective immediately after 5:00 p.m., New York City time, on the record date for such dividend or distribution. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

For the avoidance of doubt, for purposes of this Section 9.03(d), in the event of any reclassification of the Common Stock, as a result of which the

Securities become convertible into more than one class of Common Stock, if an adjustment to the Conversion Rate is required pursuant to this Section 9.03(d), references in this Section to one share of Common Stock or Last Reported Sale Price of one share of Common Stock shall be deemed to refer to a unit or to the price of a unit consisting of the number of shares of each class of Common Stock into which the Securities are then convertible equal to the numbers of shares of such class issued in respect of one share of Common Stock in such reclassification. The above provisions of this paragraph shall similarly apply to successive reclassifications.

(e) In case the Company or any of its Subsidiaries makes a payment in respect of a tender offer or exchange offer for all or any portion of the Common Stock, to the extent that the cash and value of any other consideration included in the payment per share of Common Stock exceeds the Last Reported Sale Price of the Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended), the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP'}$$

where

- CR₀ = the Conversion Rate in effect on the date such tender or exchange offer expires;
- CR' = the Conversion Rate in effect on the day next succeeding the date such tender or exchange offer expires;
- AC = the aggregate value of all cash and any other consideration (as determined by the Company's Board of Directors) paid or payable for shares purchased in such tender or exchange offer;
- OS₀ = the number of shares of Common Stock outstanding immediately prior to the date such tender or exchange offer expires (including any purchased shares);
- OS' = the number of shares of Common Stock outstanding immediately after the date such tender or exchange offer expires (not including any purchased shares);
and
- SP' = the average of the Last Reported Sale Prices of Common Stock over the ten consecutive Trading Day period

commencing on the Trading Day next succeeding the date such tender or exchange offer expires, such adjustment to become effective immediately prior to the opening of business on the day following the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer. If the Company is obligated to purchase shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made.

(f) For purposes of this Section 9.03 the term “**record date**” shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(g) In addition to those required by clauses (a), (b), (c), (d) or (e) of this Section 9.03, and to the extent permitted by applicable law and subject to the applicable rules of The Nasdaq National Market, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 days if the Company’s Board of Directors determines that such increase would be in the Company’s best interest. In addition, the Company may also (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock in connection with any dividend or distribution of shares (or rights to acquire shares) or similar event. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Holder of each Security at such Holder’s last address appearing on the Security Register provided for in Section 3.05 a notice of the increase at least fifteen days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(h) All calculations and other determinations under this Article 9 shall be made by the Company or its agents and shall be made to the nearest cent or to the nearest one-ten thousandth (1/10,000) of a share, as the case may be. No adjustment shall be made for the Company’s issuance of Common Stock or convertible or exchangeable securities or rights to purchase Common Stock or convertible or exchangeable securities, other than as provided in this Section 9.03. No adjustment shall be made to the Conversion Rate unless such adjustment would require a change of at least 1% in the Conversion Rate then in effect at

such time. Any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment or in connection with any conversion of Securities following a notice of redemption, upon a Fundamental Change or at Maturity, as applicable.

(i) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee and the Conversion Agent shall have received such Officers' Certificate, neither the Trustee nor the Conversion Agent shall be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which a Responsible Officer of the Trustee or the Conversion Agent, as applicable, has actual knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to each Holder at his last address appearing on the Security Register provided for in Section 3.05 of this Indenture, within 20 days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(j) In any case in which this Section 9.03 provides that an adjustment shall become effective immediately after (1) a record date for an event, (2) the date fixed for the determination of stockholders entitled to receive a dividend or distribution pursuant to Section 9.03(a), (3) a date fixed for the determination of stockholders entitled to receive rights or warrants pursuant to Section 9.03(b), or (4) the expiration date for any tender or exchange offer pursuant to Section 9.03(e) (each an "**Adjustment Determination Date**"), the Company may elect to defer until the occurrence of the applicable Adjustment Event (as hereinafter defined) (x) issuing to the Holder of any Security converted after such Adjustment Determination Date and before the occurrence of such Adjustment Event, the additional shares of Common Stock or other securities issuable upon such conversion by reason of the adjustment required by such Adjustment Event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (y) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 9.03. For purposes of this Section 9.03(j), the term "**Adjustment Event**" shall mean:

- (i) in any case referred to in clause (1) hereof, the occurrence of such event,
- (ii) in any case referred to in clause (2) hereof, the date any such dividend or distribution is paid or made,

(iii) in any case referred to in clause (3) hereof, the date of expiration of such rights or warrants, and

(iv) in any case referred to in clause (4) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(k) For purposes of this Section 9.03, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

Section 9.04. *Shares to Be Fully Paid.* The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares of Common Stock to provide for conversion of the Securities from time to time as such Securities are presented for conversion.

Section 9.05. *Conversion After a Public Acquiror Change of Control.*

(a) In the event of a Public Acquiror Change of Control, the Company may, in lieu of increasing the Conversion Rate by Additional Shares pursuant to Section 9.01, elect (subject to the satisfaction of the provisions of this Section 9.05) to adjust the Conversion Rate and the related Conversion Obligation such that from and after the Effective Date of such Public Acquiror Change of Control, Holders will be entitled to convert their Securities, in accordance with Section 9.01 hereof, into a number of shares of Public Acquiror Common Stock by adjusting the Conversion Rate in effect immediately before the Public Acquiror Change of Control by multiplying it by a fraction:

(i) the numerator of which will be (A) in the case of a share exchange, consolidation, merger or binding share exchange, pursuant to which the Common Stock is converted into cash, securities or other property, the average value of all cash and any other consideration (as determined by the Company's Board of Directors in the manner contemplated by Section 9.03(c)) paid or payable per share of Common Stock or (B) in the case of any other Public Acquiror Change of Control, the average of the Last Reported Sale Prices of the Common Stock for the five consecutive Trading Days prior to but excluding the Effective Date of such Public Acquiror Change of Control; and

(ii) the denominator of which will be the average of the Last Reported Sale Prices of the Public Acquiror Common Stock for the five

consecutive Trading Days commencing on the Trading Day next succeeding the Effective Date of such Public Acquiror Change of Control.

(b) In order to make the election pursuant to this Section 9.05, the Company and the issuer of the Public Acquiror Common Stock shall execute with the Trustee a supplemental indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture) providing that each Security shall be exchangeable into Public Acquiror Common Stock and execute an amendment to the Registration Rights Agreement (to the extent any Registrable Securities (as defined therein) remain outstanding) to make the provisions thereof to apply to the Public Acquiror Common Stock. Such supplemental indenture shall provide for provisions and adjustments which shall be a nearly equivalent as may be practicable to the provisions and adjustments provided for in this Article 9.

(c) The Company will provide notice to Holders of its election to adjust the Conversion Rate pursuant to this Section 9.05 in the notice delivered with respect to the Make-Whole Fundamental Change that constitutes a Public Acquiror Change of Control pursuant to Section 9.01(b)(iv).

Section 9.06. Effect of Reclassification, Consolidation, Merger or Sale.

If any of the following events occur, namely (i) any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a split, subdivision or combination), (ii) any consolidation, merger or combination of the Company with another Person as a result of which holders of Common Stock shall be entitled to receive cash, securities or other property or assets with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of all or substantially all of the property and assets of the Company to any other Person, in each case as a result of which holders of Common Stock shall be entitled to receive cash, securities or other property or assets with respect to or in exchange for such Common Stock (any such event a “**Merger Event**”), then:

(a) the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture if such supplemental indenture is then required to so comply) permitted under Section 15.01 providing for the conversion and settlement of the Securities as set forth in this Indenture. Such supplemental indenture shall provide for Conversion Rate adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 9. If, in the case of any Merger Event, the Reference Property includes shares of stock or other securities and assets of a corporation other than the successor or purchasing corporation, as the case may be, in such reclassification, change,

consolidation, merger, combination, sale or conveyance, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders as the Board of Directors shall reasonably consider necessary by reason of the foregoing, including to the extent required by the Board of Directors and practicable the provisions providing for the repurchase rights set forth in Article 8 herein.

In the event the Company shall execute a supplemental indenture pursuant to this Section 9.06, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefore, the kind or amount of cash, securities or property or asset that will constitute the Reference Property after any such Merger Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Securityholders.

(b) Notwithstanding the provisions of Section 9.02(a), and subject to the provisions of Section 9.01, at the effective time of such Merger Event, the right to convert each \$1,000 principal amount of Securities will be changed to a right to convert such Security into the kind and amount of shares of cash, securities or other property or assets that a holder of a number of shares of Common Stock equal to the Conversion Rate immediately prior to such transaction would have owned or been entitled to receive (the "**Reference Property**"). In such a case, any increase in the Conversion Rate by Additional Shares as set forth in Section 9.01 shall not be payable in shares of Common Stock, but shall represent a right to receive the aggregate amount of Reference Property into which the Additional Shares would convert in the transaction from the surviving entity (or an indirect or direct parent thereof). For purposes of determining the constitution of Reference Property, the type and amount of consideration that a holder of Common Stock would have been entitled to in the case of reclassifications, consolidations, mergers, sales or conveyance of assets or other transactions that cause the Common Stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election) will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election. The Company shall not become a party to any such transaction unless its terms are consistent with the preceding. None of the foregoing provisions shall affect the right of a Holder of Securities to convert its Securities into Common Stock or cash and shares of Common Stock, if any, as set forth in Section 9.01 and Section 9.02 prior to the effective date.

(c) The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Securityholder, at his address appearing on the Security Register provided for in this Indenture, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(d) The above provisions of this Section shall similarly apply to successive Merger Events.

(e) In the event that the Company elects to adjust the Conversion Rate and Conversion Obligation as set forth in Section 9.05, the provisions of that Section shall apply rather than the provisions set forth in this Section 9.06.

Section 9.07. *Certain Covenants.*

(a) Before taking any action which would cause an adjustment reducing the Conversion Rate below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Securities, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.

The Company covenants that all shares of Common Stock issued upon conversion of Securities will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any shares of Common Stock to be provided for the purpose of conversion of Securities hereunder require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon conversion, the Company will in good faith and as expeditiously as possible, to the extent then permitted by the rules and interpretations of the Commission (or any successor thereto), endeavor to secure such registration or approval, as the case may be.

(c) The Company further covenants that if at any time the Common Stock shall be listed on any other national securities exchange or automated quotation system the Company will, if permitted and required by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon conversion of the Securities.

Section 9.08. *Responsibility of Trustee.* The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Securityholder to determine the Conversion Rate or whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Security; and

the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of any Security for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 9.06 relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by Securityholders upon the conversion of their Securities after any event referred to in such Section 9.06 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 12.01, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 9.09. *Notice to Holders Prior to Certain Actions.* In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock that would require an adjustment in the Conversion Rate pursuant to Section 9.03; or

(b) the Company shall authorize the granting to all of the holders of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants; or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

the Company shall cause to be filed with the Trustee and to be mailed to each Securityholder at his address appearing on the Security Register, provided for in Section 3.05 of this Indenture, as promptly as possible but in any event at least twenty days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of

which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up.

Section 9.10. *Stockholder Rights Plans.* Each share of Common Stock issued upon conversion of Securities pursuant to this Article 9 shall be entitled to receive the appropriate number of rights, if any, and the certificates representing the Common Stock issued upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any stockholder rights plan adopted by the Company, as the same may be amended from time to time. If at the time of conversion, however, the rights have separated from the shares of Common Stock in accordance with the provisions of the applicable stockholder rights agreement so that the Holders of the Securities would not be entitled to receive any rights in respect of Common Stock issuable upon conversion of the Securities, the Conversion Rate will be adjusted at the time of separation as if the Company has distributed to all holders of Common Stock, shares of Capital Stock of the Company, evidence of indebtedness or assets as provided in Section 9.03(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 9.11. *Alternate Conversion Arrangement.* In connection with any conversion of Securities, the Company may arrange for such conversion by an agreement with one or more financial institutions or other purchasers to exchange such Securities for shares of the Company's Common Stock, cash, or a combination of cash and Common Stock, as applicable, equal to which the Holder of such Securities is entitled to receive upon conversion. Notwithstanding anything to the contrary contained in this Article 9, the obligation of the Company to convert such Securities shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers, and accrued and unpaid Interest to, but not including, the Conversion Date for such conversion shall be deemed to be paid in full rather than cancelled, extinguished or forfeited.

ARTICLE 10
EVENTS OF DEFAULT; REMEDIES

Section 10.01. *Events of Default.* “**Event of Default,**” wherever used herein, means any one of the following events (whatever the reason for such

Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of Interest on any Securities when due and payable and such default continues for a period of 30 days; *provided*, that a extension of the payment period for Interest in accordance with Article 4 shall not constitute an Event of Default under this Section 10.01(a);

(b) default in the payment of the Principal Amount, Redemption Price or Fundamental Change Repurchase Price on any Security when it becomes due and payable;

(c) default in the Company's obligation to convert the Securities into shares of its Common Stock or a cash, as applicable, upon exercise of a Holder's conversion rights in accordance with Article 9 hereof and such default continues for a period of 10 days;

(d) failure by the Company to comply with its obligations under Article 11 hereof;

(e) failure by the Company to issue a Fundamental Change Company Notice when due;

(f) default in the performance of any covenant, agreement or condition of the Company in this Indenture or the Securities (other than a default specified in paragraph (a) or (b) above), and such default continues for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate Principal Amount of the Outstanding Securities a written notice specifying such default and requiring it to be remedied and stating that such notice is a "**Notice of Default**" hereunder;

(g) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law or (iii) appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(h) the commencement by the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

Section 10.02. *Acceleration of Maturity; Rescission and Annulment.* (a) If an Event of Default (other than those specified in Sections 10.01(g) and 10.01(h)) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate Principal Amount of the Outstanding Securities may declare the Principal Amount plus accrued and unpaid Interest on all the Outstanding Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such Principal Amount plus accrued and unpaid Interest shall become immediately due and payable.

Notwithstanding the foregoing, in the case of an Event of Default specified in Section 10.01(g) or Section 10.01(h)), the Principal Amount plus accrued and unpaid Interest on all Outstanding Securities will *ipso facto* become due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article 10 provided, the Holders of a majority in aggregate Principal Amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

- (i) such rescission and annulment will not conflict with any judgment or decree of a court of competent jurisdiction; and
- (ii) all Events of Default, other than the non-payment of the Principal Amount plus accrued and unpaid Interest on Securities that have

become due solely by such declaration of acceleration, have been cured or waived as provided in Section 10.12.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 10.03. *Collection of Indebtedness and Suits for Enforcement by Trustee.* The Company covenants that if a Default is made in the payment of the Principal Amount plus accrued and unpaid Interest at the Maturity thereof or in the payment of the Redemption Price or the Fundamental Change Repurchase Price in respect of any Security, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may, but shall not be obligated to, pursue any available remedy to collect the payment of the Principal Amount plus accrued but unpaid Interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture. The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 10.04. *Trustee May File Proofs of Claim.* In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 12.07.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 10.05. *Application of Money Collected.* Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money to Holders, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 12.07; and

SECOND: To the payment of the amounts then due and unpaid on the Securities for the Principal Amount, Redemption Price, Fundamental Change Repurchase Price or Interest, as the case may be, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities.

Section 10.06. *Limitation on Suits.* No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder (other than in the case of an Event of Default specified in Section 10.01(a) or 10.01(b)), unless:

- (i) such Holder has previously given written notice to the Trustee of a continuing Event of Default;
- (ii) the Holders of not less than 25% in aggregate Principal Amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (iii) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- (iv) the Trustee for 60 days after its receipt of such notice, request and offer of security or indemnity has failed to institute any such proceeding; and

(v) no direction, in the opinion of the Trustee, inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate Principal Amount of the Outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Section 10.07. *Unconditional Right of Holders to Receive Payment.* Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the Principal Amount, Redemption Price, Fundamental Change Repurchase Price or Interest in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities or any Redemption Date or Fundamental Change Purchase Date, as applicable, and to convert the Securities in accordance with Article 9, or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of such Holder.

Section 10.08. *Restoration of Rights and Remedies.* If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 10.09. *Rights and Remedies Cumulative.* Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 10.10. *Delay or Omission Not Waiver.* No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 10.11. *Control by Holders.* The Holders of a majority in Principal Amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that:

- (i) such direction shall not be in conflict with any rule of law or with this Indenture; and
- (ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 10.12. *Waiver of Past Defaults.* The Holders of not less than a majority in Principal Amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past Default hereunder and its consequences, except a Default:

- (i) Described in Section 10.01(a) or (b); or
- (ii) in respect of a covenant or provision hereof which under Article 15 cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 10.13. *Undertaking for Costs.* In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, in either case in respect of the Securities, a court may require any party litigant in such suit to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorney's fees, against any party litigant in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant; but the provisions of this Section 10.13 shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any

Holder, or group of Holders, holding in the aggregate more than 10% in Principal Amount of the Outstanding Securities, or to any suit instituted by any Holder for the enforcement of the payment of the Principal Amount on any Security on or after Maturity of such Security, the Redemption Price or the Fundamental Change Repurchase Price.

Section 10.14. *Waiver of Stay or Extension Laws.* The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 11

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 11.01. *Company May Consolidate, etc., Only on Certain Terms.* The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(a) either (i) the Company is the resulting, surviving or transferee Person or (ii) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (the “**Surviving Entity**”), (1) is organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia, (2) the Surviving Entity expressly assumes, by an indenture supplemental hereto, executed and delivered to the Trustee, all of the obligations of the Company under the Securities, this Indenture and, to the extent that the Company has ongoing obligations pursuant to the Registration Rights Agreement, the Registration Rights Agreement;

(b) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article 11 and Article 15, respectively.

Section 11.02. *Successor Substituted.* Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 11.01, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease of all or substantially all of the Company's properties and assets, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE 12
THE TRUSTEE

Section 12.01. *Certain Duties and Responsibilities.* The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Except during the continuance of an Event of Default of which a Responsible Officer of the Trustee has actual knowledge, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default of which a Responsible Officer of the Trustee has actual knowledge with respect to the Securities has occurred (which has not been cured or waived), the Trustee shall exercise the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 12.02. *Notice of Defaults.* The Trustee shall give the Holders notice of any Default hereunder within 90 days after the occurrence thereof; provided, that (except in the case of any Default in the payment of Principal Amount or Interest on any of the Securities, Redemption Price or Fundamental

Change Repurchase Price), the Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities.

Section 12.03. *Certain Rights Of Trustee.* Subject to the provisions of Section 12.01:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture or to institute, conduct or defend any litigation hereunder or in relation hereto at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and

premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or custodians and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney or custodian appointed with due care by it hereunder;

(h) the Trustee shall not be charged with knowledge or required to take notice of any Default or Event of Default with respect to the Securities unless either (i) a Responsible Officer shall have actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default shall have been given to a Responsible Officer of the Trustee by the Company or any other obligor on such Securities or by any Holder of such Securities;

(i) the Trustee shall not be liable in its individual capacity for any action taken, suffered or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian, director, officer, employee and other Person employed to act hereunder;

(k) the Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded;

(l) the permissive rights of the Trustee to take certain actions under or perform any discretionary act enumerated in this Indenture shall not be construed as a duty unless so specified herein, and the Trustee shall not be answerable for other than its negligence or willful misconduct in the performance of such action or act; and

(m) the Trustee shall not be liable in its individual capacity with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with this Indenture or at the direction of the Holders of a majority in aggregate Principal Amount of the Outstanding Securities relating to the time,

method and place of conducting any proceeding for any remedy available to the Trustee, or exercising or omitting to exercise any trust or power conferred upon the Trustee, under this Indenture.

Section 12.04. *Not Responsible for Recitals.* The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity, sufficiency or priority of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof. Except with respect to the authentication of Securities pursuant to Section 3.03, the Trustee shall not be responsible for the legality or the validity of this Indenture or the Securities issued or intended to be issued hereunder.

Section 12.05. *May Hold Securities.* The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Section 12.08 and 12.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 12.06. *Money Held in Trust.* Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

Section 12.07. *Compensation and Reimbursement.* The Company agrees:

(i) to pay to the Trustee from time to time such compensation for all services rendered by it hereunder as the Company and the Trustee shall from time to time agree in writing (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(ii) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and

(iii) to indemnify the Trustee and any predecessor Trustee for, and to hold it harmless against, any loss, liability or expense including

taxes (other than taxes based upon, measured by or determined by the income of the Trustee) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim (whether assessed by the Company, by any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Notwithstanding any other provision of this Indenture to the contrary, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profits) even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The obligations of the Company under this Section 12.07 shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture. To secure the Company's payment obligations in this Section 12.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal on the Securities. Such lien shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture. When the Trustee incurs expenses or renders services after a Default or an Event of Default specified in Sections 10.01(g) or 10.01(h) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under U.S. Code, Title 11 or any other similar foreign, federal or state law for the relief of debtors.

Section 12.08. *Disqualification; Conflicting Interests.* If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 12.09. *Corporate Trustee Required; Eligibility.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has, or whose parent banking company has, a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section 12.09, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 12.09, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 12.10. *Resignation and Removal; Appointment of Successor*: (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article 12 shall become effective until the acceptance of appointment by the successor Trustee under Section 12.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction at the expense of the Company for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of majority in Principal Amount of the Outstanding Securities, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the notice of removal, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 12.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 12.09 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or

(iv) a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company by a Company Order may remove the Trustee, or (B) subject to Section 10.13, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the

Company, by a Company Order, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in Principal Amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 1.06. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 12.11. *Acceptance of Appointment by Successor.* Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article 12.

Section 12.12. *Merger, Conversion, Consolidation or Succession to Business.* Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee by sale or otherwise, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article 12, without the execution or filing of any paper or any further act on the

part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 12.13. *Preferential Collection of Claims against the Company.* If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE 13

HOLDERS' LISTS AND REPORTS BY TRUSTEE

Section 13.01. *Company to Furnish Trustee Names and Addresses of Holders.* The Company will furnish or cause to be furnished to the Trustee:

(i) semi-annually, not more than 15 days after each Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Record Date; and

(ii) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar; *provided, however;* that no such list need be furnished so long as the Trustee is acting as Security Registrar.

Section 13.02. *Preservation of Information; Communications to Holders.* (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 13.01 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 13.01 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

Section 13.03. *Reports By Trustee.* (a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than July 15 in each calendar year, commencing in July 15, 2006. Each such report shall be dated as of a date not more than 60 days prior to the date of transmission.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange or of any delisting thereof.

Section 13.04. *Reports by Company.*

(a) After this Indenture has been qualified under the Trust Indenture Act, the Company shall file with the Trustee and the Commission, and transmit to Securityholders, such information, documents and other reports and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; *provided* that any such information, documents or reports filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is filed with the Commission.

(b) Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officer's Certificate). It is expressly understood that materials transmitted electronically by the Company to the Trustee shall be deemed filed with the Trustee for purposes of this Section 13.04.

ARTICLE 14
SATISFACTION AND DISCHARGE

Section 14.01. *Satisfaction and Discharge of Indenture.* This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either

(i) all Securities theretofore authenticated and delivered (other than (A) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06 and (B) Securities for whose payment money has theretofore been deposited with the Trustee in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust as provided in Section 6.04) have been delivered to the Trustee for cancellation; or

(ii) all such Securities not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness evidenced by such Securities not theretofore delivered to the Trustee for cancellation;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 12.07 and, if money shall have been deposited with the Trustee pursuant to Section 14.01(a)(ii), the obligations of the Trustee under Section 14.02 and the last paragraph of Section 6.04 shall survive.

Section 14.02. *Application of Trust Money.* Subject to the provisions of the last paragraph of Section 6.04, all money deposited with the Trustee pursuant to Section 14.01 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying

Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and Interest for whose payment such money has been deposited with the Trustee.

ARTICLE 15
SUPPLEMENTAL INDENTURES

Section 15.01. *Supplemental Indentures Without Consent of Holders.* Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(i) to cure any ambiguity or correct any inconsistent or otherwise defective provision contained herein, so long as such action does not adversely affect the interest of the Holders; provided that any such action made solely to conform the provisions of this Indenture to the description thereof contained in the final offering memorandum dated December 13, 2005, shall be deemed not to adversely affect the interests of the Holders;

(ii) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities;

(iii) to provide for uncertificated Securities in addition to or in place of certificated Securities; *provided* that the Company receives an opinion of nationally recognized tax counsel that such uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Securities are described in Section 163(f)(2)(B) of the Code;

(iv) to add guarantees with respect to the Securities;

(v) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities any property or assets;

(vi) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(vii) to add or modify any other provision herein with respect to matters or questions arising hereunder which the Company and the Trustee

may deem necessary or desirable and which does not materially and adversely affect the rights of any Holder;

(viii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualifications of this Indenture under the Trust Indenture Act, or under any similar federal statute hereafter enacted.

Section 15.02. *Supplemental Indentures With Consent of Holders.* With the consent of the Holders of not less than a majority in Principal Amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(i) reduce the percentage in Principal Amount of the Outstanding Securities, the consent of whose Holders is required for any supplemental indenture, or the consent of whose Holders is required for any waiver under this Indenture (including any waiver of past defaults pursuant to Section 10.12);

(ii) reduce the rate or extend the time of payment of any Interest on any Security;

(iii) reduce the Principal Amount of, or extend the Stated Maturity of, any Security;

(iv) make any change that impairs or adversely affects the conversion rights or Conversion Rate of any Securities;

(v) reduce the Redemption Price or Fundamental Change Repurchase Price of any Security or amend or modify in any manner adverse to the Holders of Securities the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(vi) make any Security payable in money other than that stated in the Security or other than in accordance with the provisions of this Indenture;

(vii) impair the right of any Holder to receive payment of the Principal Amount of, or Interest on, a Holder's Securities on or after the

due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Securities;

(viii) modify the provisions of Article 5 relating to the subordination of the Securities in a manner adverse to the Holders of Securities; or

(ix) modify any of the provisions of this Section 15.02 or Section 10.12, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Holders under this Section 15.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 15.03. *Execution of Supplemental Indentures.* In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article 15 or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 12.01) shall be fully protected in relying upon, in addition to the documents required by Section 1.02, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. Subject to the preceding sentence, the Trustee shall sign such supplemental indenture if the same does not adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 15.04. *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture under this Article 15, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 15.05. *Conformity with Trust Indenture Act.* Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 15.06. *Reference in Securities to Supplemental Indentures.* Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 15 shall bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the

opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

INTEL CORPORATION

By: /s/ Ravi Jacob

[Trustee Signature Follows]

Citibank, N.A., as Trustee

By: /s/ John J. Byrnes

John J. Byrnes

Vice President

Form of Fundamental Change Repurchase Notice

Citibank, N.A.
388 Greenwich Street
14th Floor
New York, New York 10013

Attention: Agency & Trust

Re: Intel Corporation (the "**Company**")
2.95% Junior Subordinated Convertible Debentures due 2035

This is a Fundamental Change Repurchase Notice as defined in Section 8.01(a) of the Indenture dated as of December 16, 2005 (the "Indenture") between the Company and Citibank, N.A., as Trustee. Terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

Certificate No(s). of Securities: _____

I intend to deliver the following aggregate Principal Amount of Securities for purchase by the Company pursuant to Section 8.01 of the Indenture (in multiples of \$1,000):

\$ _____

I hereby agree that the Securities will be purchased as of the Fundamental Change Repurchase Date pursuant to the terms and conditions thereof and of the Indenture.

Signed: _____

**INTEL CORPORATION
2004 EQUITY INCENTIVE PLAN**

STANDARD TERMS AND CONDITIONS RELATING TO NON-QUALIFIED STOCK OPTIONS GRANTED ON AND AFTER JANUARY 18, 2006 UNDER THE INTEL CORPORATION 2004 EQUITY INCENTIVE PLAN (other than grants made under the SOP Plus or ELTSOP programs)

1. TERMS OF OPTION

The following standard terms and conditions ("Standard Terms") apply to Non-Qualified Stock Options granted to U.S. employees under the Intel Corporation 2004 Equity Incentive Plan (the "2004 Plan") (other than grants made under the SOP Plus or ELTSOP programs).

2. NONQUALIFIED STOCK OPTION

The option is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted accordingly.

3. OPTION PRICE

The exercise price of the option (the "option price") is 100% of the market value of the common stock of Intel Corporation ("Intel" or the "Corporation"), \$.001 par value (the "Common Stock"), on the date of grant, as specified in the Notice of Grant. "Market value" means the average of the highest and lowest sales prices of the Common Stock as reported by NASDAQ.

4. TERM OF OPTION AND EXERCISE OF OPTION

To the extent the option has become exercisable (vested) during the periods indicated in the Notice of Grant and has not been previously exercised, and subject to termination or acceleration as provided in these Standard Terms and the requirements of these Standard Terms, the Notice of Grant and the 2004 Plan, you may exercise the option to purchase up to the number of shares of the Common Stock set forth in the Notice of Grant. Notwithstanding anything to the contrary in Section 5 or Sections 7 through 10 hereof, no part of the option may be exercised after seven (7) years from the date of grant.

The process for exercising the option (or any part thereof) is governed by these Standard Terms, the Notice of Grant, the 2004 Plan and your agreements with Intel's stock plan administrator. Exercises of stock options will be processed as soon as practicable. The option price may be paid (a) in cash, (b) by arrangement with Intel's stock plan administrator which is acceptable to Intel where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the shares of the Common Stock issuable under the option to Intel, (c) by delivery of any other lawful consideration approved in advance by the Committee of the Board of Directors of Intel established pursuant to the 2004 Plan (the "Committee") or its

delegate, or (d) in any combination of the foregoing. Fractional shares may not be exercised. Shares of the Common Stock will be issued as soon as practicable. You will have the rights of a stockholder only after the shares of the Common Stock have been issued. For administrative or other reasons, Intel may from time to time suspend the ability of employees to exercise options for limited periods of time.

Notwithstanding the above, Intel shall not be obligated to deliver any shares of the Common Stock during any period when Intel determines that the exercisability of the option or the delivery of shares hereunder would violate any federal, state or other applicable laws.

Notwithstanding anything to the contrary in these Standard Terms or the applicable Notice of Grant, Intel may reduce your unvested options if you change classification from a full-time employee to a part-time employee.

IF AN EXPIRATION DATE DESCRIBED HEREIN FALLS ON A WEEKDAY, YOU MUST EXERCISE YOUR OPTIONS BEFORE 3:45 P.M. NEW YORK TIME ON THE EXPIRATION DATE.

IF AN EXPIRATION DATE DESCRIBED HEREIN FALLS ON A WEEKEND OR ANY OTHER DAY ON WHICH THE NEW YORK STOCK EXCHANGE ("NYSE") IS NOT OPEN, YOU MUST EXERCISE YOUR OPTIONS BEFORE 3:45 P.M. NEW YORK TIME ON THE LAST NYSE BUSINESS DAY PRIOR TO THE EXPIRATION DATE.

5. LEAVES OF ABSENCE

- (a) Except as expressly provided otherwise in by these Standard Terms, if you take a personal leave of absence ("PLOA"), the option will be exercisable only to the extent and during the times specified in this Section 5:
 - (1) If the duration of the PLOA is 365 days or less, you may exercise any part of the option that vested prior to the commencement of the PLOA at any time during the PLOA. If the duration of the PLOA is greater than 365 days, any part of the option that had vested prior to the commencement of the PLOA and that has not been exercised will terminate on the 365th day of the PLOA.
 - (2) If the duration of the PLOA is less than thirty (30) days:
 - a. The exercisability of any part of the option that would have vested during the PLOA shall be deferred until the first day that you return to work (i.e., the date that the PLOA is terminated); and
 - b. Any part of the option that had not vested at the commencement of the PLOA and would not have vested during the PLOA shall vest in accordance with the normal

schedule indicated in the Notice of Grant and shall not be affected by the PLOA.

- (3) If the duration of the PLOA equals or exceeds thirty (30) days, the exercisability of each part of the option scheduled to vest after commencement of the PLOA shall be deferred for a period of time equal to the duration of the PLOA. If you terminate employment after returning from the PLOA but prior to the end of such deferral period, you shall have no right to exercise any unvested portion of the option, except to the extent provided otherwise in Sections 8 through 10 hereof, and such option shall terminate as of the date that your employment terminates.
- (4) If you terminate employment with the Corporation during a PLOA:
 - a. Any portions of the option that had vested prior to the commencement of the PLOA shall be exercisable in accordance with Sections 7 through 10 hereof, as applicable; and
 - b. Any portions of the option that had not vested prior to the commencement of the PLOA shall terminate, except to the extent provided otherwise in Sections 8 through 10 hereof.
- (b) If you take an approved Leave of Absence ("LOA") other than a PLOA under Intel Leave Guidelines, the vesting of your options shall be unaffected by such absence and will vest in accordance with the schedule set forth in the Notice of Grant.

6. SUSPENSION OR TERMINATION OF OPTION FOR MISCONDUCT

If you have allegedly committed an act of misconduct as defined in the 2004 Plan, including, but not limited to, embezzlement, fraud, dishonesty, unauthorized disclosure of trade secrets or confidential information, breach of fiduciary duty or nonpayment of an obligation owed to the Corporation, an Authorized Officer, as defined in the 2004 Plan, may suspend your right to exercise the option, pending a decision by the Committee (or Board of Directors, as the case may be) or an Authorized Officer to terminate the option. The option cannot be exercised during such suspension or after such termination.

7. TERMINATION OF EMPLOYMENT

Except as expressly provided otherwise in by these Standard Terms, if your employment by the Corporation terminates for any reason, whether voluntarily or involuntarily, other than death, Disablement (defined below), Retirement (defined below) or discharge for misconduct, you may exercise any portion of the option that had vested on or prior to the date of termination at any time prior to ninety (90) days after the date of such termination. The option shall terminate on the 90th day to the extent that it is unexercised. All unvested stock options shall be cancelled on the date of employment termination, regardless of whether such employment termination is voluntary or involuntary.

For purposes of this Section 7, your employment is not deemed terminated if, prior to sixty (60) days after the date of termination from Intel or a Subsidiary, you are rehired by Intel or a Subsidiary on a basis that would make you eligible for future Intel stock option grants, nor would your transfer from Intel to any Subsidiary or from any one Subsidiary to another, or from a Subsidiary to Intel be deemed a termination of employment. Further, your employment with any partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which Intel or a Subsidiary is a party shall be considered employment for purposes of this provision if either (a) the entity is designated by the Committee as a Subsidiary for purposes of this provision or (b) you are designated as an employee of a Subsidiary for purposes of this provision.

8. DEATH

Except as expressly provided otherwise in by these Standard Terms, if you die while employed by the Corporation, the executor of your will, administrator of your estate or any successor trustee of a grantor trust may exercise the option, to the extent not previously exercised and whether or not vested on the date of death, at any time prior to 365 days from the date of death.

Except as expressly provided otherwise in by these Standard Terms, if you die prior to ninety (90) days after terminating your employment with the Corporation, the executor of your will or administrator of your estate may exercise the option, to the extent not previously exercised and to the extent the option had vested on or prior to the date of your employment termination, at any time prior to 365 days from the date of your employment termination.

The option shall terminate on the applicable expiration date described in this Section 8, to the extent that it is unexercised.

9. DISABILITY

Except as expressly provided otherwise in these Standard Terms, following your termination of employment due to Disablement, you may exercise the option, to the extent not previously exercised and whether or not the option had vested on or prior to the date of employment termination, at any time prior to 365 days from the date of determination of your Disablement as described in this Section 9; provided, however, that while the claim of Disablement is pending, options that were unvested at termination of employment may not be exercised and options that were vested at termination of employment may be exercised only during the period set forth in Section 7 hereof. The option shall terminate on the 365th day from the date of determination of Disablement, to the extent that it is unexercised. For purposes of by these Standard Terms, "Disablement" shall be determined in accordance with the standards and procedures of the then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, and in the event you are not a participant in a then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, "Disablement" shall have the same meaning as disablement is defined in the Intel Long Term Disability Plan, which is generally a physical

condition arising from an illness or injury, which renders an individual incapable of performing work in any occupation, as determined by the Corporation.

10. RETIREMENT

For purposes of by these Standard Terms, "Retirement" shall mean either Standard Retirement (as defined below) or the Rule of 75 (as defined below). Following your Retirement, the vesting of the option, to the extent that it had not vested on or prior to the date of your Retirement, shall be accelerated as follows:

- (a) If you retire at or after age 60 ("Standard Retirement"), you will receive one year of additional vesting from your date of Retirement for every five (5) years that you have been employed by the Corporation (measured in complete, whole years). No vesting acceleration shall occur for any periods of employment of less than five (5) years; or
- (b) If, when you terminate employment with Intel, your age plus years of service (in each case measured in complete, whole years) equals or exceeds 75 ("Rule of 75"), you will receive accelerated vesting of any portion of the option that would have vested prior to 365 days from the date of your Retirement.

You will receive vesting acceleration pursuant to either Standard Retirement or the Rule of 75, but not both. Except as expressly provided otherwise in by these Standard Terms, following your Retirement from the Corporation, you may exercise the option at any time prior to 365 days from the date of your Retirement, to the extent that it had vested as of the date of your Retirement or to the extent that vesting of the option is accelerated pursuant to this Section 10. The option shall terminate on the 365th day from your date of Retirement, to the extent that it is unexercised.

11. INCOME TAXES WITHHOLDING

Nonqualified stock options are taxable upon exercise. To the extent required by applicable federal, state or other law, you shall make arrangements satisfactory to Intel for the satisfaction of any withholding tax obligations that arise by reason of an option exercise and, if applicable, any sale of shares of the Common Stock. Intel shall not be required to issue shares of the Common Stock or to recognize any purported transfer of shares of the Common Stock until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having Intel withhold a portion of the shares of the Common Stock that otherwise would be issued to you upon exercise of the option, or to the extent permitted by the Committee, by tendering shares of the Common Stock previously acquired.

12. TRANSFERABILITY OF OPTION

Unless otherwise provided by the Committee, each option shall be transferable only

- (a) pursuant to your will or upon your death to your beneficiaries, or

- (b) by gift to your Immediate Family (defined below), partnerships whose only partners are you or members of your Immediate Family, limited liability companies whose only shareholders are you or members of your Immediate Family, or trusts established solely for the benefit of you or members of your Immediate Family.

For purposes of by these Standard Terms, "Immediate Family" is defined as your spouse or domestic partner, children, grandchildren, parents, or siblings.

With respect to transfers by gift, options are transferable only to the extent the options are vested at the time of transfer. Any purported assignment, transfer or encumbrance that does not qualify under subsections (a) and (b) above shall be void and unenforceable against the Corporation.

Any option transferred by you pursuant to this section shall not be transferable by the recipient except by will or the laws of descent and distribution.

The transferability of options is subject to any applicable laws of your country of residence or employment.

13. DISPUTES

The Committee or its delegate shall finally and conclusively determine any disagreement concerning your option.

14. AMENDMENTS

The 2004 Plan and the option may be amended or altered by the Committee or the Board of Directors of Intel to the extent provided in the 2004 Plan.

15. THE 2004 PLAN AND OTHER AGREEMENTS; OTHER MATTERS

- (a) The provisions of these Standard Terms and the 2004 Plan are incorporated into the Notice of Grant by reference. Certain capitalized terms used in these Standard Terms are defined in the 2004 Plan.

These Standard Terms, the Notice of Grant and the 2004 Plan constitute the entire understanding between you and the Corporation regarding the option. Any prior agreements, commitments or negotiations concerning the option are superseded.

The grant of an option to an employee in any one year, or at any time, does not obligate Intel or any Subsidiary to make a grant in any future year or in any given amount and should not create an expectation that Intel or any Subsidiary might make a grant in any future year or in any given amount.

- (b) Options are not part of your employment contract (if any) with the Corporation, your salary, your normal or expected compensation, or other

remuneration for any purposes, including for purposes of computing severance pay or other termination compensation or indemnity.

- (c) Notwithstanding any other provision of these Standard Terms, if any changes in the financial or tax accounting rules applicable to the options covered by these Standard Terms shall occur which, in the sole judgment of the Committee, may have an adverse effect on the reported earnings, assets or liabilities of the Corporation, the Committee may, in its sole discretion, modify these Standard Terms or cancel and cause a forfeiture with respect to any unvested options at the time of such determination.
- (d) Nothing contained in these Standard Terms creates or implies an employment contract or term of employment upon which you may rely.
- (e) To the extent that the option refers to the Common Stock of Intel Corporation, and as required by the laws of your country of residence or employment, only authorized but unissued shares thereof shall be utilized for delivery upon exercise by the holder in accord with the terms hereof.
- (f) Because by these Standard Terms relate to terms and conditions under which you may purchase Common Stock of Intel, a Delaware corporation, an essential term of this Agreement is that it shall be governed by the laws of the State of Delaware, without regard to choice of law principles of Delaware or other jurisdictions. Any action, suit, or proceeding relating to this Agreement or the option granted hereunder shall be brought in the state or federal courts of competent jurisdiction in the State of California.

INTEL CORPORATION

NONQUALIFIED STOCK OPTION AGREEMENT

UNDER THE 2004 EQUITY INCENTIVE PLAN

1. TERMS OF OPTION

This Nonqualified Stock Option Agreement (this "Agreement"), the Notice of Grant of Stock Options delivered herewith (the "Notice of Grant") and the Intel Corporation 2004 Equity Incentive Plan (the "2004 Plan"), as such may be amended from time to time, set forth the terms of your option identified in the Notice of Grant. As used herein, the "Corporation" shall mean Intel Corporation and its Subsidiaries.

2. NONQUALIFIED STOCK OPTION

This option is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted accordingly.

3. OPTION PRICE

The exercise price of this option (the "option price") is 100% of the market value of the common stock of Intel Corporation ("Intel"), \$.001 par value (the "Common Stock"), on the date of grant, as specified in the Notice of Grant. "Market value" means the average of the highest and lowest sales prices of the Common Stock as reported by NASDAQ.

4. TERM OF OPTION AND EXERCISE OF OPTION

To the extent the option has become exercisable (vested) during the periods indicated in the Notice of Grant and has not been previously exercised, and subject to termination or acceleration as provided in this Agreement and the requirements of this Agreement, the Notice of Grant and the 2004 Plan, you may exercise the option to purchase up to the number of shares of the Common Stock set forth in the Notice of Grant. Notwithstanding anything to the contrary in Section 5 or Sections 7 through 10 hereof, no part of the option may be exercised after seven (7) years from the date of grant.

The process for exercising the option (or any part thereof) is governed by this Agreement, the Notice of Grant, the 2004 Plan and your agreements with Intel's stock plan administrator. Exercises of stock options will be processed as soon as practicable. The option price may be paid (a) in cash, (b) by arrangement with Intel's stock plan administrator which is acceptable to Intel where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the shares of the Common

Stock issuable under the option to Intel, (c) by delivery of any other lawful consideration approved in advance by the Committee of the Board of Directors of Intel established pursuant to the 2004 Plan (the "Committee") or its delegate, or (d) in any combination of the foregoing. Fractional shares may not be exercised. Shares of the Common Stock will be issued as soon as practicable. You will have the rights of a stockholder only after the shares of the Common Stock have been issued. For administrative or other reasons, Intel may from time to time suspend the ability of employees to exercise options for limited periods of time.

Notwithstanding the above, Intel shall not be obligated to deliver any shares of the Common Stock if such delivery is prohibited by the laws of the United States or your country of residence or employment. If such delivery is prohibited at the time that all or part of the option is exercised, then such exercise may be made only in accordance with Intel's "cashless exercise" procedure, to the extent permitted under the laws of the United States and your country of residence or employment.

Notwithstanding anything to the contrary in this Agreement or the applicable Notice of Grant, Intel may reduce your unvested options if you change classification from a full-time employee to a part-time employee.

5. LEAVES OF ABSENCE

- (a) Except as expressly provided otherwise in this Agreement, if you take a personal leave of absence ("PLOA"), the option will be exercisable only to the extent and during the times specified in this Section 5:
 - (1) If the duration of the PLOA is 365 days or less, you may exercise any part of the option that vested prior to the commencement of the PLOA at any time during the PLOA. If the duration of the PLOA is greater than 365 days, any part of the option that had vested prior to the commencement of the PLOA and that has not been exercised will terminate on the 365th day of the PLOA.
 - (2) If the duration of the PLOA is less than thirty (30) days:
 - a. The exercisability of any part of the option that would have vested during the PLOA shall be deferred until the first day that you return to work (i.e., the date that the PLOA is terminated); and
 - b. Any part of the option that had not vested at the commencement of the PLOA and would not have vested during the PLOA will vest in accordance with the normal schedule indicated in the Notice of Grant and shall not be affected by the PLOA.

- (3) If the duration of the PLOA equals or exceeds thirty (30) days, the exercisability of each part of the option scheduled to vest after commencement of the PLOA shall be deferred for a period of time equal to the duration of the PLOA. If you terminate employment after returning from the PLOA but prior to the end of such deferral period, you shall have no right to exercise any unvested portion of the option, except to the extent provided otherwise in Sections 8 through 10 hereof, and such option shall terminate as of the date that your employment terminates.
- (4) If you terminate employment with the Corporation during a PLOA:
 - a. Any portions of the option that had vested prior to the commencement of the PLOA shall be exercisable in accordance with Sections 7 through 10 hereof, as applicable; and
 - b. Any portions of the option that had not vested prior to the commencement of the PLOA shall terminate, except to the extent provided otherwise in Sections 8 through 10 hereof.
- (b) If you take an approved Leave of Absence ("LOA") other than a PLOA under Intel Leave Guidelines, the vesting of your options shall be unaffected by such absence and will vest in accordance with the schedule set forth in the Notice of Grant.

6. SUSPENSION OR TERMINATION OF OPTION FOR MISCONDUCT

If you have allegedly committed an act of misconduct as defined in the 2004 Plan, including, but not limited to, embezzlement, fraud, dishonesty, unauthorized disclosure of trade secrets or confidential information, breach of fiduciary duty or nonpayment of an obligation owed to the Corporation, an Authorized Officer, as defined in the 2004 Plan, may suspend your right to exercise the option, pending a decision by the Committee (or Board of Directors, as the case may be) or an Authorized Officer to terminate the option. The option cannot be exercised during such suspension or after such termination.

7. TERMINATION OF EMPLOYMENT

Except as expressly provided otherwise in this Agreement, if your employment by the Corporation terminates for any reason, whether voluntarily or involuntarily, other than death, Disablement (defined below), Retirement (defined below) or discharge for misconduct, you may exercise any portion of the option that had vested on or prior to the date of termination at any time prior to ninety (90) days after the date of such termination. The option shall terminate on the 90th day to the extent that it is unexercised. All unvested stock options shall be cancelled on

the date of employment termination, regardless of whether such employment termination is voluntary or involuntary.

For purposes of this Section 7, your employment is not deemed terminated if, prior to sixty (60) days after the date of termination from the Corporation, you are rehired by Intel or a Subsidiary on a basis that would make you eligible for future Intel stock option grants, nor would your transfer from Intel to any Subsidiary or from any one Subsidiary to another, or from a Subsidiary to Intel be deemed a termination of employment. Further, your employment with any partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which Intel or a Subsidiary is a party shall be considered employment for purposes of this provision if either (a) the entity is designated by the Committee as a Subsidiary for purposes of this provision or (b) you are designated as an employee of a Subsidiary for purposes of this provision.

8. DEATH

Except as expressly provided otherwise in this Agreement, if you die while employed by the Corporation, the executor of your will, administrator of your estate or any successor trustee of a grantor trust may exercise the option, to the extent not previously exercised and whether or not vested on the date of death, at any time prior to 365 days from the date of death.

Except as expressly provided otherwise in this Agreement, if you die prior to ninety (90) days after termination of your employment with the Corporation, the executor of your will or administrator of your estate may exercise the option, to the extent not previously exercised and to the extent the option had vested on or prior to the date of your employment termination, at any time prior to 365 days from the date of your employment termination.

The option shall terminate on the applicable expiration date described in this Section 8, to the extent that it is unexercised.

9. DISABILITY

Except as expressly provided otherwise in this Agreement, following your termination of employment due to Disablement, you may exercise the option, to the extent not previously exercised and whether or not the option had vested on or prior to the date of employment termination, at any time prior to 365 days from the date of determination of your Disablement as described in this Section 9; provided, however, that while the claim of Disablement is pending, options that were unvested at termination of employment may not be exercised and options that were vested at termination of employment may be exercised only during the period set forth in Section 7 hereof. The option shall terminate on the 365th day from the date of determination of Disablement, to the extent that it is unexercised. For purposes of this Agreement, "Disablement" shall be determined in accordance with the standards and procedures of the then-current

Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, and in the event you are not a participant in a then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, "Disablement" shall have the same meaning as disablement is defined in the Intel Long Term Disability Plan, which is generally a physical condition arising from an illness or injury, which renders an individual incapable of performing work in any occupation, as determined by the Corporation.

10. RETIREMENT

For purposes of this Agreement, "Retirement" shall mean either Standard Retirement (as defined below) or the Rule of 75 (as defined below). Following your Retirement, the vesting of the option, to the extent that it had not vested on or prior to the date of your Retirement, shall be accelerated as follows:

- (a) If you retire at or after age 60 ("Standard Retirement"), you will receive one year of additional vesting from your date of Retirement for every five (5) years that you have been employed by the Corporation (measured in complete, whole years). No vesting acceleration shall occur for any periods of employment of less than five (5) years; or
- (b) If, when you terminate employment with the Corporation, your age plus years of service (in each case measured in complete, whole years) equals or exceeds 75 ("Rule of 75"), you will receive accelerated vesting of any portion of the option that would have vested prior to 365 days from the date of your Retirement.

You will receive vesting acceleration pursuant to either Standard Retirement or the Rule of 75, but not both. Except as expressly provided otherwise in this Agreement, following your Retirement from the Corporation, you may exercise the option at any time prior to 365 days from the date of your Retirement, to the extent that it had vested as of the date of your Retirement or to the extent that vesting of the option is accelerated pursuant to this Section 10. The option shall terminate on the 365th day from your date of Retirement, to the extent that it is unexercised.

11. INCOME TAXES WITHHOLDING

You will be subject to taxation in accordance with the tax laws of the country where you are resident or employed. If you are an U.S. citizen or expatriate, you may also be subject to U.S. tax laws. To the extent required by applicable federal, state, local or foreign law, you shall make arrangements satisfactory to Intel or the Subsidiary that employs you for the satisfaction of any withholding tax obligations that arise by reason of an option exercise or any sale of shares of the Common Stock. Intel shall not be required to issue shares of the Common Stock or to recognize any purported transfer of shares of the Common Stock until such obligations are satisfied. The Committee may permit these obligations to be

satisfied by having Intel withhold a portion of the shares of the Common Stock that otherwise would be issued to you upon exercise of the option, or to the extent permitted by the Committee, by tendering shares of the Common Stock previously acquired.

12. NON-TRANSFERABILITY OF OPTION

You may not assign or transfer this option to anyone except pursuant to your will or upon your death to your beneficiaries. The transferability of options is subject to any applicable laws of your country of residence or employment.

13. DISPUTES

The Committee or its delegate shall finally and conclusively determine any disagreement concerning your option.

14. AMENDMENTS

The 2004 Plan and the option may be amended or altered by the Committee or the Board of Directors of Intel to the extent provided in the 2004 Plan.

15. DATA PRIVACY

You explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Corporation for the exclusive purpose of implementing, administering and managing your participation in the 2004 Plan.

You hereby understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the 2004 Plan ("Data"). You hereby understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the 2004 Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You hereby understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the 2004 Plan, including any requisite

transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of Common Stock acquired under your options. You hereby understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the 2004 Plan. You hereby understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You hereby understand, however, that refusing or withdrawing your consent may affect your ability to participate in the 2004 Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you hereby understand that you may contact the human resources representative responsible for your country at the local or regional level.

16. THE 2004 PLAN AND OTHER AGREEMENTS; OTHER MATTERS

- (a) The provisions of this Agreement and the 2004 Plan are incorporated into the Notice of Grant by reference. Certain capitalized terms used in this Agreement are defined in the 2004 Plan.

This Agreement, the Notice of Grant and the 2004 Plan constitute the entire understanding between you and the Corporation regarding the option. Any prior agreements, commitments or negotiations concerning the option are superseded.

The grant of an option to an employee in any one year, or at any time, does not obligate Intel or any Subsidiary to make a grant in any future year or in any given amount and should not create an expectation that Intel or any Subsidiary might make a grant in any future year or in any given amount.

- (b) Options are not part of your employment contract (if any) with the Corporation, your salary, your normal or expected compensation, or other remuneration for any purposes, including for purposes of computing severance pay or other termination compensation or indemnity.
- (c) Notwithstanding any other provision of this Agreement, if any changes in the financial or tax accounting rules applicable to the options covered by this Agreement shall occur which, in the sole judgment of the Committee, may have an adverse effect on the reported earnings, assets or liabilities of the Corporation, the Committee may, in its sole discretion, modify this Agreement or cancel and cause a forfeiture with respect to any unvested options at the time of such determination.
- (d) Nothing contained in this Agreement creates or implies an employment contract or term of employment upon which you may rely.

- (e) To the extent that the option refers to the Common Stock of Intel, and as required by the laws of your country of residence or employment, only authorized but unissued shares thereof shall be utilized for delivery upon exercise by the holder in accord with the terms hereof.
- (f) Because this Agreement relates to terms and conditions under which you may purchase Common Stock of Intel, a Delaware corporation, an essential term of this Agreement is that it shall be governed by the laws of the State of Delaware, without regard to choice of law principles of Delaware or other jurisdictions. Any action, suit, or proceeding relating to this Agreement or the option granted hereunder shall be brought in the state or federal courts of competent jurisdiction in the State of California.

**INTEL CORPORATION
2004 EQUITY INCENTIVE PLAN**

TERMS AND CONDITIONS RELATING TO NONQUALIFIED STOCK OPTIONS GRANTED ON AND AFTER JANUARY 18, 2006 UNDER THE INTEL CORPORATION 2004 EQUITY INCENTIVE PLAN FOR GRANTS FORMERLY KNOWN AS ELTSOP GRANTS

1. TERMS OF OPTION

The following terms and conditions (these "Terms") apply to Nonqualified Stock Options granted to U.S. employees under the Intel Corporation 2004 Equity Incentive Plan (the "2004 Plan") for grants formerly known as ELTSOP grants.

2. NONQUALIFIED STOCK OPTION

The option is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted accordingly.

3. OPTION PRICE

The exercise price of the option (the "option price") is 100% of the market value of the common stock of Intel Corporation ("Intel" or the "Corporation"), \$.001 par value (the "Common Stock"), on the date of grant, as specified in the Notice of Grant. "Market value" means the average of the highest and lowest sales prices of the Common Stock as reported by NASDAQ.

4. TERM OF OPTION AND EXERCISE OF OPTION

To the extent the option has become exercisable (vested) during the periods indicated in the Notice of Grant and has not been previously exercised, and subject to termination or acceleration as provided in these Terms and the requirements of these Terms, the Notice of Grant and the 2004 Plan, you may exercise the option to purchase up to the number of shares of the Common Stock set forth in the Notice of Grant. Notwithstanding anything to the contrary in Section 5 or Sections 7 through 9 hereof, no part of the option may be exercised after ten (10) years from the date of grant.

The process for exercising the option (or any part thereof) is governed by these Terms, the Notice of Grant, the 2004 Plan and your agreements with Intel's stock plan administrator. Exercises of stock options will be processed as soon as practicable. The option price may be paid (a) in cash, (b) by arrangement with Intel's stock plan administrator which is acceptable to Intel where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the shares of the Common Stock issuable under the option to Intel, (c) by delivery of any other lawful consideration

approved in advance by the Committee of the Board of Directors of Intel established pursuant to the 2004 Plan (the "Committee") or its delegate, or (d) in any combination of the foregoing. Fractional shares may not be exercised. Shares of the Common Stock will be issued as soon as practicable. You will have the rights of a stockholder only after the shares of the Common Stock have been issued. For administrative or other reasons, Intel may from time to time suspend the ability of employees to exercise options for limited periods of time.

Notwithstanding the above, Intel shall not be obligated to deliver any shares of the Common Stock during any period when Intel determines that the exercisability of the option or the delivery of shares hereunder would violate any federal, state or other applicable laws.

Notwithstanding anything to the contrary in these Terms or the applicable Notice of Grant, Intel may reduce your unvested options if you change classification from a full-time to a part-time employee.

IF AN EXPIRATION DATE DESCRIBED HEREIN FALLS ON A WEEKDAY, YOU MUST EXERCISE YOUR OPTIONS BEFORE 3:45 P.M. NEW YORK TIME ON THE EXPIRATION DATE.

IF AN EXPIRATION DATE DESCRIBED HEREIN FALLS ON A WEEKEND OR ANY OTHER DAY ON WHICH THE NEW YORK STOCK EXCHANGE ("NYSE") IS NOT OPEN, YOU MUST EXERCISE YOUR OPTIONS BEFORE 3:45 P.M. NEW YORK TIME ON THE LAST NYSE BUSINESS DAY PRIOR TO THE EXPIRATION DATE.

5. LEAVES OF ABSENCE

- (a) Except as expressly provided otherwise in this Agreement, if you take a personal leave of absence ("PLOA"), the option will be exercisable only to the extent and during the times specified in this Section 5:
 - (1) If the duration of the PLOA is 365 days or less, you may exercise any part of the option that vested prior to the commencement of the PLOA at any time during the PLOA. If the duration of the PLOA is greater than 365 days, any part of the option that had vested prior to the commencement of the PLOA and that has not been exercised will terminate on the 365th day of the PLOA.
 - (2) If the duration of the PLOA is less than thirty (30) days:
 - a. The exercisability of any part of the option that would have vested during the PLOA shall be deferred until the first day that you return to work (i.e., the date that the PLOA is terminated); and

- b. Any part of the option that had not vested at the commencement of the PLOA and would not have vested during the PLOA shall vest in accordance with the normal schedule indicated in the Notice of Grant and shall not be affected by the PLOA.
- (3) If the duration of the PLOA equals or exceeds thirty (30) days, the exercisability of each part of the option scheduled to vest after commencement of the PLOA shall be deferred for a period of time equal to the duration of the PLOA, however, in no event shall the term of the option be extended beyond ten (10) years from the date of grant. If you terminate employment after returning from the PLOA but prior to the end of such deferral period, you shall have no right to exercise any unvested portion of the option, except to the extent provided otherwise in Sections 8 and 9 hereof, and such option shall terminate as of the date that your employment terminates.
- (4) If you terminate employment with the Corporation during a PLOA:
 - a. Any portions of the option that had vested prior to the commencement of the PLOA shall be exercisable in accordance with Sections 7 through 9 hereof, as applicable; and
 - b. Any portions of the option that had not vested prior to the commencement of the PLOA shall terminate, except to the extent provided otherwise in Sections 8 and 9 hereof.
- (b) If you take an approved Leave of Absence ("LOA") other than a PLOA under Intel Leave Guidelines, the vesting of your options shall be unaffected by such absence and will vest in accordance with the schedule set forth in the Notice of Grant.

6. SUSPENSION OR TERMINATION OF OPTION FOR MISCONDUCT

If you have allegedly committed an act of misconduct as defined in the 2004 Plan, including, but not limited to, embezzlement, fraud, dishonesty, unauthorized disclosure of trade secrets or confidential information, breach of fiduciary duty or nonpayment of an obligation owed to the Corporation, an Authorized Officer, as defined in the 2004 Plan, may suspend your right to exercise the option, pending a decision by the Committee (or Board of Directors, as the case may be) or an Authorized Officer to terminate the option. The option cannot be exercised during such suspension or after such termination.

7. TERMINATION OF EMPLOYMENT

Except as expressly provided otherwise in this Agreement, if your employment by the Corporation terminates for any reason, whether voluntarily or involuntarily, other than death, Disablement (defined below), or discharge for misconduct, you may exercise any portion of the option that had vested on or prior to the date of termination at any time prior to ninety (90) days after the date of such termination. The option shall terminate on the 90th day to the extent that it is unexercised. All unvested stock options shall be cancelled on the date of employment termination, regardless of whether such employment termination is voluntary or involuntary.

For purposes of this Section 7, your employment is not deemed terminated if, prior to sixty (60) days after the date of termination from Intel or a Subsidiary, you are rehired by Intel or a Subsidiary on a basis that would make you eligible for future Intel stock option grants, nor would your transfer from Intel to any Subsidiary or from any one Subsidiary to another, or from a Subsidiary to Intel be deemed a termination of employment. Further, your employment with any partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which Intel or a Subsidiary is a party shall be considered employment for purposes of this provision if either (a) the entity is designated by the Committee as a Subsidiary for purposes of this provision or (b) you are designated as an employee of a Subsidiary for purposes of this provision.

8. DEATH

Except as expressly provided otherwise in this Agreement, if you die while employed by the Corporation, the executor of your will, administrator of your estate or any successor trustee of a grantor trust may exercise the option, to the extent not previously exercised and whether or not vested on the date of death, at any time prior to 365 days from the date of death.

Except as expressly provided otherwise in this Agreement, if you die prior to ninety (90) days after terminating your employment with the Corporation, the executor of your will or administrator of your estate may exercise the option, to the extent not previously exercised and to the extent the option had vested on or prior to the date of your employment termination, at any time prior to 365 days from the date of your employment termination.

The option shall terminate on the applicable expiration date described in this Section 8, to the extent that it is unexercised.

9. DISABILITY

Except as expressly provided otherwise in this Agreement, following your termination of employment due to Disablement, you may exercise the option, to

the extent not previously exercised and whether or not the option had vested on or prior to the date of employment termination, at any time prior to 365 days from the date of determination of your Disablement as described in this Section 9; provided, however, that while the claim of Disablement is pending, options that were unvested at termination of employment may not be exercised and options that were vested at termination of employment may be exercised only during the period set forth in Section 7 hereof. The option shall terminate on the 365th day from the date of determination of Disablement, to the extent that it is unexercised. For purposes of this Agreement, "Disablement" shall be determined in accordance with the standards and procedures of the then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, and in the event you are not a participant in a then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, "Disablement" shall have the same meaning as disablement is defined in the Intel Long Term Disability Plan, which is generally a physical condition arising from an illness or injury, which renders an individual incapable of performing work in any occupation, as determined by the Corporation.

10. INCOME TAXES WITHHOLDING

Nonqualified stock options are taxable upon exercise. To the extent required by applicable federal, state or other law, you shall make arrangements satisfactory to Intel for the satisfaction of any withholding tax obligations that arise by reason of an option exercise and, if applicable, any sale of shares of the Common Stock. Intel shall not be required to issue shares of the Common Stock or to recognize any purported transfer of shares of the Common Stock until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having Intel withhold a portion of the shares of the Common Stock that otherwise would be issued to you upon exercise of the option, or to the extent permitted by the Committee, by tendering shares of the Common Stock previously acquired.

11. TRANSFERABILITY OF OPTION

Unless otherwise provided by the Committee, each option shall be transferable only

- (a) pursuant to your will or upon your death to your beneficiaries, or
- (b) by gift to your Immediate Family (defined below), partnerships whose only partners are you or members of your Immediate Family, limited liability companies whose only shareholders are you or members of your Immediate Family, trusts established solely for the benefit of you or members of your Immediate Family, or private, charitable foundations in which you or members of your Immediate Family control the management of the foundation's assets.

For purposes of these Terms, "Immediate Family" is defined as your spouse or domestic partner, children, grandchildren, parents or siblings.

With respect to transfers by gift, options are transferable to private, charitable foundations only to the extent the options are vested at the time of transfer. Options may be transferred by gift to partnerships, limited liability companies, or trusts in accordance with subsection (b) above, whether or not vested at the time of transfer. Any purported assignment, transfer or encumbrance that does not qualify under subsections (a) and (b) above shall be void and unenforceable against the Corporation.

Any option transferred by you pursuant to this section shall not be transferable by the recipient except by will or the laws of descent and distribution.

The transferability of options is subject to any applicable laws of your country of residence or employment.

12. DISPUTES

The Committee or its delegate shall finally and conclusively determine any disagreement concerning your option.

13. AMENDMENTS

The 2004 Plan and the option may be amended or altered by the Committee or the Board of Directors of Intel to the extent provided in the 2004 Plan.

14. THE 2004 PLAN AND OTHER AGREEMENTS; OTHER MATTERS

- (a) The provisions of these Terms and the 2004 Plan are incorporated into the Notice of Grant by reference. Certain capitalized terms used in these Terms are defined in the 2004 Plan.

These Terms, the Notice of Grant and the 2004 Plan constitute the entire understanding between you and the Corporation regarding the option. Any prior agreements, commitments or negotiations concerning the option are superseded.

The grant of an option to an employee in any one year, or at any time, does not obligate Intel or any Subsidiary to make a grant in any future year or in any given amount and should not create an expectation that Intel or any Subsidiary might make a grant in any future year or in any given amount.

- (b) Options are not part of your employment contract (if any) with the Corporation, your salary, your normal or expected compensation, or other remuneration for any purposes, including for purposes of computing severance pay or other termination compensation or indemnity.

- (c) Notwithstanding any other provision of these Standard Terms, if any changes in the financial or tax accounting rules applicable to the options covered by these Standard Terms shall occur which, in the sole judgment of the Committee, may have an adverse effect on the reported earnings, assets or liabilities of the Corporation, the Committee may, in its sole discretion, modify these Standard Terms or cancel and cause a forfeiture with respect to any unvested options at the time of such determination.
- (d) Nothing contained in these Standard Terms creates or implies an employment contract or term of employment upon which you may rely.
- (e) To the extent that the option refers to the Common Stock of Intel Corporation, and as required by the laws of your residence or employment, only authorized but unissued shares thereof shall be utilized for delivery upon exercise by the holder in accord with the terms hereof.
- (f) Because this Agreement relates to terms and conditions under which you may purchase Common Stock of Intel, a Delaware corporation, an essential term of this Agreement is that it shall be governed by the laws of the State of Delaware, without regard to choice of law principles of Delaware or other jurisdictions. Any action, suit, or proceeding relating to this Agreement or the option granted hereunder shall be brought in the state or federal courts of competent jurisdiction in the State of California.

INTEL CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT
UNDER THE 2004 EQUITY INCENTIVE PLAN
(FOR GRANTS AFTER JANUARY 18, 2006 UNDER THE ELTSOP PROGRAM)

1. TERMS OF OPTION

This Nonqualified Stock Option Agreement (this "Agreement"), the Notice of Grant of Stock Options delivered herewith (the "Notice of Grant") and the Intel Corporation 2004 Equity Incentive Plan (the "2004 Plan"), as such may be amended from time to time, set forth the terms of your option identified in the Notice of Grant for grants formerly known as ELTSOP grants. As used herein, the "Corporation" shall mean Intel Corporation and its Subsidiaries.

2. NONQUALIFIED STOCK OPTION

This option is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted accordingly.

3. OPTION PRICE

The exercise price of this option (the "option price") is 100% of the market value of the common stock of Intel Corporation ("Intel"), \$.001 par value (the "Common Stock"), on the date of grant, as specified in the Notice of Grant. "Market value" means the average of the highest and lowest sales prices of the Common Stock as reported by NASDAQ.

4. TERM OF OPTION AND EXERCISE OF OPTION

To the extent the option has become exercisable (vested) during the periods indicated in the Notice of Grant and has not been previously exercised, and subject to termination or acceleration as provided in this Agreement and the requirements of this Agreement, the Notice of Grant and the 2004 Plan, you may exercise the option to purchase up to the number of shares of the Common Stock set forth in the Notice of Grant. Notwithstanding anything to the contrary in Section 5 or Sections 7 through 9 hereof, no part of the option may be exercised after ten (10) years from the date of grant.

The process for exercising the option (or any part thereof) is governed by this Agreement, the Notice of Grant, the 2004 Plan and your agreements with Intel's stock plan administrator. Exercises of stock options will be processed as soon

as practicable. The option price may be paid (a) in cash, (b) by arrangement with Intel's stock plan administrator which is acceptable to Intel where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the shares of the Common Stock issuable under the option to Intel, (c) by delivery of any other lawful consideration approved in advance by the Committee of the Board of Directors of Intel established pursuant to the 2004 Plan (the "Committee") or its delegate, or (d) in any combination of the foregoing. Fractional shares may not be exercised. Shares of the Common Stock will be issued as soon as practicable. You will have the rights of a stockholder only after the shares of the Common Stock have been issued. For administrative or other reasons, Intel may from time to time suspend the ability of employees to exercise options for limited periods of time.

Notwithstanding the above, Intel shall not be obligated to deliver any shares of the Common Stock if such delivery is prohibited by the laws of the United States or your country of residence or employment. If such delivery is prohibited at the time that all or part of the option is exercised, then such exercise may be made only in accordance with Intel's "cashless exercise" procedure, to the extent permitted under the laws of the United States and your country of residence or employment.

Notwithstanding anything to the contrary in this Agreement or the applicable Notice of Grant, Intel may reduce your unvested options if you change classification from a full-time employee to a part-time employee.

5. LEAVES OF ABSENCE

- (a) Except as expressly provided otherwise in this Agreement, if you take a personal leave of absence ("PLOA"), the option will be exercisable only to the extent and during the times specified in this Section 5:
 - (1) If the duration of the PLOA is 365 days or less, you may exercise any part of the option that vested prior to the commencement of the PLOA at any time during the PLOA. If the duration of the PLOA is greater than 365 days, any part of the option that had vested prior to the commencement of the PLOA and that has not been exercised will terminate on the 365th day of the PLOA.
 - (2) If the duration of the PLOA is less than thirty (30) days:
 - a. The exercisability of any part of the option that would have vested during the PLOA shall be deferred until the first day that you return to work (i.e., the date that the PLOA is terminated); and

- b. Any part of the option that had not vested at the commencement of the PLOA and would not have vested during the PLOA will vest in accordance with the normal schedule indicated in the Notice of Grant and shall not be affected by the PLOA.
- (3) If the duration of the PLOA equals or exceeds thirty (30) days, the exercisability of each part of the option scheduled to vest after commencement of the PLOA shall be deferred for a period of time equal to the duration of the PLOA, however, in no event shall the term of the option be extended beyond ten (10) years from the date of grant. If you terminate employment after returning from the PLOA but prior to the end of such deferral period, you shall have no right to exercise any unvested portion of the option, except to the extent provided otherwise in Sections 8 through 9 hereof, and such option shall terminate as of the date that your employment terminates.
- (4) If you terminate employment with the Corporation during a PLOA:
 - a. Any portions of the option that had vested prior to the commencement of the PLOA shall be exercisable in accordance with Sections 7 through 9 hereof, as applicable; and
 - b. Any portions of the option that had not vested prior to the commencement of the PLOA shall terminate, except to the extent provided otherwise in Sections 8 through 9 hereof.
- (b) If you take an approved Leave of Absence ("LOA") other than a PLOA under Intel Leave Guidelines, the vesting of your options shall be unaffected by such absence and will vest in accordance with the schedule set forth in the Notice of Grant.

6. SUSPENSION OR TERMINATION OF OPTION FOR MISCONDUCT

If you have allegedly committed an act of misconduct as defined in the 2004 Plan, including, but not limited to, embezzlement, fraud, dishonesty, unauthorized disclosure of trade secrets or confidential information, breach of fiduciary duty or nonpayment of an obligation owed to the Corporation, an Authorized Officer, as defined in the 2004 Plan, may suspend your right to exercise the option, pending a decision by the Committee (or Board of Directors, as the case may be) or an Authorized Officer to terminate the option. The option cannot be exercised during such suspension or after such termination.

7. TERMINATION OF EMPLOYMENT

Except as expressly provided otherwise in this Agreement, if your employment by the Corporation terminates for any reason, whether voluntarily or involuntarily, other than death, Disablement (defined below), or discharge for misconduct, you may exercise any portion of the option that had vested on or prior to the date of termination at any time prior to ninety (90) days after the date of such termination. The option shall terminate on the 90th day to the extent that it is unexercised. All unvested stock options shall be cancelled on the date of employment termination, regardless of whether such employment termination is voluntary or involuntary.

For purposes of this Section 7, your employment is not deemed terminated if, prior to sixty (60) days after the date of termination from the Corporation, you are rehired by Intel or a Subsidiary on a basis that would make you eligible for future Intel stock option grants, nor would your transfer from Intel to any Subsidiary or from any one Subsidiary to another, or from a Subsidiary to Intel be deemed a termination of employment. Further, your employment with any partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which Intel or a Subsidiary is a party shall be considered employment for purposes of this provision if either (a) the entity is designated by the Committee as a Subsidiary for purposes of this provision or (b) you are designated as an employee of a Subsidiary for purposes of this provision.

8. DEATH

Except as expressly provided otherwise in this Agreement, if you die while employed by the Corporation, the executor of your will, administrator of your estate or any successor trustee of a grantor trust may exercise the option, to the extent not previously exercised and whether or not vested on the date of death, at any time prior to 365 days from the date of death.

Except as expressly provided otherwise in this Agreement, if you die prior to ninety (90) days after termination of your employment with the Corporation, the executor of your will or administrator of your estate may exercise the option, to the extent not previously exercised and to the extent the option had vested on or prior to the date of your employment termination, at any time prior to 365 days from the date of your employment termination.

The option shall terminate on the applicable expiration date described in this Section 8, to the extent that it is unexercised.

9. DISABILITY

Except as expressly provided otherwise in this Agreement, following your termination of employment due to Disablement, you may exercise the option, to

the extent not previously exercised and whether or not the option had vested on or prior to the date of employment termination, at any time prior to 365 days from the date of determination of your Disablement as described in this Section 9; provided, however, that while the claim of Disablement is pending, options that were unvested at termination of employment may not be exercised and options that were vested at termination of employment may be exercised only during the period set forth in Section 7 hereof. The option shall terminate on the 365th day from the date of determination of Disablement, to the extent that it is unexercised. For purposes of this Agreement, "Disablement" shall be determined in accordance with the standards and procedures of the then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, and in the event you are not a participant in a then-current Long Term Disability Plan maintained by the Corporation or the Subsidiary that employs you, "Disablement" shall have the same meaning as disablement is defined in the Intel Long Term Disability Plan, which is generally a physical condition arising from an illness or injury, which renders an individual incapable of performing work in any occupation, as determined by the Corporation.

10. INCOME TAXES WITHHOLDING

You will be subject to taxation in accordance with the tax laws of the country where you are resident or employed. If you are an U.S. citizen or expatriate, you may also be subject to U.S. tax laws. To the extent required by applicable federal, state, local or foreign law, you shall make arrangements satisfactory to Intel or the Subsidiary that employs you for the satisfaction of any withholding tax obligations that arise by reason of an option exercise or any sale of shares of the Common Stock. Intel shall not be required to issue shares of the Common Stock or to recognize any purported transfer of shares of the Common Stock until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having Intel withhold a portion of the shares of the Common Stock that otherwise would be issued to you upon exercise of the option, or to the extent permitted by the Committee, by tendering shares of the Common Stock previously acquired.

11. TRANSFERABILITY OF OPTION

Unless otherwise provided by the Committee, each option shall be transferable only

- (a) pursuant to your will or upon your death to your beneficiaries, or
- (b) by gift to your Immediate Family (defined below), partnerships whose only partners are you or members of your Immediate Family, limited liability companies whose only shareholders are you or members of your Immediate Family, trusts established solely for the benefit of you or members of your Immediate Family, or private, charitable foundations in

which you or members of your Immediate Family control the management of the foundation's assets.

For purposes of this Agreement, "Immediate Family" is defined as your spouse or domestic partner, children, grandchildren, parents or siblings.

With respect to transfers by gift, options are transferable to private, charitable foundations only to the extent the options are vested at the time of transfer. Options may be transferred by gift to partnerships, limited liability companies, or trusts in accordance with subsection (b) above, whether or not vested at the time of transfer. Any purported assignment, transfer or encumbrance that does not qualify under subsections (a) and (b) above shall be void and unenforceable against the Corporation.

Any option transferred by you pursuant to this section shall not be transferable by the recipient except by will or the laws of descent and distribution.

The transferability of options is subject to any applicable laws of your country of residence or employment.

12. DISPUTES

The Committee or its delegate shall finally and conclusively determine any disagreement concerning your option.

13. AMENDMENTS

The 2004 Plan and the option may be amended or altered by the Committee or the Board of Directors of Intel to the extent provided in the 2004 Plan.

14. DATA PRIVACY

You explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Corporation for the exclusive purpose of implementing, administering and managing your participation in the 2004 Plan.

You hereby understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the 2004 Plan ("Data"). You hereby understand that Data may be transferred to any third parties assisting in

the implementation, administration and management of the 2004 Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You hereby understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the 2004 Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of Common Stock acquired under your options. You hereby understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the 2004 Plan. You hereby understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You hereby understand, however, that refusing or withdrawing your consent may affect your ability to participate in the 2004 Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you hereby understand that you may contact the human resources representative responsible for your country at the local or regional level.

15. THE 2004 PLAN AND OTHER AGREEMENTS; OTHER MATTERS

- (c) The provisions of this Agreement and the 2004 Plan are incorporated into the Notice of Grant by reference. Certain capitalized terms used in this Agreement are defined in the 2004 Plan.

This Agreement, the Notice of Grant and the 2004 Plan constitute the entire understanding between you and the Corporation regarding the option. Any prior agreements, commitments or negotiations concerning the option are superseded.

The grant of an option to an employee in any one year, or at any time, does not obligate Intel or any Subsidiary to make a grant in any future year or in any given amount and should not create an expectation that Intel or any Subsidiary might make a grant in any future year or in any given amount.

- (d) Options are not part of your employment contract (if any) with the Corporation, your salary, your normal or expected compensation, or other remuneration for any purposes, including for purposes of computing severance pay or other termination compensation or indemnity.

- (e) Notwithstanding any other provision of this Agreement, if any changes in the financial or tax accounting rules applicable to the options covered by this Agreement shall occur which, in the sole judgment of the Committee, may have an adverse effect on the reported earnings, assets or liabilities of the Corporation, the Committee may, in its sole discretion, modify this Agreement or cancel and cause a forfeiture with respect to any unvested options at the time of such determination.
- (f) Nothing contained in this Agreement creates or implies an employment contract or term of employment upon which you may rely.
- (g) To the extent that the option refers to the Common Stock of Intel, and as required by the laws of your country of residence or employment, only authorized but unissued shares thereof shall be utilized for delivery upon exercise by the holder in accord with the terms hereof.
- (h) Because this Agreement relates to terms and conditions under which you may purchase Common Stock of Intel, a Delaware corporation, an essential term of this Agreement is that it shall be governed by the laws of the State of Delaware, without regard to choice of law principles of Delaware or other jurisdictions. Any action, suit, or proceeding relating to this Agreement or the option granted hereunder shall be brought in the state or federal courts of competent jurisdiction in the State of California.

INTEL CORPORATION 2005 FORM 10-K
STATEMENT SETTING FORTH THE COMPUTATION
OF RATIOS OF EARNINGS TO FIXED CHARGES FOR INTEL CORPORATION

(In millions, except ratios)

	Years Ended				
	Dec. 29, 2001	Dec. 28, 2002	Dec. 27, 2003	Dec. 25, 2004	Dec. 31, 2005
Income before taxes	\$ 2,183	\$ 4,204	\$ 7,442	\$ 10,417	\$ 12,610
Add — Fixed charges net of capitalized interest	125	133	105	98	73
Income before taxes and fixed charges (net of capitalized interest)	<u>\$ 2,308</u>	<u>\$ 4,337</u>	<u>\$ 7,547</u>	<u>\$ 10,515</u>	<u>\$ 12,683</u>
<i>Fixed charges:</i>					
Interest	\$ 56	\$ 84	\$ 62	\$ 50	\$ 19
Capitalized interest	5	1	—	—	2
Estimated interest component of rental expense	69	49	43	48	54
Total	<u>\$ 130</u>	<u>\$ 134</u>	<u>\$ 105</u>	<u>\$ 98</u>	<u>\$ 75</u>
Ratio of earnings before taxes and fixed charges, to fixed charges	18x	32x	72x	107x	169x

INTEL CORPORATION
SUBSIDIARIES (All 100% Owned)

Subsidiaries of the Registrant	State or Other Jurisdiction of Incorporation
Componentes Intel de Costa Rica, S.A.	Costa Rica
Intel Americas, Inc.	Delaware, USA
Intel Asia Finance Ltd.	Cayman Islands
Intel Capital Corporation	Cayman Islands
Intel Copenhagen ApS	Denmark
Intel Corporation (UK) Ltd.	England and Wales
Intel Electronics Finance Limited	Cayman Islands
Intel Electronics Ltd.	Israel
Intel Europe, Inc.	California, USA
Intel International	California, USA
Intel International B.V.	Netherlands
Intel Ireland Limited	Cayman Islands
Intel Israel (74) Limited	Israel
Intel Kabushiki Kaisha	Japan
Intel Malaysia Sdn. Berhad	Malaysia
Intel Massachusetts, Inc.	Delaware, USA
Intel Overseas Funding Corporation	Cayman Islands
Intel Phils. Holding Corporation	California, USA
Intel Products (M) Sdn. Bhd.	Malaysia
Intel Semiconductor Limited	Delaware, USA
Intel Technology (US), LLC	California
Intel Technology Phils., Inc.	Philippines
Intel Technology Sdn. Berhad	Malaysia
Mission College Investments Ltd.	Cayman Islands
Silicon Philippines Inc.	Philippines
Xircom International Holdings Pte. Ltd.	Malaysia

CONSENT OF ERNST & YOUNG, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-33983, 33-29672, 33-41771, 33-63489, 333-20951, 333-24229, 333-45391, 333-45395, 333-67537, 333-93057, 333-90807, 333-77279, 333-75163, 333-82387, 333-88251, 333-96255, 333-33188, 333-34154, 333-36526, 333-38134, 333-39336, 333-39422, 333-42408, 333-46220, 333-49696, 333-57366, 333-58238, 333-58288, 333-59518, 333-59522, 333-59530, 333-63330, 333-115625, 333-124805 and 333-125914; and Form S-3 Nos. 33-20117, 33-54220, 33-58964, and 33-56107) of Intel Corporation of our reports dated February 21, 2006, with respect to the consolidated financial statements and schedule of Intel Corporation, Intel Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Intel Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

/s/ Ernst & Young LLP

San Jose, California
February 21, 2006

The following certification includes references to an evaluation of the effectiveness of the design and operation of the company's "disclosure controls and procedures" and to certain matters related to the company's "internal control over financial reporting." Item 9A of Part II of this Form 10-K presents the conclusions of the CEO and the CFO about the effectiveness of the company's disclosure controls and procedures and internal control over financial reporting based on and as of the date of such evaluations (relating to Item 4 of the certification), and contains additional information concerning disclosures to the company's Audit Committee and independent auditors with regard to deficiencies in internal control over financial reporting and fraud and related matters (Item 5 of the certification).

CERTIFICATION

I, Paul S. Otellini, certify that:

1. I have reviewed this annual report on Form 10-K of Intel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ PAUL S. OTELLINI

Paul S. Otellini
President and Chief Executive Officer

Date: February 24, 2006

The following certification includes references to an evaluation of the effectiveness of the design and operation of the company's "disclosure controls and procedures" and to certain matters related to the company's "internal control over financial reporting." Item 9A of Part II of this Form 10-K presents the conclusions of the CEO and the CFO about the effectiveness of the company's disclosure controls and procedures and internal control over financial reporting based on and as of the date of such evaluations (relating to Item 4 of the certification), and contains additional information concerning disclosures to the company's Audit Committee and independent auditors with regard to deficiencies in internal control over financial reporting and fraud and related matters (Item 5 of the certification).

CERTIFICATION

I, Andy D. Bryant, certify that:

1. I have reviewed this annual report on Form 10-K of Intel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ANDY D. BRYANT

Andy D. Bryant

Executive Vice President, Chief Financial Officer and

Principal Accounting Officer

Date: February 24, 2006

CERTIFICATION

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Intel Corporation (Intel), that, to his knowledge, the Annual Report of Intel on Form 10-K for the period ended December 31, 2005, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of Intel. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-K. A signed original of this statement has been provided to Intel and will be retained by Intel and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 24, 2006

By: /s/ PAUL S. OTELLINI
Paul S. Otellini
President and Chief Executive Officer

Date: February 24, 2006

By: /s/ ANDY D. BRYANT
Andy D. Bryant
Executive Vice President, Chief Financial Officer
and Principal Accounting Officer