

INTEL CORP

FORM SC TO-C

(Written communication relating to an issuer or third party)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

INTEL CORPORATION

(Name of Subject Company (Issuer) and Filing Persons (Offeror))

Common stock, \$0.001 par value
(Title of Class of Securities)

458140100
(CUSIP Number of Class of Securities (Underlying Common Stock))

Intel Corporation
2200 Mission College Boulevard
Santa Clara, California
(408) 765-8080

Attention: Corporate Secretary
(Name, address and telephone number of person authorized to receive notices and communications on behalf of filing persons)

Copies to:

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Washington, DC 20036
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CALCULATION OF FILING FEE

Transaction Valuation	Amount of Filing Fee*
N/A	N/A

* Pursuant to General Instruction D to Schedule TO, a filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

Check the box if any part of the fee is offset as provided by Rule 0- 11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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Date Filed: N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:



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This Tender Offer Statement is being refiled to include Exhibit 99.2 which was not included in the previous submission filed on March 24, 2009.

On March 23, 2009, Intel Corporation (“Intel” or the “Company”) filed a Preliminary Proxy Statement for the Annual Meeting of Stockholders of Intel to be held on May 20, 2009 (the “Preliminary Proxy Statement”), which among other things contains a proposal to be submitted to the Company’s stockholders to approve a stock option exchange program for employees other than the Company’s named executive officers and directors (the “Proposed Stock Option Exchange Program”). In connection with the Proposed Stock Option Exchange Program, Intel is herewith filing:

- a) a presentation given during an Open Forum webcast by Paul S. Otellini on March, 23, 2009, regarding, among other things, the Proposed Stock Option Exchange Program;
- b) the script of the Open Forum webcast given by Paul S. Otellini on March 23, 2009, regarding, among other things, the Proposed Stock Option Exchange Program;
- c) an Intranet article for all employees regarding the Proposed Stock Option Exchange Program; and
- d) a Q&A for employees regarding the Proposed Stock Option Exchange Program (March 23, 2009).

Neither the Preliminary Proxy Statement nor the communications attached as exhibits to this Schedule TO constitute an offer to holders of the Company’s outstanding stock options to exchange those options. The Proposed Stock Option Exchange Program will only be commenced, if at all, if the Company’s stockholders approve the Proposed Stock Option Exchange Program.

The Stock Option Exchange Program has not yet commenced. Intel will file a Tender Offer Statement on Schedule TO with the Securities and Exchange Commission (“SEC”) upon the commencement of the Stock Option Exchange Program. Persons who are eligible to participate in the Stock Option Exchange Program should read the Tender Offer Statement on Schedule TO and other related materials when those materials become available, because they will contain important information about the Stock Option Exchange Program.

In connection with the proposal to be voted on by Intel’s stockholders to approve the Stock Option Exchange Program, Intel has filed a preliminary proxy statement with the SEC and intends to file other relevant materials with the SEC, including a definitive proxy statement. Intel stockholders are urged to read such materials as and when they become available and before making any voting decision regarding the Stock Option Exchange Program, because they will contain important information about the proposal to be voted on by stockholders with respect to the Stock Option Exchange Program.

Intel stockholders and option holders will be able to obtain the written materials described above and other documents filed by Intel with the SEC free of charge from the SEC’s website at www.sec.gov. In addition, stockholders and option holders may obtain free copies of the documents filed by Intel with the SEC by directing a written request to: Intel Corporation, 2200 Mission College Boulevard, Santa Clara, California, 95054-1549, Attention: Investor Relations.

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Item 12. Exhibits

Exhibit Number	Description
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- | | |
|------|--|
| 99.1 | Presentation given during an Open Forum webcast by Paul S. Otellini on March, 23, 2009, regarding, among other things, the Proposed Stock Option Exchange Program. |
| 99.2 | Script of the Open Forum webcast given by Paul S. Otellini on March 23, 2009, regarding, among other things, the Proposed Stock Option Exchange Program. |
| 99.3 | Intranet article for all employees regarding the Proposed Stock Option Exchange Program. |
| 99.4 | Q&A for employees regarding the Proposed Stock Option Exchange Program (March 23, 2009). |



PAUL S. OTELLINI

Special Announcement
Mar 23, 2009

Legal Information

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- *In connection with the proposal to be voted on by Intel's stockholders to approve the Stock Option Exchange Program discussed in this communication, Intel has filed a preliminary proxy statement with the SEC and intends to file other relevant materials with the SEC, including a definitive proxy statement. Intel stockholders are urged to read such materials as and when they become available and before making any voting decision regarding the Stock Option Exchange Program, because they will contain important information about the proposal to be voted on by stockholders with respect to the Stock Option Exchange Program.*
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Current Environment

- Intel continuing to focus on efficiency during downturn
- Sustaining investments in our technology and products
- Today: investing further in you



What We're Announcing

- Special, one-time Investment Stock Grant
- Increased Focal RSU Grant size for non-exempt employees
- Stock Option Exchange Program for “underwater” options



Why We're Making This Announcement

- We believe in our future, and our employees will help us create it
- Investment in our employees is essential to our competitiveness
- Broad-based stock program remains an important component of our overall compensation package
- Want employees to share in long-term success of Intel

Intel is Investing in You



Investment Stock Grants

- Special one-time award; investment in employees
- Meritocracy-based
- Grants are in addition to '09 Focal grants
 - Same share level, same mix of RSUs/stock options
 - Work same way as focal grants
- Manager will deliver at Focal performance review
 - You will receive separate grant letter at Focal



Increase in Focal RSU Grant Sizes for Non-Exempt Employees

- Bring non-exempt Focal RSUs to more meaningful levels
- Increase will be about double current grant size
- This change is here to stay
- Investment stock grants based on new Focal RSU levels



Stock Option Exchange Program

- Requires shareholder approval in May
 - “Value for value” program – expect approval
- Voluntary program
 - Employees exchange “underwater” options for fewer new options at the market price on exchange date
- Implementation targeted for Q4'09
 - Barring significant market changes—for example, if the stock price recovers enough to make the exchange unproductive



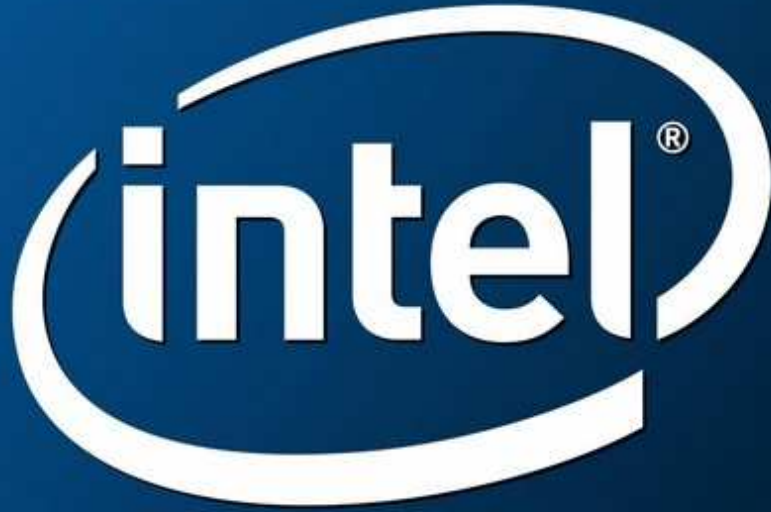
Q & A



Summary

- Investing in our employees
- We will power through this downturn together
- Poised for long term success – we can all share in it





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[Start of recorded material]

Steve Sanders:

Hello everyone, and welcome to the [Silicon] forum and webcast with Intel’s President and CEO Paul Otellini. I’m Steve Sanders with employee communications, and we’re here in the [FC12] auditorium at Intel Santa Clara headquarters. Many thanks to all of you in the room and all of you on webcast for joining us today.

Now in just a moment, we’re going to be giving our full attention to Paul, who will be making a special announcement about Intel’s employee stock programs. After his announcement, Paul will be taking your questions both on the announcement itself, as well as other topics currently on your minds. And we’ll take questions both in the room and on the webcast.

And if you’re in the room and have a question, just go ahead and step up at the microphone so the folks on the webcast can hear you. We have mikes in each of the aisles. And if you’re on the webcast, go ahead and use the online Q&A tool on your viewing screen. So

with that, let's go ahead and get started. And now here's Paul Otellini.

Paul Otellini:

Thank you Steve. Good morning. Today's announcements will be I hope short and sweet, okay? But let me start with the obligatory. I'm not going to read this. There are some things I will talk about this morning that have consequences relative to the SCC and required a filing in our proxy this morning. That's one of the reasons—some of you may have read online some of the elements of what I'm talking about because it came out in the proxy statement that was public at 5AM this morning.

What I'm going to say today will involve some decisions on your behalf, on your part as employees relative to your options. And what I would like to ask you to do is make sure you read in detail what decisions are being asked of you. And the best place to do that will be in the proxy material and in all the material that's available from HR. You need to be informed as employees as you make these choices. And that's all I'm going to say about the legal side of this one.

Current environment. Yup, we're continuing to focus on efficiency during this downturn. You've seen some of the actions announced since the last webcast that had to do with closures or downsizing of some of our older facilities. We essentially have gone through and talked to all the affected employees about those now. I'm sad that

we had to do that, but it's necessary to consolidate our manufacturing.

Volume is down as you've seen quite substantially right now. And volume on older technologies and older factory needs is certainly down. And as we move to more advanced technologies—we're moving to 32 nanometers later this year, etcetera—we just felt a need to be able to optimize our factory network. So the efficiency gene has not gone away, and we'll continue to focus on that particularly during I think very, very turbulent economic times.

One the other hand, we are I think sustaining all of our investments, not just in technology but in the growth businesses. We're not backing off. Our R&D this year is going to be well north of 5 billion dollars. And you saw the announcement of 7 billion dollars being invested into 32 nanometer factory network for the deployment over the next 18 months. So we're staying the course, and in fact I would say we're actually pushing the gas pedal down a little bit to try and get new technologies out over faster.

You've seen all that stuff. Today I want to talk about investing in you—not just in technologies but in you as employees—and what we have in mind. We're announcing three things today. We're announcing a one time investment stock grant. I'll cover these each in detail. We're covering a one time interesting stock grant. Think of that as a supplemental grant, an investment in you.

Secondly, we are increasing for baseline of the RSU levels of all the non-exempt employees—we're essentially doubling those. I'll talk more about that. And we are offering a stock option exchange problem subject to shareholder approval. And I'll talk about that. Essentially exchanging underwater options for re-priced options. So three pieces of I hope good news here.

Why are we doing all this? I think it's important that you understand that I believe in particular that we have a very, very bright future ahead of us. Traditionally as a company, we've done better in recessions than people around us. If you look at the tea leaves—and we've just finished our [slurp] presentation—I still think that's true. I think we'll come out of this one stronger than when we went in, and we'll come out of it stronger relative to others in the semiconductor industry.

If you look at even last year—a year where we had a good three quarters and a disappointing Q4—when the final numbers for 2008 came in for all the semiconductor industry, we're still number one. We're number one almost by a factor of two versus the next company, which is Samsung.

And our revenues just kind of shrunk a little bit last year. Everybody else shrunk a lot. And you can really see us differentiating ourselves from the pack. And I think '09 you'll continue to see that trend where Intel—even in a poor market—tends to outperform its peer companies in semiconductors.

But what I want to talk about today is investing in you. At the end of the day, we can't develop these new technologies, these new products, new marketing programs, new branding programs without all the work that you put in every day. And I think it's as essential to our competitiveness as our R&D spend, as our factory deployment.

I believe very strongly that a broad based stock option program is a very important component of our overall compensation plan, but it's also key to the culture of the company. I think it's important that all of us are invested in the company as owners, as shareholders, as stockholders of the company. And Intel, as you know, is one of the last companies around to still have a top to bottom stock program.

We've modified it over the years, put less exposure to the pricing issues of options into the non-exempt compensation plans and given you RSUs principally. But we're still doing that, and we'll increase that today as I'll talk about. But it's important at the end of the day that you are as invested in the company as our external shareholders are, and that you can benefit in the success as the company grows.

Investment stock grants—that's the first part. We're making a special one time award. This is meritocracy based, so one of the questions I got when we said earlier this year that we were not going to do focal raises and promotions was that, "Well, why are we going through this whole focal process?" And I said I thought it

was important that all of us got feedback on our performance and that all of us saw how we were in terms of rank versus our peers in terms of meritocracy.

And one of the ways that we can pay off that now is to ensure that the stock grants that we're giving both focal and these incremental grants are based on those same ranking and ratings in terms of meritocracy. So it's a meritocratic based grant. Everyone in a certain grade is not going to get the same. The best performers are going to get more than people down in the rank groups.

These grants are in addition to the focal '09 grants. It will be the same share level and mix of RSUs versus non-quals as you get in your normal focal grants. So think of it as a doubling of the annual focal grant, right? And it will work the same way as the focal grants. Your manager will deliver them to you when you get your focals, and they will be part of the pay letter you get when you get your focal.

In the past we've done this—I can't remember the last time we did it. '02 I think was probably the last time. It was called a supplemental grant then. It was before we had RSUs, but it's the same kind of construct. We felt it was important to be able to double up at a time when the stock is still relatively low so that you could have a good baseline as things improve over the years. So that's number one.

Number two, we're bringing all of the non-exempt RSUs up to more meaningful levels here in terms of increasing the focal grants. This is about double—not always double in every case, but about double the RSU grants that you were getting on focal grants. And this is a permanent change.

We've increased these new levels, and this new level will be the baseline on which the investment grant is set. So your focal grant goes up, and the investment grant that matches that is at the new level as well for the non-exempt employees that are getting RSUs.

And then last, we've been looking at a number of ways to take advantage if I can say it that way of the fact that the stock price is very low and that option prices are very high. Anything that we do in this area in terms of re-pricing or exchanges would require a shareholder vote. So we're not doing re-pricing. That would never pass a shareholder vote, and I don't think is right for the culture of the company.

What we're going to ask the shareholders to approve is an exchange program. This will be voluntary for you as employees. I won't give you any advice on whether you should opt in or opt out, but I would hope that you'll find it self explanatory. What we're asking the shareholders to do is allow us to exchange your underwater options for new options that will be priced at the date of the grant and that will be four year vesting and seven year life. So just like the old options that you're exchanging were.

This from a shareholder standpoint is a neutral thing. Since we will exchange the options at the Black-Scholes value, the shareholders we think will be neutral in this—mathematically we're neutral—and we think they'll be very supportive. One of the things we did is we worked with ISS. ISS is Institutional Shareholder Services. They're the people that recommend votes yea or nay on various proxy matters in the corporate world.

And these people are very influential. In particular, they're influential for the large institutional shareholders that hold so many of Intel's shares. And in general, these institutional shares vote very often yes or no based on ISS recommendations. So we spent a lot of time putting together a program that passed all of the ticks that are required to get ISS to say, "Yes, we're going to support this."

There's no guarantee, but we feel very strongly that ISS will support it. If ISS supports it when the proxy vote comes, there's a very good likelihood in my opinion—no guarantees again—that the shareholders will say yes and vote it. And once they do that, that kicks into place a plan for us to be able to do the exchange.

At this point in time, given the rules on ISS exchange, you can't exchange for options that are below the 52 week high on the stock. So when you look at the 52 week high on the stock and the number of options and how they're priced in the various layers of option

grants we have outstanding, the best time to do that we believe would be sort of the end of October, early November timeframe.

That's the point in time when the 52 week performance on the stock that we've had clears a hurdle that meets the ISS test, but also puts enough shares into the pot to make it very interesting for the employees. We'll put the story behind this on to circuit and the various documents that you get to see how the math works behind that.

As I said, this is variable. We will retain the option inside the company as management to be able to pull this in obviously if the share price starts jumping up dramatically. The worst thing we could do is to have a quick jump on the share price—very large jump—and negate the opportunity to do this.

On the other hand, a quick jump on the share price would take a lot of the shares that are coming into the pot in the fourth quarter out. So we have a delicate balancing act to go through to watch what's the right time to do this. I think the odds are—given just the way the market is performing nowadays—that it will be in the October November timeframe—just all things being equal.

This will be voluntary. You have a choice to do this, and we'll explain the details behind that once we get shareholder approval. There's no need to go through all of the details on that until we get a yes vote. Once we do that in May—the shareholder meeting is I

think May 15th or 18th. Once we get that, then I think that that's the right time to talk to you about how the program works.

Okay, so exchange, value for value, shareholder neutrality. In theory, you should have the opportunity to exchange underwater options for new options at the price in October November, whenever we set it. And it'll be fewer shares since its value for value. So your \$65 options are not going to generate as many shares as your whatever the heck price is going to be in November options. But at least they're priced at the market versus a large number.

So let me stop there and take questions in here and on the Web, and then wrap it up after that. Those are all my announcement today, by the way, so nothing else coming. [Patty].

Female Voice:

Paul, I know that you're sometimes humble with public praise, so I apologize in advance if this embarrasses you. But there are not many people who understand as well as I do some of the challenges of a CEO behind the scenes, and I just want to publically say thank you for putting employees first.

Male Voice:

Hi Paul. I'm [Josh Hunt]. I'm the [unintelligible]. At business school, we were often educated that to a company, the ultimate goal of a company is to maximize shareholder value. And I'm just interested in today's announcement whether this announcement reflects your new vision that companies should not emphasize too

much about the maximization of the shareholder values. Thank you.

Interviewer:

Well, first of all, there's some interesting literature out now on maximizing shareholder value for the short term. And the guy who started this whole trend—as you may know—was Jack Welch. And Jack has now said, “No, no, no. I was misinterpreted.” And he said, “What I really was looking at wasn't short term value but long term value.”

And I think Intel is the quintessential example of trying to balance short term and long term needs in terms of building a company. We seldom take actions to optimize one way or another for the short term. We always tend to be a very long term centric company and long term value associated with that. So that hasn't changed. And my attitude towards that hasn't changed a bit.

As I said, in terms of shareholder value, this exchange program is neutral. So I expect the shareholders to say yes because it will not cost them any more. It will in theory reduce the dilution of the stock because you're trading in lots of shares that would likely never be exercised for some that might. But the theoretical dilution is reduced.

And then second of all, there is a significant incentive built in to the employee based compensation now, not just from the exchange shares but also from the supplemental options. I believe that people

tend to work as they're rewarded and work as they're motivated. So this is a very strong vote on the motivation of the employee base, which I believe long term will benefit the shareholders.

Male Voice: Hey Paul. Thanks for the programs. I have a quick question. Some of us have options that are expiring or hitting that ten year limit, and they're expiring between May and July.

Paul Otellini: Yeah, me too.

Male Voice: Nice to know we're in the same boat. So pending the shareholders' approval, does that mean that those options will still be available for me to exchange?

Paul Otellini: No, when they expire they expire. Sorry. We couldn't do anything about that. And part of that is the ones that are expiring—some of those don't necessarily meet the 52 week high problem. So we looked at what's the right time to do this versus the preponderance of options that are out there, and there's really no way to do it. Some people have options expiring today or tomorrow in terms of some of this stuff.

And so this was really the best program we could construct for the most amount of people that fit into the guidelines of what we thought ISS would do. By the way—I didn't mention this—the top five in the company are not allowed to play in this program. So

myself and the next four cannot play in this. This is for employees, not for senior management.

Male Voice: On a slightly different note, Paul. Two years ago, you announced that we were sponsoring the Formula One and all of that.

Paul Otellini: I didn't announce that. I inherited that puppy. I feel like Obama, don't I?

Male Voice: If we're looking to save money, that's millions of dollars—

Paul Otellini: The team in Europe has done a marvelous job modifying that. It's a contract first of all, so there are things you can do and things you can't do. But the team in Europe has done a marvelous job reducing our costs in that program and spreading them out over a much longer period of time. And BMW has been very good about doing that. So it wasn't left untouched. And obviously that was one of the things we thought about, "Let's just stop that." But a contract's a contract, so we have to negotiate within the framework of what we've agreed to.

Male Voice: Okay. And I guess my question was if we can't get out of it, can we at least insist they get a driver who doesn't crash every time?

Paul Otellini: They did really well last year. They're off to a poor start. How about a Web question or two?

- Male Voice: Paul, are Intel executives receiving a different investment stock grant from those of the typical Intel employee?
- Paul Otellini: Yeah. So what I said was that for employees, the investment stock grant was equal to your focal grant. For MCM it's not. It's about half, and it's spread out over a longer period of time. It's spread out over a couple of years, and it's all options as opposed to options and RSUs. So it's not as good as you're getting and it's not as soon as you're getting. Next.
- Male Voice: Will this investment stock grant add expense to our financial sometimes? If so, how can Intel afford to offer the investment stock grant in this cost cutting environment?
- Paul Otellini: Yes, it does—just like any grant, we expense options at the Black-Scholes value. At today's price, this is about a 400 million dollar plus expense for the investment grant. That's spread over four years though, so in the grand scheme of option grants and so forth, it's not that large of a deal when you consider how much we give out every year anyway.
- And I think that since it's not a cash cost, it doesn't really hit us short term in terms of the ability to fund new investments. And we've built it into all of our models and it makes sense for us to do this financially. Okay, any other questions in here or on the Web? I told you this would be short and sweet.
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Male Voice: I've got another on the Web. Is there anything managers or employees need to do now to get ready for the stock option exchange program?

Paul Otellini: Employees, no. It'll be explained to you as you go through the focal process. We'll have materials out on the exchange program once we I hope win the vote. For managers, I think that there's an obligation for you to get up to speed on the specifics of the program. I assume we'll have a training program through HR on focal so that you can explain to your employees—not just when you give reviews but also subsequent to May 15th or 18th—as to how this works. I think it's important.

One thing you will not get though—you will not get Intel management giving you advice on which way to vote in terms of your own options. It would be improper. In terms of any of you that own stock and that want to vote in the proxy, I would strongly encourage you to vote. Employees own a lot of stock collectively. I'm not going to tell you how to vote, but I'd like you to vote and vote your conscience and do the right thing.

Male Voice: Hi Paul. I'm a new employee, so it's a question unrelated to stock grants. So the AMD announcement splitting the company and the Intel statement that Intel does not like that structure and objects to the cross licensing aspect of it—how does it play out in your view? And second question is the same for Invidia. Invidia has announced intent to go [X86]. How are we reacting to that?

Paul Otellini:

Well, on Nvidia we're not going to react to anything until there's a real product. They have a cross license from us. It has certain exclusions in it. It has a certain period in terms of when it runs, when it's valid. When and if they have a real product, we'll have a discussion of whether it violates it or not. That's a TBD situation.

With AMD, we've analyzed the structure that they have quite extensively. They published all the documents associated with the contract with the [Mubadala] guys. So it was very clear in terms of the way the structure was being put together and the way the ownership was really financially versus the voting stock, and what events happened and triggered certain changes in the ownership of the company.

As we looked at that, we feel very strongly that what they did is they violated certain terms of the cross license that we have between us and AMD. We talked to them privately about that. We were unable to resolve our differences. The cross license we have with AMD requires we go to arbitration and that we give notice of arbitration as the first step. Subsequent steps would be to go to trial somewhere on a lawsuit if we can't settle through arbitration.

And the notification by Intel to AMD of the intent to arbitrate was a material event for AMD, so they had to disclose it. And that's why everything kind of came out publically. It was not a material event

for us. We wouldn't have disclosed it otherwise. So we only disclosed it in response to their disclosure. Okay?

How do I what? I can't give you that. How do I see it playing out? Through the courts. But needless to say, we wouldn't have done this if we didn't think we had a really strong position. Why pick a fight if you can't win? Anything else?

Male Voice: A separate business question. What do you think of rumors for IBM acquiring Sun? Good for us? Did Cisco entry spur IBM?

Paul Otellini: Oh, I don't know if the Cisco entry spurred IBM. I think cheap Sun price—a low price spurred a lot of interest. I can tell you that Sun was shopped around the valley and around the world in the last few months. A lot of companies got calls or visits on buying some or all the assets of the company. It looks like IBM is in the hunt now. And at a hundred and some odd percent premium, I suspect they'll get it.

I don't think it had anything to do with Cisco. I think IBM is trying to consolidate architectures. IBM has the strongest Java license in the industry. By picking up Sun—which is the creator of Java—they really consolidate their position not just in Linux, but also in Java.

I think the stuff on Solaris and SPARC is likely to see EOLs over time through the IBM acquisition. But no strategic reason for IBM to maintain that except to attempt to convert the very large Sun

SPARC Solaris base to power. I think that would be their most likely strategy as part of this.

Is it good or bad for us? I don't know. I'd rather have Sun be independent I guess. You had a question.

Male Voice:

You said based on the 52 week high analysis, you decided that Q4 would be the best time. Is that some indication as to how our performance over the year is going to go? Is the stock price a reflection of the performance?

Paul Otellini:

No. You open up the papers. It's up 300, down 200, up 300, down 200. So I'm assuming that things are kind of in flux until the economy generally recovers, and the stock market tends to lead the GDP and lead unemployment inflexions. But I just look at where we would have to get to to make us want to do the exchange before that timeframe given the number of shares that become available in that window, and it's unlikely.

You know, you'd have to cross a certain number on the stock price. We've modeled this thing out. If it crossed a certain number on the stock price or approach it, to pull the trigger early. And I just don't see that pragmatically happening. On the other hand, if it does by some strange coincidence, I'd like to get as many people under the wire as possible. So we'll watch this.

Okay, we don't have to hang around. I'd prefer you go back to work and make these options worth something. So thank very much.

[End of recorded material]

Story highlights

Paul Otellini announced three changes to Intel stock programs.

The “good news” will affect nearly all employees.

A program to exchange underwater options needs approval, but could kick in by Q4.

‘Investing in you’

Walden Kirsch, Employee Communications

March 23, 2009

Coming on the heels of Intel’s recent large investment announcements in next-generation silicon technology, CEO Paul Otellini told employees Monday that “...today I want to talk about investing in *you* .”

Standing in front of employees at a special Open Forum in the SC12 auditorium, Paul unveiled three significant stock program changes—all focused at giving Intel employees more ways to benefit from the company’s future success. About 16,000 employees joined Paul via webcast Monday morning—near-record attendance.

Paul called his announcement “three pieces of what I hope are good news” for us all. Please see sidebar box for important details and Q&As for each of these announcements:

- **Investment Stock Grant.** Eligible employees will get a special, one-time stock grant. This grant will in effect double the grant size you receive at Focal. Like a Focal grant, it will be awarded meritocratically and will vest over four years. It will include a mix of RSUs and options in proportion to each employee’s Focal grant.
- **Increase in Focal RSUs for non-exempt employees.** Focal restricted stock unit (RSU) grants for non-exempt employees are being increased, to about double their current size. This is a permanent change.
- **Stock Option Exchange Program.** Stockholders will be asked to approve an exchange of Intel employees’ underwater options, for a lesser number of new options at market price on the date of exchange. This date will likely be in Q4, and the stock exchange will be voluntary. Additional information about this program will be available after Intel stockholders have voted in May.

Calling it “essential to our competitiveness” that Intel employees be literally invested in the company, Paul underscored his belief that Intel has a “very bright future ahead of us.” The stock program changes, he said, would enable employees to benefit as owners as our share price rises.

Intel is one of the last major companies to offer a top-to-bottom stock program for employees at all levels.

Noting Intel’s current share price, Paul said he believes that the new stock options (or RSUs) that employees receive in this recessionary period should provide a “good baseline as things improve over the years.”

Since the Stock Option Exchange Program will require stockholder approval, Paul told employees that company leaders have already done considerable homework—meeting with institutional and other large investors to gauge support for the program. “We spent a lot of time” with the influential agency called Institutional Shareholder Services (ISS), which independently evaluates corporate proxy proposals.

Paul said he believes that ISS will support the Stock Option Exchange Program, and if that happens, stockholders should follow suit.

As he typically does when he meets with employees, Paul spent the majority of the Open Forum taking questions, both in the room and via webcast. Excerpts follow.

What about underwater options due to expire before the exchange program starts?

Pointing out that some people have options that may expire in the following days or weeks, Paul said that only un-expired options at the time the program begins will be eligible for swap if the program is approved. He also noted that the option exchange program excludes the top five senior leaders at the company, including himself.

Do execs get an Investment Stock Grant?

Yes, but not as much and not as soon. Paul said that the Investment Grant for Intel's Management Committee Members (MCM) will be eligible for about half as many of these special one-time options as other employees are.

Also, their Investment Stock Grant will be given in two installments, half in 2009 and half in 2010, while employees will be awarded their entire Investment Stock Grant in 2009.

Will the Investment Stock Grants add an expense to Intel's bottom line?

Paul said yes, the grants do represent an expense—about \$400 million spread over four years—but this not a cash cost, and is not an unduly large expense in the greater scheme of the company's overall healthy financials.

Should employees vote in favor of the stock exchange proxy proposal?

Paul explicitly pointed out that "it would be improper" for management to give you advice on which way to vote. But he urged employees—almost all of whom are stockholders—to get up to speed on the program once additional details are announced in May. "Vote your conscience," Paul asked.

Stock program details

Here's a summary of Paul's three stock-related announcements:

1. The award of a special, one-time 2009 Investment Stock Grant. Read the Q&A [Q&A for employees regarding the Proposed Stock Option Exchange Program (March 23, 2009)].

- This Investment Stock Grant will equal the 2009 Focal stock grant in size and composition. The effect will be to double the Focal grant size for eligible employees this year (in countries where we offer stock).
- Grants are being awarded based on meritocracy. Only those employees who receive a 2009 Focal stock grant will receive an Investment Stock Grant.
- You will be informed of your individual Investment Stock Grant during your Focal performance review with your manager.

2. An increase in Focal RSU grant size for non-exempt employees. Read the Q&A [Q&A for employees regarding the Proposed Stock Option Exchange Program (March 23, 2009)].

- This increase brings Focal RSU grants to more meaningful levels, about double the current size.
- Eligible, non-exempt employees will be informed of their grant when managers meet with them to deliver their Focal performance review.

3. Stock Option Exchange Program. Read the Q&A [Q&A for employees regarding the Proposed Stock Option Exchange Program (March 23, 2009)]. Under this voluntary program, employees would be given the chance to exchange previously granted, underwater options for a fewer number of new options at the market price on the date of the exchange.

- Intel will need stockholder approval in May before the program is implemented.
- Implementation is planned for Q4 in countries eligible to participate, barring significant market changes. For example, if the stock price recovers enough the exchange might be unproductive.
- No employee action is required at this time. More details will be provided after the May stockholder meeting.

Stock Option Exchange Program

The Stock Option Exchange Program will need Intel stockholder approval in May before the program is implemented. Additional information about the program is contained in the Intel 2009 Proxy Statement filed with the U.S. Securities and Exchange Commission (SEC).

The proxy is a lengthy 67-page document. You may wish to read pages 58-63 for additional information relating to the Employee Stock Option Exchange Program. Among other details of the program, the proxy offers examples of exchange ratios for underwater stock options. As the proxy notes, exchange ratios cannot yet be determined.

The full proxy statement is available at the SEC web site.

The Stock Option Exchange Program has not yet commenced. Intel will file a Tender Offer Statement on Schedule TO with the Securities and Exchange Commission (“SEC”) upon the commencement of the Stock Option Exchange Program. Persons who are eligible to participate in the Stock Option Exchange Program should read the Tender Offer Statement on Schedule TO and other related materials when those materials become available, because they will contain important information about the Stock Option Exchange Program.

In connection with the proposal to be voted on by Intel’s stockholders to approve the Stock Option Exchange Program, Intel has filed a preliminary proxy statement with the SEC and intends to file other relevant materials with the SEC, including a definitive proxy statement. Intel stockholders are urged to read such materials as and when they become available and before making any voting decision regarding the Stock Option Exchange Program, because they will contain important information about the proposal to be voted on by stockholders with respect to the Stock Option Exchange Program.

Intel stockholders and option holders will be able to obtain the written materials described above and other documents filed by Intel with the SEC free of charge from the SEC’s website at www.sec.gov. In addition, stockholders and option holders may obtain free copies of the documents filed by Intel with the SEC by directing a written request to: Intel Corporation, 2200 Mission College Boulevard, Santa Clara, California, 95054-1549, Attention: Investor Relations.

Employee Q&A: Stock Option Exchange Program

Q: Why is Intel submitting a stock option exchange program for stockholder approval in May?

A: Many employees hold a significant amount of stock options that are both underwater and approaching expiration. As a result, these stock options have not delivered the value to employees we intended to provide at the time they were granted. If approved, the stock option exchange program will allow us to address this issue, and increase the motivational and retention value of our stock program with no increase in cost to the company. We are confident that Intel will be successful in emerging from this downturn, and want employees to share in the company's success.

Q: Why do we need stockholder approval?

A: Our 2006 Equity Incentive Plan specifically states that Intel must receive stockholder approval to provide a stock option exchange program. This plan is the stockholder approved plan that allows Intel to grant employee stock.

Q: When is the program likely to be implemented, and why not immediately after stockholder approval?

A: Implementation will occur within 9 months of receiving a positive vote at the stockholders meeting in May. The timing of implementation will be designed to make the greatest possible number of underwater options eligible for the exchange. Currently Q4 is expected to be optimal timing. Under the terms of the program, only options that have a grant price above the 52-week high stock price are eligible for the exchange. The current 52-week high price is approximately \$24, therefore, the numerous stock option grants with grant prices ranging from \$19 to \$24 would **NOT** be eligible for an exchange program offered at this time. In Q4, however, the 52-week high price would be approximately \$18 (unless the stock price goes above \$18 before then); therefore, the majority of underwater options will be eligible for the exchange.

Q: What are the terms of the program?

A: Employees will be able to voluntarily exchange their eligible underwater stock options, for a fewer number of new stock options with a lower grant (exercise) price: the price of Intel stock on the day the new stock options are granted. The new stock options will vest over 4 years from the date of grant at a rate of 25% per year, and they will expire 7 years from the day of grant.

Q: Who will be eligible for the stock option exchange program?

A: At the time the program is implemented, and in countries where tax and legal requirements allow, eligibility will include all active employees who hold eligible underwater stock options. Certain stock options (and countries) may be excluded from the program, such as grants from mergers and acquisitions, or grants with a grant price below the 52-week high price of Intel stock at the time of implementation. However, the intent of the program is to allow for the exchange of as many underwater stock options as possible.

Q: Will employees currently in or about to enter redeployment be eligible to participate in the stock option exchange program?

A: Yes. Employees in redeployment can participate in the stock option exchange program as long as they are still employed with Intel at the time the program is implemented.

Q: Will executives participate in the program?

A: Yes, except for the members of Intel's Board of Directors (including Craig Barrett) and the named executive officers of the company who are identified in the annual proxy statement submitted to the Securities and Exchange Commission (SEC). The named executive officers are: Paul Otellini, Stacy Smith, Andy Bryant, Sean Maloney and David Perlmutter.

Q: How will we find out the details of the stock option exchange program?

A: If the program is approved, an update will be shared with employees following the stockholder meeting in May. Employees will learn about the details of the program through a comprehensive communications and educational effort.

Q: Is there anything we need to do now to get ready for the program?

A: There's nothing you need to do until after we receive stockholder approval in May and details of the program are communicated. However, employees who are stockholders are eligible to vote on the Stock Option Exchange Program. On April 3, all stockholders will get information about the Annual Stockholder Meeting (to be held on May 20) via Circuit and in an e-mail from Broadridge, Intel's proxy agent. More information about the Stock Option Exchange Program is available in the proxy (available at www.intc.com). Voting for approval of the program is not the same thing as electing to participate in the program when it's implemented.

Q: Why are we doing this now when we haven't done it during other downturns?

A: First, in past downturns a large number of stock options have been underwater, but at no point in the past have virtually all outstanding stock options (over 99%) been underwater as they are today. Second, the magnitude of this downturn is unprecedented and the recovery time could be lengthy. By offering a stock option exchange, we hope to motivate employees to achieve superior results for Intel, and to benefit from the success of the company in the process.

Q: What will this program cost Intel?

A: Nothing. This exchange program is designed to be cost neutral.

Q: Does this program indicate a lack of confidence about the stock price growing in the future?

A: Absolutely not. We are confident that the company will emerge from this downturn stronger, yet also realize that the recovery could take some time. A good portion of employee's underwater stock options are rapidly approaching expiration. By offering a stock option exchange, we hope to underscore our belief in the future of Intel.

If you have additional questions that are not answered in this Q&A document, please contact [Ask ES](#) . If you are in Israel or Latin America contact [eCenter](#) .

Important Legal Information

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