

INTEL CORP  
Form DEF 14A  
April 11, 2002

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**SCHEDULE 14A INFORMATION**

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

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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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**INTEL CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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**INTEL CORPORATION**  
**2200 Mission College Blvd.**  
**Santa Clara, CA 95052-8119**  
**(408) 765-8080**

April 10, 2002

Dear Stockholder:

Intel's 2002 Annual Stockholders' Meeting will be held on May 22, 2002 at the Santa Clara Convention Center in Santa Clara, California, and we look forward to your attendance either in person or by proxy. For your convenience, we are pleased to offer a live Webcast of the annual meeting at [www.intc.com](http://www.intc.com).

The notice of annual meeting, proxy statement and proxy card from Intel's Board of Directors (the "Board") are enclosed. You may also read the notice of annual meeting on the Internet at [www.intel.com/intel/annual01](http://www.intel.com/intel/annual01) and the proxy statement on the Internet at [www.intel.com/intel/finance/proxy02](http://www.intel.com/intel/finance/proxy02).

We encourage you to conserve natural resources, as well as reduce printing and mailing costs, by signing up for **electronic delivery of Intel stockholder communications**. For more information, see "Electronic Delivery of Intel Stockholder Communications" on page 2.

At this year's annual meeting, the agenda includes the annual election of directors and a proposal to ratify the appointment of our independent auditors. The Board recommends that you vote **FOR** election of the slate of director nominees and **FOR** ratification of appointment of the independent auditors. Please refer to the proxy statement for detailed information on each of the proposals.

Please refer to the proxy statement for more detailed information about the annual meeting. If you have any questions concerning the annual meeting or any of the proposals, please contact Intel Investor Relations at (408) 765-4994. For questions regarding your stock ownership, you may contact our transfer agent, Computershare Investor Services, LLC, by e-mail at [web.queries@computershare.com](mailto:web.queries@computershare.com) or by phone at (800) 298-0146 (within the U.S. and Canada) or (312) 360-5123 (outside the U.S. and Canada, call collect). For questions relating to voting, you may contact D. F. King & Co., Inc., our proxy solicitors, at (800) 347-4750 (within the U.S. and Canada) or (212) 269-5550 (outside the U.S. and Canada, call collect).

Sincerely yours,

Andrew S. Grove  
Chairman of the Board

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## INTEL CORPORATION

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### Notice of Annual Stockholders' Meeting May 22, 2002 10:00 a.m. Pacific Time

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Dear Stockholder:

You are cordially invited to attend our 2002 Annual Stockholders' Meeting, which will be held on May 22, 2002 at the Santa Clara Convention Center, Santa Clara, California, at 10:00 a.m. Pacific Time. Driving directions and a map appear on the back cover of this proxy statement. For your convenience, we are also pleased to offer a live Webcast of the annual meeting at [www.intc.com](http://www.intc.com). For further details, see "Attending the Annual Meeting" on page 3. We are holding the annual meeting for the following purposes:

1. To elect a board of directors to hold office until the next annual stockholders' meeting or until their respective successors have been elected or appointed.
2. To ratify the appointment of Ernst & Young LLP as our independent auditors for 2002.
3. To transact such other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

These items are more fully described in the following pages, which are made part of this notice. Only stockholders of record on our books at the close of business on March 25, 2002 will be entitled to vote at the annual meeting. For 10 days prior to the annual meeting, a list of stockholders entitled to vote will be available for inspection at Intel's offices, 2200 Mission College Blvd., Santa Clara, California 95052-8119. If you would like to view the stockholder list, please call Intel Investor Relations at (408) 765-4994 to schedule an appointment.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting. Most stockholders have three options for submitting their vote: (1) via the Internet, (2) by phone or (3) by mail, using the paper proxy card. For further details, see your proxy card and "Voting" on page 3. If you have Internet access, **we encourage you to record your vote on the Internet**. It is convenient for you, and it also saves your company significant postage and processing costs.

THE BOARD OF DIRECTORS

By: F. THOMAS DUNLAP, JR.  
Secretary

Santa Clara, California  
April 10, 2002

**DOORS WILL OPEN AT 9:30 a.m.**

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<b>ELECTRONIC DELIVERY OF INTEL STOCKHOLDER COMMUNICATIONS</b>	

We encourage you to conserve natural resources, as well as reduce printing and mailing costs, by **signing up for electronic delivery of Intel stockholder communications**. With electronic delivery, you will receive documents such as the annual report and the proxy statement as soon as they are available, and you can easily submit your stockholder votes online. Electronic delivery can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery:

1. If you are a registered holder (you hold your Intel shares in your own name through Intel's transfer agent, Computershare Investor Services, LLC, or you have stock certificates), visit [www.us-computershare.com/consent/intel](http://www.us-computershare.com/consent/intel) to enroll.
2. If you are a beneficial holder (your shares are held by a brokerage firm, a bank or a trustee), visit [www.icsdelivery.com/intel](http://www.icsdelivery.com/intel) to enroll.

Your electronic delivery enrollment will be effective until canceled. If you have questions about electronic delivery, please call Intel Investor Relations at (408) 765-4994.

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## STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS

In accordance with notices we sent to certain stockholders, we are sending only one copy of our annual report and proxy statement to stockholders who share the same last name and address unless they have notified us that they wish to continue receiving multiple copies. This practice, known as "householding," is designed to reduce duplicate mailings and save printing and postage costs as well as natural resources.

If you received a householded mailing this year and you would like to have additional copies mailed to you or you would like to opt out of this practice for future mailings, please submit your request via e-mail to [corporate.secretary@intel.com](mailto:corporate.secretary@intel.com) or in writing to Intel's corporate secretary at M/S SC4-203, 2200 Mission College Blvd., Santa Clara, California 95052-8119. Similarly, you may also contact us if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future.

## ATTENDING THE ANNUAL MEETING

We are pleased to offer two options for our 2002 annual meeting: (1) viewing a live Webcast at [www.intc.com](http://www.intc.com) or (2) attending in person. The annual meeting will be held at 10:00 a.m. Pacific Time on Wednesday, May 22, 2002 at the Santa Clara Convention Center, Santa Clara, California, located at the corner of Great America Parkway and Tasman Drive. Driving directions and a map to the Convention Center are on the back cover of this proxy statement. When you arrive at the Convention Center, signs will direct you to the appropriate meeting rooms. Please note that the doors to the meeting rooms will not be open until 9:30 a.m., and due to security measures, all bags will be subject to search and all persons who attend the meeting will be subject to a metal detector and/or a hand wand search. We will be unable to admit anyone who does not comply with these security procedures. Cameras and other recording devices will not be permitted in the meeting hall. If you choose to view the Webcast, go to [www.intc.com](http://www.intc.com) shortly before the meeting time, and follow the instructions for downloading the Webcast. During the Webcast, you will be able to submit questions by following the instructions on the site. If you miss the annual meeting, you can view a replay of the Webcast at [www.intc.com](http://www.intc.com) until June 21, 2002. You need not attend the annual meeting in order to vote.

## VOTING

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. Most stockholders have three options for submitting their vote: (1) via the Internet, (2) by phone or (3) by mail, using the paper proxy card. If you have Internet access, **we encourage you to record your vote on the Internet.** It is convenient for you, and it saves your company significant postage and processing costs. In addition, when you vote via the Internet or by phone prior to the meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. See your proxy card, or the e-mail you received for electronic delivery of this proxy statement, for further instructions on voting. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted, whether by Internet, phone or mail, will be superseded by the vote that you cast at the annual meeting. If you participate in the Intel Stock Fund through the 401(k) Savings Plan, you must submit your vote by May 20, 2002 to allow Mellon Bank, N.A., the plan trustee, time to receive your voting instructions and vote on behalf of the plan. If you have any questions about submitting your vote, call Intel Investor Relations at (408) 765-4994.

## INTEL CORPORATION

2200 Mission College Blvd.  
Santa Clara, CA 95052-8119

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## PROXY STATEMENT

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The enclosed proxy is solicited by Intel's Board of Directors (the "Board") for the Annual Stockholders' Meeting to be held at the Santa Clara Convention Center, Santa Clara, California, on Wednesday, May 22, 2002, at 10:00 a.m. Pacific Time, and at any postponement or adjournment of the meeting, for the purposes set forth in "Notice of Annual Stockholders' Meeting" on page 1.

### *Record Date and Share Ownership*

Only stockholders of record on our books at the close of business on March 25, 2002 will be entitled to vote at the annual meeting. Presence in person or by proxy of a majority of the shares of common stock outstanding on the record date is required for a quorum. As of the close of business on February 22, 2002, we had 6,703,119,858 outstanding shares of common stock. We made copies of this proxy statement available to stockholders beginning on April 10, 2002.

### *Submitting and Revoking Your Proxy*

If you complete and submit your proxy (see "Voting" on page 3), the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy card but do not fill out the voting instructions on the proxy card, the persons named as proxies will vote the shares represented by your proxy as follows:

**FOR** the election of the nominees for director set forth in "Proposal 1: Election of Directors" on page 5; and

**FOR** ratification of the appointment of Ernst & Young LLP as our independent auditors for 2002.

In addition, if other matters come before the annual meeting, the persons named as proxies will vote on such matters in accordance with their best judgment. Intel has not received notice of other matters that may properly be presented at the annual meeting. You may revoke your proxy at any time prior to the start of the annual meeting by: (1) submitting a later-dated vote, either in person at the annual meeting, via the Internet, by telephone or by mail (see "Voting" on page 3), or (2) delivering instructions to Intel's corporate secretary at M/S SC4-203, 2200 Mission College Blvd., Santa Clara, California 95052-8119.

If you participate in the Intel Stock Fund through the 401(k) Savings Plan, your proxy represents the number of shares in your plan account as well as other shares registered in your name, such as Intel stock acquired through the Dividend Reinvestment Plan or stock certificates issued to you. For shares in your plan account, your proxy will serve as a voting instruction for Mellon Bank, N.A., the plan trustee, or its designee. If Mellon Bank or its designee does not receive voting instructions for shares in your plan account, Mellon Bank will vote those shares in the same proportion as other plan participants' shares for which voting instructions have been received. You must submit your voting

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instructions to Mellon Bank by May 20, 2002 to allow Mellon Bank time to receive your voting instructions and vote on behalf of the plan.

Each share of Intel common stock outstanding on the record date will be entitled to one vote on all matters. The 11 candidates for election as directors who receive the highest number of affirmative votes will be elected. Ratification of the independent auditors for Intel requires the affirmative vote of a majority of the shares of common stock present or represented and voting at the annual meeting. For the purpose of determining whether the stockholders have approved matters other than the election of directors, abstentions are treated as shares present or represented and voting, so abstaining has the same effect as a negative vote. Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers are not counted or deemed to be present or represented for purposes of determining whether stockholders have approved that matter, but they are counted as present for purposes of determining the existence of a quorum at the annual meeting.

### **PROPOSAL 1: ELECTION OF DIRECTORS**

Intel's current Board and its nominees for the upcoming election include eight independent directors, as defined in the applicable rules for companies traded on The Nasdaq Stock Market\*, and three members of Intel's senior management. Each director serves a one-year term, with all directors subject to annual election.

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The Board has nominated the persons listed below to serve as directors for the term beginning at the Annual Stockholders' Meeting on May 22, 2002. Unless proxy cards are otherwise marked, the persons named as proxies will vote all proxies received **FOR** the election of each nominee named in this section. Each current director has been nominated for reelection, except Leslie L. Vadasz, a director for 14 years, who is retiring from the Board and will not be standing for reelection. Mr. Paul Otellini has been nominated for election to fill the vacancy resulting from Mr. Vadasz's retirement from the Board.

If any director nominee is unable or unwilling to serve as a nominee at the time of the annual meeting, the persons named as proxies may vote either (1) for a substitute nominee designated by the present Board to fill the vacancy or (2) for the balance of the nominees, leaving a vacancy. Alternatively, the Board may reduce the size of the Board. The Board has no reason to believe that any of the following nominees will be unwilling or unable to serve if elected as a director. Such persons have been nominated to serve until the next annual stockholders' meeting following the 2002 annual meeting or until their successors, if any, are elected or appointed. This section contains the names and biographical information for each of the nominees. **The Board recommends a vote "FOR" the election of each of the following nominees.**

**Craig R. Barrett**  
62 Years Old  
Director Since 1992  
Chief Executive  
Officer of Intel

*Craig R. Barrett* has been Chief Executive Officer since 1998 and a director of Intel since 1992. Dr. Barrett joined Intel in 1974. In 1984, he was elected Vice President, and in 1985 he became Vice President and General Manager of the Components Technology and Manufacturing Group. Dr. Barrett became a Senior Vice President in 1987 and General Manager of the Microcomputer Components Group in 1989. He was an Executive Vice President from 1990 to 1997, Chief Operating Officer from 1993 to 1998 and President from 1997 to January 2002. Dr. Barrett is also a director of Qwest Communications International Inc., the U.S. Semiconductor Association, the National Forest Foundation, Achieve and the Silicon Valley Manufacturing Group. Dr. Barrett is a member of the National Academy of Engineering.

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**John P. Browne**  
54 Years Old  
Director Since 1997  
Group Chief Executive  
of BP p.l.c.

*John P. Browne*, formally known as The Lord Browne of Madingley, has been a director of Intel since 1997. He has been a Managing Director since 1991 and Group Chief Executive since 1995 of BP p.l.c., a provider of energy and petrochemicals. Lord Browne is also a director of the Goldman Sachs Group, Inc., a member of the Chairman's Council of DaimlerChrysler AG and a trustee of the British Museum. He is a Fellow of the Royal Academy of Engineering in the United Kingdom, a Fellow of the Institute of Mining and Metallurgy, a Fellow of the Institute of Physics, an Honorary Fellow of the Institute of Chemical Engineers and an Honorary Fellow of St. John's College, Cambridge. Lord Browne is also Emeritus Chairman of the Advisory Board of the Graduate School of Business, Stanford University, a trustee of The Conference Board, Inc. and a Vice President of the Prince of Wales Business Leaders Forum.

**Winston H. Chen**  
60 Years Old  
Director Since 1993  
Chairman of  
Paramitas Foundation

*Winston H. Chen* has been a director of Intel since 1993 and is Chairman of the Audit Committee of the Board. He is Chairman of Paramitas Foundation, a private foundation. Between 1978 and 1994, he held several positions, including President, Chief Executive Officer and Chairman of the Board of Directors, at Solectron Corporation, an electronics contract manufacturer. Dr. Chen served as a director of Solectron until January 2002. Dr. Chen is a member of the Board of Trustees of Santa Clara University and the Board of Trustees of Stanford University.

**Andrew S. Grove**  
65 Years Old  
Director Since 1974  
Chairman of the  
Board of Intel

*Andrew S. Grove* has been a director of Intel since 1974 and Chairman of the Board since 1997. Dr. Grove participated in founding Intel in 1968 and served as Vice President and Director of Operations through 1974. He became an Executive Vice President in 1975 and was Chief Operating Officer from 1976 to 1987. Dr. Grove was President from 1979 to 1997 and Chief Executive Officer from 1987 to 1998. He is a part-time Lecturer at the Graduate School of Business, Stanford University, and a director of CaP CURE and the International Rescue Committee. Dr. Grove is also a member of the National Academy of Engineering and a Fellow of the Institute of Electrical and Electronic Engineers ("IEEE").

**D. James Guzy**  
66 Years Old  
Director Since 1969

*D. James Guzy* has been a director of Intel since 1969 and is Chairman of the Nominating Committee of the Board. Since 1969, he has been Chairman of Arbor Company, a limited partnership engaged in the electronics and computer industry. Mr. Guzy is also Chairman

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Chairman of  
Arbor Company

of the Board of PLX Technology,  
Inc. and a director of Cirrus Logic, Inc., Micro Component Technology, Inc., Novellus  
Systems, Inc., LogicVision, Inc.,  
Davis Selected Group of Mutual Funds and Alliance Capital Management Technology  
Fund.

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**Reed E. Hundt**  
54 Years Old  
Director Since 2001  
Senior Advisor to  
McKinsey & Company, Inc.  
and Venture Partner of  
Benchmark Capital

*Reed E. Hundt* has been a director of Intel since 2001 and a senior advisor on information industries to McKinsey & Company, Inc., a management consulting firm, since 1998. Mr. Hundt has also been a special advisor since 2000 to the Blackstone Group, a private equity firm. He has been a venture partner since 1999 at Benchmark Capital, a venture capital firm that specializes in investments in high-tech companies. From 1993 to 1997, Mr. Hundt was Chairman of the Federal Communications Commission. From 1999 to 2001, he served as a member of the Intel Policy Advisory Board. Mr. Hundt is a director of Allegiance Telecom, Inc.

**Paul S. Otellini**  
51 Years Old  
President and  
Chief Operating Officer  
of Intel

*Paul S. Otellini* has been Intel's President and Chief Operating Officer since January 2002. Mr. Otellini joined Intel in 1974 and has held a number of positions, including General Manager of Intel's Peripheral Components Operation and the Folsom Microcomputer Division. In 1990, Mr. Otellini became the General Manager of the Microprocessor Products Group, leading the introduction of the Intel® Pentium® processor. He was elected a corporate officer in 1991, a Senior Vice President in 1993 and Executive Vice President in 1996. Mr. Otellini served since 1996 as General Manager of the Sales and Marketing Group and then the Intel Architecture Group. Mr. Otellini is a director of Autodesk, Inc.

**David S. Pottruck**  
53 Years Old  
Director Since 1998  
President and Co-Chief  
Executive Officer of  
The Charles Schwab  
Corporation

*David S. Pottruck* has been a director of Intel since 1998 and is Chairman of the Finance Committee of the Board. Mr. Pottruck is President and Co-Chief Executive Officer of The Charles Schwab Corporation, a financial services provider. Mr. Pottruck is a member of the Board of Governors of Nasdaq, Inc. and is also a director of U.S. Trust Corporation, DoveBid, Inc., Committee on Jobs, and the U.S. Ski and Snowboard Team Foundation. He is a trustee of the University of Pennsylvania.

**Jane E. Shaw**  
63 Years Old  
Director Since 1993  
Chairman and Chief  
Executive Officer of  
AeroGen, Inc.

*Jane E. Shaw* has been a director of Intel since 1993 and is Chairman of the Compensation Committee of the Board. Dr. Shaw is Chairman and Chief Executive Officer of AeroGen, Inc., a company specializing in controlled delivery of drugs to the lungs. She founded The Stable Network, a biopharmaceutical consulting company, in 1995. She was President and Chief Operating Officer of ALZA Corporation, a drug delivery company, from 1987 to 1994. Dr. Shaw is a director of IntraBiotics Pharmaceuticals, Inc., McKesson Corporation and Boise Cascade Corporation.

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**David B. Yoffie**  
47 Years Old  
Director Since 1989  
Professor of International  
Business Administration,  
Harvard Business School

*David B. Yoffie* has been a director of Intel since 1989. He is Lead Independent Director, Chairman of the Corporate Governance Committee of the Board and Chairman of the Executive Committee of the Board. Dr. Yoffie has been the Max and Doris Starr Professor of International Business Administration at the Harvard Business School since 1993 and has been on the Harvard University faculty since 1981. He is also a director of the National Bureau of Economic Research, E-Ink Corporation and Englishtown.com.

**Charles E. Young**  
70 Years Old  
Director Since 1974

*Charles E. Young* has been a director of Intel since 1974. He is President of the University of Florida and Chancellor Emeritus of the University of California at Los Angeles. Dr. Young served as Chancellor of the University of California at Los Angeles from 1968 to



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President of the  
University of Florida

1997. He is a director of Nicholas-Applegate Growth Equity Fund, Inc., I-MARK, Inc., Fiberspace, Inc. and Student Advantage, Inc.

Except as noted, each nominee has been engaged in the principal occupation described during the past five years. There are no family relationships among any directors or executive officers of Intel. Stock ownership information is shown under the heading "Security Ownership of Certain Beneficial Owners and Management" on page 13 and is based on information furnished by the respective individuals.

### Retiring Director

**Leslie L. Vadasz**  
65 Years Old  
Executive Vice President  
and President, Intel Capital

*Leslie L. Vadasz* has been a director of Intel since 1988 and has been Executive Vice President and President, Intel Capital, since 2000. Intel Capital is responsible for Intel's strategic investment programs. Mr. Vadasz joined Intel in 1968 when it was founded and has held various positions at Intel since that date. Mr. Vadasz was Senior Vice President of Intel and Director of Corporate Business Development from 1991 to 2000. He is a Fellow of the IEEE.

### Directors Emeriti

The Board has elected the following former Intel directors to serve as Directors Emeriti. Directors Emeriti are invited to attend Board and committee meetings, but they do not have voting rights. Upon Mr. Vadasz's retirement from the Board, the Board intends to elect Mr. Vadasz as a Director Emeritus.

**Gordon E. Moore**  
73 Years Old  
Director Emeritus  
Since 2001  
Chairman Emeritus  
of the Board of Intel  
Since 1997

*Gordon E. Moore* was a director of Intel from 1968 to 2001 and has been Chairman Emeritus of the Board since 1997. Dr. Moore co-founded Intel in 1968. Prior to 1975, he served as Executive Vice President; from 1975 to 1979 he served as President; from 1975 to 1987 he served as Chief Executive Officer; and from 1979 to 1987 he served as Chairman. Dr. Moore is a director of Gilead Sciences, Inc., a member of the Board of Trustees of the California Institute of Technology, a member of the National Academy of Engineering and a Fellow of the IEEE.

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**Arthur Rock**  
75 Years Old  
Director Emeritus  
Since 1999  
Principal of  
Arthur Rock and Company

*Arthur Rock* is a principal of Arthur Rock and Company, a venture capital firm, and was a director of Intel from 1968 to 1999. During Mr. Rock's service as a member of the Board, he served variously as Chairman of the Board, Lead Independent Director, and Chairman of the Audit Committee and other Board committees. He is also a director of Echelon Corporation, a trustee emeritus of the California Institute of Technology and a member of the Board of Governors of Nasdaq, Inc.

### BOARD COMMITTEES AND MEETINGS

The Board consists of 11 authorized directors as described in "Proposal 1: Election of Directors" on page 5. The current Board members and nominees for election include eight independent directors and three members of Intel's senior management. The Board also has two Directors Emeriti who participate in Board meetings but do not vote. The Board meets throughout the year on a set schedule, and also holds special meetings and acts by written consent from time to time as appropriate. Board agendas include regularly scheduled sessions for the independent directors to meet without management present, and the Board's Lead Independent Director leads those sessions. The Board has delegated various responsibilities and authority to different Board committees as described in this section of the proxy statement. Board members have access to all Intel employees outside of Board meetings, and the Board has a director program that encourages each director to visit different Intel sites worldwide on a regular basis and meet with local management at those sites.

The Board currently has, and appoints the members of, standing Executive, Audit, Finance, Nominating, Corporate Governance and Compensation Committees. Each of these committees has a written charter approved by the Board. The members of the committees are identified in the following table.

Director	Executive	Audit	Finance	Nominating	Corporate Governance	Compensation
C. Barrett	X					
J. Browne		X				X
W. Chen		Chair				X
A. Grove	X					
J. Guzy		X		Chair	X	
R. Hundt		X			X	

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Director	Executive	Audit	Finance Chair	Nominating	Corporate Governance	Compensation Chair
D. Pottruck						
J. Shaw				X	X	
L. Vadasz						
D. Yoffie	Chair		X	X	Chair	
C. Young			X	X	X	

The Executive Committee may exercise the authority of the Board between Board meetings, except to the extent that the Board has delegated authority to another committee or to other persons, and except as limited by Delaware law. The Executive Committee held two meetings in 2001.

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The Audit Committee assists the Board in its general oversight of Intel's financial reporting, internal controls and audit functions. During 2001, the Audit Committee held three meetings. The responsibilities and activities of the Audit Committee are described in greater detail in the "Report of the Audit Committee" on page 25.

The Finance Committee reviews and recommends matters related to Intel's capital structure, including issuing and restructuring debt and equity securities; Intel's dividend policy and dividend declarations; banking arrangements, including investments of corporate cash; and management of the corporate debt structure. In addition, the Finance Committee reviews and approves structured finance and other cash management transactions whose authorization is not otherwise approved by the Board or delegated to Intel's management. During 2001, the Finance Committee held two meetings.

The Nominating Committee makes recommendations to the Board regarding the size and composition of the Board. The Nominating Committee establishes procedures for the nomination process, recommends candidates for election to the Board and nominates officers for election by the Board. The Nominating Committee held one meeting during 2001. The Nominating Committee considers nominees proposed by the stockholders. To recommend a prospective nominee for the Nominating Committee's consideration, you may submit the candidate's name and qualifications to Intel's corporate secretary via e-mail to [corporate.secretary@intel.com](mailto:corporate.secretary@intel.com) or in writing to the following address: M/S SC4-203, 2200 Mission College Blvd., Santa Clara, California 95052-8119.

The Corporate Governance Committee reviews and reports to the Board on a periodic basis with regard to matters of corporate governance. The Corporate Governance Committee also reviews and assesses the effectiveness of the Board's Guidelines on Significant Corporate Governance Issues and recommends to the Board proposed revisions to the Guidelines. In addition, the Corporate Governance Committee makes recommendations to the Board regarding the agenda for Intel's annual stockholders' meetings, and reviews stockholder proposals and makes recommendations to the Board for action on such proposals. The Corporate Governance Committee held two meetings during 2001.

The Compensation Committee administers Intel's stock option plans, including reviewing and granting stock options to officers and other employees under Intel's stock option plans. The Compensation Committee also reviews and approves various other company compensation policies and matters, and reviews and approves salaries and other matters relating to executive officer compensation. The Compensation Committee regularly acts by written consent, and it held two meetings during 2001. For further information, see "Report of the Compensation Committee on Executive Compensation" on page 16.

Board members also sit on the Investment Policy Committee for Intel's employee retirement plans. This committee also includes Intel management and representatives, and is responsible for adopting and amending investment policies as well as selecting and monitoring service providers for the plans. The committee also selects the investment alternatives offered under Intel's 401(k) Savings Plan.

The Board held nine meetings during 2001. Each director is expected to attend each meeting of the Board and the committees on which he or she serves. In addition to meetings, the Board and its committees review and act upon matters through written consent procedures. No director attended less than 75% of all the meetings of the Board and the committees on which he or she served in 2001.

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### CORPORATE GOVERNANCE GUIDELINES

The Board has adopted the Guidelines on Significant Corporate Governance Issues, and the Board's Corporate Governance Committee is responsible for overseeing the Guidelines and reporting and making recommendations to the Board concerning corporate governance matters. The Guidelines are published on the Internet at [www.intc.com/intel/finance/corp\\_gov.htm](http://www.intc.com/intel/finance/corp_gov.htm). Among other matters, the Guidelines include the

following:

A majority of the members of the Board are independent directors, as defined in the applicable rules for Nasdaq-traded issuers. Independent directors do not receive consulting, legal or other fees from Intel other than Board compensation.

Directors stand for reelection every year. Independent directors may not stand for reelection after age 72, and employee directors, other than former Chief Executive Officers, may not stand for reelection after age 65.

The Board appoints members of Board committees.

The Audit, Nominating, Compensation and Corporate Governance Committees consist entirely of independent directors.

The Board has a process whereby the Board and its members are subject to periodic self-evaluation and self-assessment.

At least annually, the Board reviews Intel's strategic long-range plan, business unit initiatives, capital projects and budget matters.

The Board has established the position of Lead Independent Director, which is currently held by Dr. Yoffie. Independent directors meet on a regular basis apart from other Board members and management representatives, and the Lead Independent Director is responsible for setting the agenda and running the meetings.

The Chief Executive Officer periodically reports to the Board on succession planning and management development.

At least annually, the Board evaluates the performance of the Chief Executive Officer and other senior management personnel.

Incentive compensation plans link pay directly and objectively to measured financial goals set in advance by the Compensation Committee. For additional information, see "Report of the Compensation Committee on Executive Compensation" on page 16.

#### **Policy on Poison Pill Plans**

In 2001, Mr. Nick Rossi, an Intel stockholder, submitted a request to Intel regarding the approval process for adopting stockholders' rights plans (also known as "poison pills"). Intel does not have a poison pill and is not presently considering the adoption of such a device. Following consideration of Mr. Rossi's request, the Board has adopted a statement of policy on this topic. The Board's policy is that it shall seek and obtain stockholder approval before adopting any poison pill; provided, however, that this policy may be revised or repealed without prior public notice and the Board may thereafter determine to act on its own to adopt a poison pill if, under the then circumstances, the Board in its exercise of its fiduciary responsibilities, including a majority of the independent members of the Board, deems it to be in the best interests of Intel's stockholders to adopt a poison pill without the delay in adoption that would come from the time reasonably anticipated to seek stockholder approval. The Board has directed the Corporate Governance Committee to review this policy statement, including the proviso, on an annual basis and to report to the Board on any recommendations it may have

concerning the policy. The terms of the policy, as in effect, will be included in Intel's published Corporate Governance Guidelines and its proxy statements.

#### **DIRECTORS' COMPENSATION**

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In 2001, each independent director was paid a retainer fee of \$24,000. In addition, independent directors receive a fee of \$4,000 plus out-of-pocket expenses for each regular Board meeting attended. Independent directors also receive a fee of \$500 for each special telephonic Board meeting attended. In 2001, Dr. Yoffie received an additional \$6,000 for serving as Lead Independent Director. Directors who are company employees receive no additional or special compensation for serving as directors. Independent directors do not receive consulting, legal or other fees from Intel other than Board compensation.

Intel also grants stock options to independent directors. In accordance with Intel's 1984 Stock Option Plan, option grants to independent directors may not exceed 40,000 shares per director per year, and the option exercise price must be equal to the fair market value on the date of grant. During 2001, Intel granted each independent director an option to purchase a total of 15,000 shares at an exercise price of \$29.41 per share, except for Mr. Hundt, who received option grants exercisable for a total of 35,000 shares at an exercise price of \$28.76 per share. Mr. Hundt joined the Board in 2001, and accordingly, his option grants included an initial option to purchase 20,000 shares plus the annual director option grant of 15,000 shares. He received his grants on the date that he joined the Board, resulting in a different exercise price than the other directors' annual grants. Independent director options are exercisable in full one year from the date of grant.

Intel has a deferred compensation plan for independent directors. Under this plan, independent directors may elect to defer up to 100% of their annual retainer and fees, and receive an investment return on the deferred funds as if the funds were invested in Intel common stock. Independent directors participating in the plan may make irrevocable elections to receive the deferred funds in a lump sum or in equal annual installments over 5 years or 10 years, and to begin receiving distributions at retirement or at the earlier of retirement and a date specified at the time of the election, which cannot be less than 24 months from the election date. This deferred independent director compensation is an unsecured obligation of Intel. Drs. Yoffie and Shaw and Mr. Pottruck participated in the deferred compensation plan for 2001.

In 1998, the Board terminated its retirement program for independent directors. The retirement program provided a retirement benefit to any independent director who had at least 10 years of service or who retired after the age of 65 with at least 5 years of service. All independent directors serving at the time of termination were vested with the number of years served (regardless of whether they had met the previous vesting requirements), and no further years of service will accrue for purposes of retirement benefits. Directors vested under the program receive an annual benefit equal to the annual retainer fee in effect at the time of payment, to be paid beginning at commencement of retirement and continuing for the lesser of the number of years served as an independent director or the life of the director.

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### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

To Intel's knowledge, the following table sets forth information regarding ownership of Intel's outstanding common stock on February 22, 2002 by (i) each director, director nominee, director emeritus and named executive officer, and (ii) all directors, director nominees, directors emeriti and all executive officers as a group. Intel does not know of any person who beneficially owns more than 5% of its outstanding common stock. Except as otherwise indicated and subject to applicable community property laws, each owner has sole voting and sole investment powers with respect to the securities listed.

Stockholder	Number of Shares of Common Stock Beneficially Owned at February 22, 2002		Percent of Class
Gordon E. Moore, Director Emeritus and Chairman Emeritus	178,247,557		2.7%
D. James Guzy, Director	13,162,352	(1)	*
Andrew S. Grove, Director and Chairman	10,668,606	(2)	*
Leslie L. Vadasz, Director and Executive Vice President	6,549,967	(3)	*
Craig R. Barrett, Director and Chief Executive Officer	5,029,781	(4)	*
Winston H. Chen, Director	1,010,000	(5)	*
David B. Yoffie, Director	356,400	(6)	*
Jane E. Shaw, Director	258,314	(7)	*
David S. Pottruck, Director	165,200	(8)	*
Charles E. Young, Director	73,600	(9)	*
John P. Browne, Director	71,600	(10)	*
Reed E. Hundt, Director	3,000		*
Arthur Rock, Director Emeritus	16,827,108	(11)	*
Paul S. Otellini, President and Chief Operating Officer	2,185,262	(12)	*
Andy D. Bryant, Executive Vice President	454,401	(13)	*
All directors, director nominees, directors emeriti and executive officers as a group (21 individuals)	241,381,472	(14)	3.6%

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Less than 1%.

- (1) Includes outstanding options to purchase 190,000 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 12,329,280 shares held by the Arbor Company of which Mr. Guzy is a general partner.
- (2) Includes outstanding options to purchase 2,874,348 shares, which were exercisable as of February 22, 2002, or within 60 days from such date.
- (3) Includes outstanding options to purchase 911,241 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 212,000 shares owned by a private charitable foundation, as to which Mr. Vadasz shares voting authority. Mr. Vadasz disclaims beneficial ownership of the shares held by the foundation. Also includes 5,206,821 shares held by a family trust, as to which Mr. Vadasz shares voting and disposition authority.
- (4) Includes outstanding options to purchase 2,194,348 shares, which were exercisable as of February 22, 2002, or within 60 days from such date.
- (5) Includes outstanding options to purchase 670,000 shares, which were exercisable as of February 22, 2002, or within 60 days from such date.
- (6) Includes outstanding options to purchase 350,000 shares, which were exercisable as of February 22, 2002, or within 60 days from such date.

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- (7) Includes outstanding options to purchase 110,000 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 148,276 shares held by a family trust, as to which Dr. Shaw shares voting and disposition authority.
- (8) Includes outstanding options to purchase 50,000 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Includes 800 shares held by Mr. Pottruck's daughter and 2,000 shares held by Mr. Pottruck's son. Includes an aggregate of 18,400 shares held in three separate annuity trusts for the benefit of Mr. Pottruck's brother and 12,500 shares held in a limited liability partnership for which Mr. Pottruck has voting and disposition authority. Also includes 19,000 shares owned by three separate trusts. The beneficiary of each of those trusts is a private charitable foundation for which Mr. Pottruck shares voting and disposition authority. Also includes 30,000 shares owned by such private charitable foundation. Mr. Pottruck disclaims beneficial ownership of the shares held by the private charitable foundation and the aforementioned trusts established for the benefit of such foundation.
- (9) Includes outstanding options to purchase 68,500 shares, which were exercisable as of February 22, 2002, or within 60 days from such date.
- (10) Includes outstanding options to purchase 70,000 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 1,600 shares held by Lord Browne, as to which he shares voting and disposition authority.
- (11) Includes 7,680 shares held by Mr. Rock's spouse, as to which Mr. Rock disclaims beneficial ownership because he does not have any voting or disposition authority for such shares.

- (12) Includes outstanding options to purchase 1,792,793 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 1,277 shares held by Mr. Otellini's spouse, as to which he disclaims beneficial ownership.
- (13) Includes outstanding options to purchase 354,852 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 1,600 shares held by Mr. Bryant's daughter and 1,600 shares held by Mr. Bryant's son. Mr. Bryant disclaims beneficial ownership of the shares held by his daughter and his son.
- (14) Includes outstanding options to purchase 13,132,166 shares, which were exercisable as of February 22, 2002, or within 60 days from such date. Also includes 587,992 shares held by a family trust, as to which an officer shares voting and disposition authority. Also includes a total of 7,180 shares held by the same officer's son and daughter. Such officer shares voting and disposition authority of such shares. Also includes a total of 7,140 shares held by another officer's two daughters. Such officer disclaims beneficial ownership and does not have any voting or disposition authority for such shares.

### **STOCK PRICE PERFORMANCE GRAPH**

This section includes a line graph comparing the cumulative total stockholder return on Intel common stock against the cumulative total return of the Dow Jones Technology Index and the S&P 500 Index for the period of five fiscal years commencing December 28, 1996 and ending December 29, 2001. The graph and table assume that \$100 was invested on December 28, 1996 in each of Intel common stock, the Dow Jones Technology Index and the S&P 500 Index, and that all dividends were reinvested. This data was furnished by Dow Jones and Company, Inc. and Standard & Poor's Compustat Services, Inc. Cumulative total stockholder returns for Intel common stock and the Dow Jones Technology Index are based on Intel's fiscal year. Cumulative total stockholder return for the S&P 500 Index is based on a calendar year.

### ***COMPARISON OF FIVE-YEAR CUMULATIVE RETURN FOR INTEL, THE DOW JONES TECHNOLOGY INDEX AND THE S&P 500 INDEX***

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	1996	1997	1998	1999	2000	2001
Intel Corporation	\$ 100	\$ 105	\$ 185	\$ 247	\$ 179	\$ 192
Dow Jones Technology Index	\$ 100	\$ 116	\$ 206	\$ 371	\$ 238	\$ 174
S&P 500 Index	\$ 100	\$ 133	\$ 171	\$ 208	\$ 189	\$ 170

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### REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board (the "Committee") administers Intel's executive compensation program. In this regard, the role of the Committee, which is comprised entirely of outside, independent directors, is to review and approve salaries and other compensation of Intel's executive officers and administer the Executive Officer Bonus Plan (the "EOBP"). The Committee also reviews and approves various other company compensation policies and matters, and oversees Intel's stock option plans, including reviewing and approving stock option grants to Intel's executive officers.

#### General Compensation Philosophy

Intel's general compensation philosophy is that total cash compensation should vary with the company's performance in achieving financial and non-financial objectives, and that any long-term incentive compensation should be closely aligned with the stockholders' interests. Intel has several performance-based compensation programs in which the majority of its employees are eligible to participate. Most Intel employees not compensated on a commission basis participate in the Employee Bonus Plan (the "EBP"). Executive officers participate in the EOBP in lieu of the EBP.

*Total cash compensation* for the majority of Intel's employees, including its executive officers, consists of the following components:

Base salary;

A cash bonus (either through the EBP or the EOBP) related to Intel's earnings per share and based on an individual bonus target for the performance period; and

A cash bonus proportional to corporate profitability (see "Employee Cash Bonus Plan" on page 18).

*Long-term incentive compensation* is realized through granting stock options to most employees, including eligible executive officers. In addition, Intel has assumed incentive plans in connection with mergers and acquisitions, including vested and unvested in-the-money stock option grants. At the time of assumption, these grants and plans are converted to become options on or grants of Intel common stock. Intel does not make any new grants under the assumed plans, and no Intel directors or executive officers have received grants made pursuant to such plans.

In addition to encouraging stock ownership by granting stock options, Intel encourages its employees to own company stock through a tax-qualified employee stock purchase plan, which is generally available to all employees. This plan allows participants to buy Intel stock at a discount to the market price with up to 10% of their salary and bonuses (subject to certain limits), thereby allowing employees to profit when the value of Intel stock increases over time.

#### Setting Executive Compensation

In setting the base salary and individual EOBP bonus target amount (together referred to as "BSBT") for executive officers, the Committee reviews executive compensation information for U.S.-based companies generally considered to be comparable to Intel, most of which are included in the Dow Jones Technology Index. Although the Committee does not use a specific formula to set pay in relation to this market data, it generally sets executive officer BSBT slightly below the average salaries for comparable jobs in the marketplace. However, when Intel's business groups meet or exceed certain predetermined financial and non-financial goals, amounts paid under the performance-based compensation programs may lead to total cash compensation levels that are higher than the average salaries for comparable jobs. The Committee also reviews the compensation levels of the executive officers for internal consistency relative to the 100 most highly paid Intel employees.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), places a limit of \$1,000,000 on the amount of compensation that Intel may deduct in any one year with respect

to each of its five most highly paid executive officers. Certain performance-based compensation approved by stockholders is not subject to the deduction limit. Intel's 1984 Stock Option Plan and the EOBP are qualified so that awards under such plans constitute performance-based compensation not subject to Section 162(m) of the Tax Code. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has not adopted a policy that all compensation must be deductible.

### **Base Salary**

In accordance with Intel's compensation philosophy that total cash compensation should vary with company performance, the Committee establishes base salaries of executive officers at levels that it believes are below the average base salaries of executives of companies it considers comparable to Intel. Thus, as set forth in the following section of this report, a large part of each executive officer's potential total cash compensation is dependent on Intel's performance.

The Committee reviews the history of and proposals for the compensation package of each of Intel's executive officers, including BSBT and performance-based compensation components. It then sets the base salary as a percentage of BSBT, taking into account the officers' levels and amount of responsibility. In general, executive officers with the highest level and amount of responsibility have the lowest percentage of their BSBT as base salary and the highest percentage of their BSBT as their individual bonus target amount. For example, in 2001, the base salary for Dr. Barrett, then President and Chief Executive Officer, was 50% of his total BSBT. The other executives' base salaries were determined in the same manner, but the base salary segment as a percentage of their BSBT for 2001 ranged from 50% to 64%, depending on their job responsibilities. Once it is fixed, base salary does not depend on Intel's performance. In 2001, Dr. Moore, Intel's Chairman Emeritus, received compensation equal in amount to that paid to independent directors (as described under "Directors' Compensation" on page 12) until he retired from the Board and as an executive officer in May 2001.

### **Performance-Based Compensation**

#### *Executive Officer Bonus Plan*

The EOBP is a cash-based incentive bonus program, and its purpose is to motivate and reward eligible employees for good performance by making a portion of their cash compensation dependent on Intel's diluted earnings per share ("EPS").

The EOBP provides for the determination of a maximum bonus amount established annually for each executive officer pursuant to a predetermined objective formula, subject to a maximum annual limit of \$5,000,000. Under this predetermined formula, the maximum bonus payment for any performance period is the product of (1) the executive officer's individual bonus target for the performance period and (2) the numerical value of Intel's EPS for the performance period multiplied by a pre-established factor (the "multiplier") set by the Committee for that same period. For purposes of this formula, "EPS" means the greater of (x) Intel's operating income or (y) Intel's net income per weighted average common and common equivalent shares outstanding, in each case adjustable based on qualifying objective criteria selected by the Committee in its sole discretion within the period prescribed by the IRS. Such criteria may include, but are not limited to: asset write-downs; acquisition-related charges; litigation; claim judgments, settlements or tax settlements; the effects of changes in tax law, changes in accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; unrealized gains or losses on investments; and any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in Intel's annual report to stockholders for the applicable year. Operating income does not include interest and other income earned by Intel, and does not include a deduction for interest expense and income taxes; as a result, the figure for operating income per share generally exceeds the

figure for net income per share. The Committee reviews and approves the EPS data used in the calculations.

In March 2001, the Committee established individual bonus targets ranging from \$100,000 to \$575,000 for each of the executive officers (representing a range of 36% to 50% of BSBT) and set the multiplier as 2.538 for the 2001 performance period. During this period, adjusted operating income per share of \$0.70 exceeded adjusted net income per share of \$0.52 and led to an EPS value, as defined, of \$0.70 to be used in the formula for determining the maximum bonus amount. As authorized by the EOBP, the Committee adjusted operating



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income per share for certain acquisition-related costs and adjusted net income per share for such acquisition-related costs. Neither base salary nor bonus targets for 2001 were increased over the amounts set for 2000.

Under the EOBP, the Committee has the discretion to reduce (but not increase) an individual's actual bonus payment from the amount that would otherwise be payable under the formula established by the Committee. In the past, the Committee has exercised its discretion to reduce bonus payments in this manner. The EOBP does not specify factors that the Committee must evaluate in exercising its discretion to reduce EOBP bonus payments, and it also does not require the Committee to make any reductions.

For the 2001 performance period, executive officers were paid bonuses at amounts equal to the maximum amounts payable under the EOBP. In prior years, the Committee exercised its discretion to make bonus payments under the EBP because the amounts payable under the EBP were generally lower than the maximum bonuses payable under the EOBP due to differences in the plan calculations of bonus amounts. For 2001, bonuses under the EBP would have been higher than bonuses under the EOBP. The EBP formula uses the net income per share amount in its calculation, and the Committee may adjust that per share amount at its discretion. The EPS used in the EOBP formula is based on the greater of operating income or net income (subject to adjustment as described in this section). For 2001, the net income per share amount used in the EBP and EOBP formulas was adjusted for certain acquisition-related costs. The EBP formula also takes into account whether certain business groups have met their objectives over the performance period. The goals are set annually and vary from year to year. In determining bonuses payable to the executive officers with responsibility for Intel's overall performance, such as the Chairman of the Board and the Chief Executive Officer, the Committee took into account the corporate average score on achievement of business objectives. For those executive officers with specific responsibility for a particular business group, achievement scores were based on either the individual business group's score or a combination of the group's score and the corporate average score. Bonuses paid to executive officers for 2001 under the EOBP averaged 64% less than the bonuses for 2000, which is in general accord with the EOBP's intent to reflect the relative level of Intel's financial performance from year to year.

### *Employee Cash Bonus Plan*

The Employee Cash Bonus Plan is a profit sharing program that offers cash rewards to employees, including executive officers, based on corporate profitability. Twice a year, eligible employees receive 0.55 day's pay (calculated based on eligible earnings for the six-month period, including one-half of EBP or EOBP bonus targets as applicable) for every two percentage points of corporate pretax profit as a percentage of revenues, or a total payment based on 4% of net income, whichever is greater. The Employee Cash Bonus is paid in the first and third quarters of each year based on corporate performance for the preceding two quarters.

For 2001, payments based on corporate pretax profit resulted in an annual cash bonus payment under the Employee Cash Bonus Plan of 10.8 days' pay per employee. Pursuant to the Employee Cash Bonus Plan's provision for rewarding employees for helping Intel be Vendor of Choice among its customers, the 2001 bonus amount included an extra day of pay for each employee.

### *Profit Sharing Retirement Plans*

Intel has both tax-qualified and non-qualified capital accumulation/retirement plans ("Profit Sharing Retirement Plans"). The tax-qualified plans are available to eligible employees in the U.S., and there are similar plans for certain of Intel's non-U.S. subsidiaries. The non-qualified plan is a supplemental plan that provides eligible U.S. employees with contributions that could not be credited to their individual accounts under the qualified plan because of Tax Code limitations. The Profit Sharing Retirement Plans are defined contribution plans designed to accumulate retirement funds for employees, including executive officers, and to allow Intel to make contributions or allocations to those funds. Intel's contribution is subject to the Board's discretion, and may vary with the company's financial performance, particularly revenues and income. However, in determining the contribution, the Board is not required to consider any specific factors, including corporate performance. Company contributions made under the plans vest beginning after three years of service in 20% annual increments until the employee is 100% vested after seven years.

For 2001, Intel's discretionary contributions (including allocation of forfeitures) to the Profit Sharing Retirement Plans for all eligible employees, including executive officers, equaled 8% of eligible salary (which includes actual EBP or EOBP bonus payments as applicable). Contributions to individual accounts for the qualified plan are limited under the Tax Code. Where Tax Code limits applied, the excess, up to 8% of eligible salary, was allocated to the non-qualified plan for eligible employees, including executive officers.

## Stock Options

Intel grants stock options to help retain employees and to align employees' interests with stockholders' interests. Stock options have value for an employee only if Intel's stock price increases above the employee's option exercise price and the employee remains employed by Intel for the period required to exercise the stock options, thus providing an incentive to remain employed by Intel. In addition, stock options directly link a portion of an employee's compensation to stockholders' interests by providing an incentive to maximize stockholder value.

Intel has a 1984 Stock Option Plan, as amended, that is generally used for making annual grants to officers and directors as a part of Intel's executive performance review process. Annual stock option grants for executives are a key element of market-competitive total compensation. In 2001, management recommended stock options for the executive officers, and the Committee reviewed and approved the grants. Individual grant amounts were based on internal factors, such as the size of prior grants, relative job scope and contributions made during the past year, as well as a review of publicly available data on senior management compensation at other companies. In general, initial grants received upon commencement of employment are exercisable in increments over a five-year period, and subsequent grants are first exercisable five years after the date of grant (for example, options granted in 2001 become exercisable in 2006). Under the 1984 Stock Option Plan, Intel occasionally makes additional stock option grants to key officers and other senior-level employees in recognition of their future potential in leading the corporation. The vesting schedule for these grants is generally longer than that of regular stock options, typically vesting in increments beginning five years after the grant date, with the final increment vesting eight years after the grant date. Intel also has a 1997 Stock Option Plan for use with all employees other than officers and directors. Stock options under all such plans are granted at a price equal to the fair market value on the date of grant. In addition, Intel has assumed incentive plans in connection with mergers and acquisitions, including vested and unvested in-the-money stock option grants. At the time of assumption, these grants and plans are converted to options on or grants of Intel common stock. No new grants are made under such assumed plans, and no Intel directors or executive officers are recipients of grants made pursuant to such plans.

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In March 2001, the Committee granted supplemental stock options to employees who had previously received options with an exercise price above \$30 per share. The Committee granted the options to all eligible employees, and aggregate grants to the top five most highly compensated employees were less than 1% of the total grant. The Committee granted these options to retain employees due to competitive market conditions and a decline in Intel's stock price. The 2001 supplemental grants vest ratably over a two-year period from the date of grant.

In October 2001, the Committee granted the 2002 annual merit-based stock options early in order to enhance the potential long-term retention value of these options. The Committee granted these early options to all eligible employees, and aggregate grants to the top five most highly compensated employees were approximately 1% of the total grant. The Committee intends to reduce merit grants made in 2002 by the shares in this early grant program. The 2002 merit grant vests in 2007, on or about the same date it would have vested if granted in 2002.

## Company Performance and CEO Compensation

Intel's compensation program is designed to promote the achievement of corporate and business objectives. This pay-for-performance program is most clearly exemplified in the compensation of Intel's Chief Executive Officer, Dr. Barrett.

Dr. Barrett does not have an employment contract. Dr. Barrett's BSBT is determined in the same manner as described for all executive officers. In setting compensation levels for the Chief Executive Officer, the Committee considers comparative compensation information from other companies for the prior year. However, in line with the Committee's general practice and discretionary authority, Dr. Barrett's 2001 salary and individual bonus target were not tied directly to the comparative compensation data. In March 2001, Dr. Barrett's base salary and bonus target were set at levels that, by comparison to selected companies reflected in the market data, most of which are included in the Dow Jones Technology Index, were 54% of the average for base salary, 46% of the average for target incentive-based compensation and 50% of the average for BSBT.

Under the EOBP, Dr. Barrett's actual bonus for 2001 (paid in 2002) was \$1,023,500. This bonus, like the bonuses paid to each of the other executive officers under the EOBP, was equal to the maximum amount payable under the EOBP. The bonus that would have been payable under the EBP was more than the amount payable under the EOBP. Although Dr. Barrett's BSBT was 50% of the average total target compensation disclosed by the selected peer group, due to the high variability in Intel's total compensation program, his actual cash compensation (base salary and bonus) for 2001 was 89% of the average total actual cash compensation disclosed by the selected peer group.

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In 2001, the Committee awarded Dr. Barrett the following stock options: (1) a March 2001 supplemental grant (further described under "Stock Options" on page 19) to purchase 84,696 shares of stock, of which 42,238 shares are first exercisable in 2002, with the remaining shares becoming exercisable in 2003; (2) an April 2001 grant to purchase 200,000 shares of stock, which becomes exercisable in 2006; and (3) an October 2001 grant (further described under "Stock Options" on page 19) to purchase 200,000 shares of stock, which becomes exercisable in 2007. In 2001, Intel also contributed \$13,600 to Dr. Barrett's account under the tax-qualified retirement plan and allocated \$251,178 to Dr. Barrett's account under the non-qualified retirement plan, based on Intel's 2001 results. In general, Dr. Barrett's retirement plan accounts are available to Dr. Barrett only upon retirement, termination, disability or death.

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The Committee is pleased to submit this report to the stockholders on these matters.

### Compensation Committee:

Jane E. Shaw, Chairman  
John P. Browne

Winston H. Chen  
David S. Pottruck

### EMPLOYMENT CONTRACTS AND CHANGE OF CONTROL ARRANGEMENTS

None of Intel's executive officers has employment or severance arrangements.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

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### EXECUTIVE COMPENSATION

The following tables set forth the annual compensation for Intel's Chief Executive Officer and the four other most highly compensated executive officers serving at the end of 2001.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards (2)	All Other Compensation (\$)(4)
		Salary (\$)	Bonus (\$)(1)	Other Annual Compensation (\$)	Securities Underlying Options (#)(3)	
Craig R. Barrett Chief Executive Officer	2001	575,000	1,075,300		484,696	264,800
	2000	575,000	2,784,700		200,000	397,700
	1999	525,000	2,591,300		216,000	292,500
Andrew S. Grove Chairman of the Board	2001					
	2000					
	1999					