INTEL CORP

FORM 10-K
(Annual Report)

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Sector	Technology
Fiscal Year	12/31

Note 23: Employee Equity Incentive Plans

Our equity incentive plans are broad-based, long-term retention programs intended to attract and retain talented employees and align stockholder and employee interests.

In May 2009, stockholders approved an extension of the 2006 Equity Incentive Plan (the 2006 Plan). Stockholders approved 134 million additional shares for issuance, increasing the total shares of common stock available for issuance as equity awards to employees and non-employee directors to 428 million shares. The approval also extended the expiration date of the 2006 Plan to June 2012. The maximum number of shares to be awarded as non-vested shares (restricted stock) or non-vested share units (restricted stock units) increased to 253 million shares. As of December 26, 2009, 226 million shares remained available for future grant under the 2006 Plan. We may assume the equity incentive plans and the outstanding equity awards of certain acquired companies. Once they are assumed, we do not grant additional shares under these plans.

Also in May 2009, stockholders approved an employee stock option exchange program (Option Exchange) to give employees (not listed officers) the opportunity to exchange eligible stock options for a lesser number of new stock options that have approximately the same fair value as the options surrendered, as of the date of the exchange. The Option Exchange commenced on September 28, 2009 and expired on October 30, 2009. Eligible options included stock options granted under any Intel stock option or equity incentive plan between October 1, 2000 and September 28, 2008 that had an exercise price above $20.83, which was the 52-week closing-price high as of October 30, 2009. A total of 217 million eligible stock options were tendered and cancelled in exchange for 83 million new stock options granted. The new stock options have an exercise price of $19.04, which is equal to the market price of Intel common stock (defined as the average of the high and low trading prices) on October 30, 2009. The new stock options were issued under the 2006 Plan and are subject to its terms and conditions. The new stock options vest in equal annual increments over a four-year period from the date of grant and will expire seven years from the grant date. Using the Black-Scholes option pricing model, we determined that the fair value of the surrendered stock options on a grant-by-grant basis was approximately equal, as of the date of the exchange, to the fair value of the eligible stock options exchanged, resulting in insignificant incremental share-based compensation.

In 2009, we began issuing restricted stock units with both a market condition and a service condition (market-based restricted stock units), which were referred to in our 2009 Proxy Statement as outperformance stock units, to a small group of senior officers and non-employee directors. The number of shares of Intel common stock to be received at vesting will range from 33% to 200% of the target amount, based on total stockholder return (TSR) on Intel common stock measured against the benchmark TSR of a peer group over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 26, 2009, there were 2 million market-based restricted stock units outstanding. These market-based restricted stock units accrue dividend equivalents and vest three years and one month from the grant date.

In connection with our completed acquisition of Wind River Systems, we assumed their equity incentive plans and issued replacement awards in the third quarter of 2009. The stock options and restricted stock units issued generally retain the terms and conditions of the respective plans under which they were originally granted. We will not grant additional shares under these plans.

Equity awards granted to employees in 2009 under our equity incentive plans generally vest over 4 years from the date of grant, and options expire 7 years from the date of grant with the exception of market-based restricted stock units and replacement awards related to acquisitions. Equity awards granted to key officers, senior-level employees, and key employees in 2009 may have delayed vesting beginning 3 to 5 years from the date of grant, and options expire 7 to 10 years from the date of grant.

The 2006 Stock Purchase Plan allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 Stock Purchase Plan, we made 240 million shares of common stock available for issuance through August 2011. As of December 26, 2009, 157 million shares were available for issuance under the 2006 Stock Purchase Plan.

Share-Based Compensation

Share-based compensation recognized in 2009 was $889 million ($851 million in 2008 and $952 million in 2007).

We adjust share-based compensation on a quarterly basis for changes to our estimate of expected equity award forfeitures based on our review of recent forfeiture activity and expected future employee turnover. We recognize the effect of adjusting the forfeiture rate for all expense amortization after January 1, 2006 in the period that we change the forfeiture estimate. The effect of forfeiture adjustments in 2007, 2008, and 2009 was not significant.

The total share-based compensation cost capitalized as part of inventory as of December 26, 2009 was $33 million ($46 million as of December 27, 2008 and $41 million as of December 29, 2007). During 2009, the tax benefit that we realized for the tax deduction from option exercises and other awards totaled $119 million ($147 million in 2008 and $265 million in 2007).

We estimate the fair value of restricted stock unit awards with time-based vesting using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our common stock prior to vesting. We estimate the fair value of market-based restricted stock units using a Monte Carlo simulation model on the date of grant. We based the weighted average estimated values of restricted stock unit grants, as well as the weighted average assumptions that we used in calculating the fair value, on estimates at the date of grant, as follows:

	2009	2008	2007
Estimated values	$14.63	$19.94	$21.13
Risk-free interest rate	0.9%	2.1%	4.7%
Dividend yield	3.5%	2.6%	2.0%
Volatility	46%	n/a	n/a

We use the Black-Scholes option pricing model to estimate the fair value of options granted under our equity incentive plans and rights to acquire common stock granted under our stock purchase plan. We based the weighted average estimated values of employee stock option grants (excluding stock option grants in connection with the Option Exchange) and rights granted under the stock purchase plan, as well as the weighted average assumptions used in calculating these values, on estimates at the date of grant, as follows:

	Stock Options			Stock Purchase Plan		
	2009	2008	2007	2009	2008	2007
Estimated values	$4.72	$5.74	$5.79	$4.14	$5.32	$5.18
Expected life (in years)	4.9	5.0	5.0	.5	.5	.5
Risk-free interest rate	1.8%	3.0%	4.5%	0.4%	2.1%	5.2%
Volatility	46%	37%	26%	44%	35%	28%
Dividend yield	3.6%	2.7%	2.0%	3.6%	2.5%	2.0%

We base the expected volatility on implied volatility, because we have determined that implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. We use the simplified method of calculating expected life, due to significant differences in the vesting terms and contractual life of current option grants compared to our historical grants.

Restricted Stock Unit Awards

Information with respect to outstanding restricted stock unit activity is as follows:

(In Millions, Except Per Share Amounts)	Number of Shares	Weighted Average Grant-Date Fair Value	Aggregate Fair Value [1]
December 30, 2006	**27.4**	**$ 18.71**	
Granted	32.8	$ 21.13	
Vested [2]	(5.9)	$ 18.60	$ 131
Forfeited	(3.2)	$ 19.38	
December 29, 2007	**51.1**	**$ 20.24**	
Granted	32.9	$ 19.94	
Vested [2]	(12.1)	$ 19.75	$ 270
Forfeited	(4.6)	$ 20.12	
December 27, 2008	**67.3**	**$ 20.18**	
Granted	60.0	$ 14.63	
Assumed in acquisition	1.6	$ 17.52	
Vested [2]	(20.1)	$ 20.24	$ 320
Forfeited	(3.4)	$ 18.19	
December 26, 2009	**105.4**	**$ 17.03**	
Expected to vest as of December 26, 2009 [3]	**96.2**	**$ 17.10**	

[1] *Represents the value of Intel common stock on the date that the restricted stock units vest. On the grant date, the fair value for these vested awards was $407 million in 2009 ($239 million in 2008 and $111 million in 2007).*

[2] *The number of restricted stock units vested includes shares that we withheld on behalf of employees to satisfy the statutory tax withholding requirements.*

[3] *Restricted stock units that are expected to vest are net of estimated future forfeitures.*

As of December 26, 2009, there was $1.2 billion in unrecognized compensation costs related to restricted stock units granted under our equity incentive plans. We expect to recognize those costs over a weighted average period of 1.4 years.

Stock Option Awards

Options outstanding that have vested and are expected to vest as of December 26, 2009 are as follows:

	Number of Shares (In Millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value [1] (In Millions)
Vested	297.7	$ 28.44	2.4	$ 166
Expected to vest [2]	140.8	$ 18.57	6.2	280
Total	**438.5**	**$ 25.27**	**3.6**	**$ 446**

[1] *Amounts represent the difference between the exercise price and $20.33, the closing price of Intel common stock on December 24, 2009, as reported on The NASDAQ Global Select Market*, for all in-the-money options outstanding.*

[2] *Options outstanding that are expected to vest are net of estimated future option forfeitures.*

Options with a fair value of $288 million completed vesting during 2009 ($459 million during 2008 and $1.4 billion during 2007). As of December 26, 2009, there was $282 million in unrecognized compensation costs related to stock options granted under our equity incentive plans. We expect to recognize those costs over a weighted average period of 1.3 years.

Additional information with respect to stock option activity is as follows:

(In Millions, Except Per Share Amounts)	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value [1]
December 30, 2006	**839.5**	**$ 26.98**	
Grants	24.6	$ 22.63	
Exercises	(132.8)	$ 19.78	$ 552
Cancellations and forfeitures	(65.4)	$ 31.97	
December 29, 2007	**665.9**	**$ 27.76**	
Grants	24.9	$ 20.81	
Exercises	(33.6)	$ 19.42	$ 101
Cancellations and forfeitures	(42.8)	$ 31.14	
Expirations	(2.4)	$ 22.84	
December 27, 2008	**612.0**	**$ 27.70**	
Grants [2]	118.5	$ 18.01	
Assumed in acquisition	9.0	$ 15.42	
Exercises	(3.6)	$ 15.90	$ 13
Cancellations and forfeitures	(29.6)	$ 28.16	
Exchanged	(217.4)	$ 26.75	
Expirations	(37.6)	$ 31.92	
December 26, 2009	**451.3**	**$ 25.08**	
Options exercisable at:			
December 29, 2007	528.2	$ 29.04	
December 27, 2008	517.0	$ 28.78	
December 26, 2009	297.7	$ 28.44	

[1] *Amounts represent the difference between the exercise price and the value of Intel common stock at the time of exercise.*

[2] *Includes new stock options granted in connection with the Option Exchange.*

The following table summarizes information about options outstanding as of December 26, 2009:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares (In Millions)	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares (In Millions)	Weighted Average Exercise Price
$0.30–$15.00	6.6	5.0	$ 12.83	4.5	$ 12.83
$15.01–$20.00	199.2	5.3	$ 18.20	70.3	$ 18.47
$20.01–$25.00	164.6	2.8	$ 21.93	143.0	$ 21.99
$25.01–$30.00	25.0	2.9	$ 27.22	24.5	$ 27.23
$30.01–$72.88	55.9	0.5	$ 59.32	55.4	$ 59.57
Total	**451.3**	**3.7**	**$ 25.08**	**297.7**	**$ 28.44**

These options will expire if they are not exercised by specific dates through January 2019. Option exercise prices for options exercised during the three-year period ended December 26, 2009 ranged from $0.05 to $27.27.

Stock Purchase Plan

Approximately 80% of our employees were participating in our stock purchase plan as of December 26, 2009. Employees purchased 30.9 million shares in 2009 for $344 million under the 2006 Stock Purchase Plan (25.9 million shares for $453 million in 2008 and 26.1 million shares for $428 million in 2007). As of December 26, 2009, there was $9 million in unrecognized compensation costs related to rights to acquire common stock under our stock purchase plan. We expect to recognize those costs over a weighted average period of one month.

Note 24: Common Stock Repurchases

Common Stock Repurchase Program

We have an ongoing authorization, amended in November 2005, from our Board of Directors to repurchase up to $25 billion in shares of our common stock in open market or negotiated transactions. As of December 26, 2009, $5.7 billion remained available for repurchase under the existing repurchase authorization. During 2009, we utilized the majority of the proceeds from the issuance of the 2009 debentures to repurchase 88.2 million shares of common stock at a cost of $1.7 billion (for further information on the issuance of the 2009 debentures, see "Note 20: Borrowings"). We repurchased 324 million shares at a cost of $7.1 billion during 2008 and 111 million shares at a cost of $2.75 billion during 2007. We have repurchased and retired 3.4 billion shares at a cost of $69 billion since the program began in 1990. Our repurchases in 2009 and a portion of our purchases in 2008 and 2007 were executed in privately negotiated transactions.

Restricted Stock Unit Withholdings

We issue restricted stock units as part of our equity incentive plans. For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. During 2009, we withheld 5.8 million shares (3.5 million shares during 2008 and 1.7 million shares during 2007) to satisfy $92 million ($78 million during 2008 and $38 million during 2007) of employees' tax obligations. Although shares withheld are not issued, they are treated as common stock repurchases in our consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting.

Exhibit 23.1

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

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 33-33983, 33-63489, 333-24229, 333-45395, 333-67537, 333-34154, 333-36526, 333-39422, 333-42408, 333-46220, 333-49696, 333-57366, 333-59518, 333-59522, 333-59530, 333-63330, 333-115625, 333-124805, 333-135178, 333-135177, 333-143932, 333-125914, 333-141905, 333-160272, and 333-160824), Form S-4 (No. 333-158222), and Form S-3 (No. 333-157465) of Intel Corporation of our reports dated February 22, 2010, with respect to the consolidated financial statements and schedule of Intel Corporation, and the effectiveness of internal control over financial reporting of Intel Corporation, included in this Annual Report on Form 10-K for the year ended December 26, 2009.

/s/ Ernst & Young LLP

San Jose, California
February 22, 2010