

INTEL CORP \$2,500,000 CONVERTIBLE DEBENTURES

Intel Corp was incorporated in July 1968 by Robert Noyce, Gordon Moore and Arthur Rock. Dr. Noyce and Dr. Moore were two of the original group of eight scientists who started Fairchild Semiconductor Corp in 1957. Fairchild Semiconductor grew to a volume of over \$100,000,000 a year in 1967 and for the past few years accounted for most of the earnings of the parent company, Fairchild Camera & Instrument Corp. Dr. Noyce was a Vice-President and Director of Fairchild Camera & Instrument Corp. and was general manager of the Fairchild Semiconductor Corp. Dr. Moore was Director of Research & Development for the past nine years.

Mr. Rock has been associated with the formation of several science based companies. He is currently Chairman of the Board of Scientific Data Systems, Inc., a Director and member of the Executive Committee of Teledyne, Inc., a member of the Board of the Benrus Watch Company and Intersil, Inc. Teledyne has a subsidiary in the semiconductor business and Intersil is a newly formed company making semiconductor devices. Mr. Rock believes there is no conflict of interest at the present time; however, a conflict might arise in the future and Mr. Rock will take whatever action is appropriate at that time.

Intel expects to pursue development and production of Large Scale Arrays, utilizing both MOS (Metal Oxide Semiconductor) devices and Bipolar transistor technologies. It is not expected that the company

will produce any of the types of integrated circuits now on the market, but rather will seek to extend the technology to higher levels of integration. The company may explore other areas of advanced solid-state electronic technology where potential return appears to justify this expenditure.

Intel will not make any significant sales during the first year of operation, but rather will concentrate on technology development during this time. It is believed that the present financing will allow the company to carry out its development plans and go on to make profits by the second year. It will then have to be determined whether additional financing will be required.

There are presently 500,000 shares outstanding of which Dr. Noyce bought 245,000 shares, Dr. Moore 245,000 shares, and Mr. Rock 10,000 shares, all at \$1 per share. The company expects to offer \$2,500,000 of convertible debentures to a limited group of private investors, convertible at \$5 per share. Thus the investors will own 50% of the company for which they will have paid \$2,500,000 and the founders 50% for which they have paid \$500,000. In addition the company has a stock option plan and a stock purchase plan. Both plans will be at a price of not less than \$5 per share and none of the Directors of the company will participate in the plan.

Among the more pertinent terms of the debentures are the following:

- 1) Ten year term.
- 2) 6% Interest.
- 3) Waiver of interest for 3 years.

- 4) Fully subordinated to all indebtedness.
- 5) Non-callable for one year.
- 6) Sinking fund beginning in the 5th year to retire one-half of the outstanding debentures.
- 7) Anti-dilution protection against stock splits, stock dividends, and stock options at less than \$5 per share.
- 8) Negative restriction against payment of dividends on common stock.
- 9) Provision for "piggy-back" registration rights and one free registration at the request of a majority of the debenture holders.

The attorneys for Intel will be Pillsbury, Madison & Sutro and the auditors will be Arthur Young & Company.

It is expected that Mr. Rock will purchase \$300,000 of the debentures. Each of the six founders of Fairchild Semiconductor will invest between \$50,000 and \$100,000.

Intel is negotiating to acquire the rights to an invention that falls within Intel's area of interest. It is presently proposed that Intel exchange 2,000 of its shares for assets valued at \$10,000 and that additional stock be issued in accordance with certain sales goals over each of the next five years in an amount not to exceed 1% of the outstanding stock in that year assuming that the debentures are fully converted.

It is presently contemplated that the Board of Directors of Intel in addition to Messrs. Noyce, Moore, and Rock, will include Max Palevsky, President of Scientific Data Systems, Inc.; a representative of

Rockefeller Family and Associates; Paul Cook, President of Raychem Corp.; Richard Hodgson, formerly President and a Director of Fairchild Camera & Instrument; and Gerard Currie, President of Data Technology Corp.