April 6, 2006

Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-9303
Attn: Nancy M. Morris, Secretary

VIA E-MAIL (rule-comments@sec.gov)

Re: **Executive Compensation and Related Party Disclosure**
File No.: S7-03-06
Release Nos.: 33-8655; 34-53185; IC-27218

Dear Ms. Morris:

This letter from Intel Corporation is in response to the Securities and Exchange Commission's ("SEC") request for comment in Release No. 33-8655 ("Proposing Release") regarding changes to the disclosure requirements for executive and director compensation, related party transactions, director independence and other corporate governance matters and security ownership of officers and directors.

Our five major comments with regard to the proposals are based on these two themes: accountability of the Compensation Committee, because it controls executive compensation; and the distinction between realized and contingent compensation:

1. Both the Report of the Compensation Committee and the Report of the Audit Committee in the proxy statement are the proper locations for the disclosures included therein. The SEC required each of these disclosure documents prior to the adoption of the Sarbanes-Oxley Act, but the substantive law has now caught up with the disclosure requirements. The NYSE and NASDAQ corporate governance rules require the use of a Board committee of independent directors to determine executive compensation. It is appropriate for that committee to formally report on its activities, and it would be confusing and inappropriate to convert that report into a company report. The Management's Discussion and Analysis ("MD&A") is a report by the company, and properly so, as business operations are largely undertaken by management. In the case of executive compensation, the relevant operating body is the Board's Compensation Committee. We believe the Compensation Discussion and Analysis ("CD&A") concept should be deleted in favor of retaining the Report of the Compensation Committee. Most of the CD&A requirements could be added as requirements for the contents of the Report of the Compensation Committee.

2. The specific proposals for disclosing additional data should be revised to distinguish between Current Compensation, Contingent Compensation and Post-Employment Compensation. It is inappropriate as a matter of corporate and personal economics, and as a matter of presenting the decision-making processes of the Compensation Committee, to show each of the following amounts as equivalent: a) a dollar actually paid or irrevocably accrued as salary or bonus; b) a dollar valuation derived from an estimation formula and as to which the actual economic realization may

not occur for five to ten years and can be within a range of zero to infinite; and c) a dollar which cannot be received until employment is terminated. Both the Compensation Committee and the senior executive treat each of these "dollars" very differently in analyzing, determining and bargaining for compensation. It is misleading to suggest that they are equivalent in all significant respects, but that is what occurs when this data is aggregated and presented as "Total Compensation." If a total compensation number is desired, we would recommend a different format (see Section II below).

3. The specific proposals for disclosing additional data should be revised to more definitively distinguish between compensation paid as a result of the current actions of the Compensation Committee, and compensation paid or accrued as a result of prior decisions of the Compensation Committee. The mass of new data called for in the proposals conflates the old and the new and obscures past and current action by the Compensation Committee. The economic value realized upon the exercise of stock options granted ten years ago needs to be consistently distinguished from the Black-Scholes valuation of stock options that cannot be exercised for the next five years.

4. Data relating to deferred compensation and other post-retirement accruals should distinguish between company obligations and amounts which are not company obligations. For example, the accruing company obligation to pay a return on deferred compensation should be distinguished from a 401(k) plan balance consisting of an executive's contributions plus the investment earnings from mutual funds. Amounts funded by the executive from current compensation, and where the later increases in value come from mutual funds or other like sources, should not have to be disclosed in dollar detail. Wealth accumulation not funded by the company should not have to be disclosed; the appropriate disclosure should be a narrative description of the benefit plans which the Compensation Committee made available to the executive in that regard.

5. The specific proposals for disclosing additional data should be closely reviewed and then revised to avoid opportunities for double-counting of data. A single dollar could appear as current compensation, deferred compensation and retirement-plan compensation; and for equity compensation you are proposing that a dollar appear as a Black-Scholes valuation when granted, as part of the aggregate holdings of equity instruments and finally as a real dollar if and when realized upon exercise or vesting. As noted in comments 2, 3 and 4 above, this will confuse the user, obscure the actions actually taken on a current basis by the Compensation Committee and serve to create inaccurate "Total Compensation" data.

I. Compensation Discussion and Analysis

In addition to our comment no. 1 above concerning the characterization of the CD&A, we have the following additional comments:

A. Intent and Operation of the Proposed Compensation Discussion and Analysis

The SEC should be clearer as to the contents of this document, and make a definitive determination whether you will create and support this as a "principles-based" document or not. The concept of principles-based as opposed to rules-based has much currency in many topic areas of late, but by publishing a list of specific content requirements, the "principles-based" nature of the discussion is undercut. If there are specific content mandates, these should be explicitly outlined, and in as much detail as is reasonable. We strongly recommend that any requirements are consistent with the idea that this remains the work and words of the Board's Compensation Committee.

In that regard, it would be most logical to include the Compensation Committee disclosures in proposed rules 402(b) and 407(e) into a single Report of the Compensation Committee. Proposed rule 407(e)(3) asks for a narrative description of the registrant's processes and procedures for consideration and determination of executive compensation, but much of this would also be in the proposed CD&A (and ought to be in a retained Report of the Compensation Committee) . For example, both proposed rule 402(b)(2)(xiii) and 407(e)(3)(ii) ask for the role of executive officers in determining compensation. No useful purpose is served by having separate, narrative discussions regarding how compensation is determined under both proposed Item 7(d) of Schedule 14A (Directors and executive officers) and Item 8 (Compensation of directors and executive officers).

B. "Filed" Status of Compensation Discussion and Analysis

We do not believe it is desirable or necessary to treat the CD&A as "soliciting material" or "filed," nor should it be adopted as a requirement in lieu of the current Report of the Compensation Committee. We believe the Compensation Committee should remain responsible and accountable for a report on executive compensation in the proxy statement. The report should remain as the Report of the Compensation Committee and be furnished, rather than filed, similar to proposed item 407(d)(3) regarding the Audit Committee report. There is no reason to treat the reports of two board committees differently with respect to their respective areas of responsibility.

Requiring a CD&A to be "filed" as part of the Form 10-K would make the CD&A subject to the Chief Executive Officer and Chief Financial Officer certifications under Rules 13a-14 and 15d-14. We believe that the Report of the Compensation Committee should be retained, and logically the processes and deliberations of this committee of independent Board members should not be a topic of certification by these executives. The NASDAQ rules specify that independent directors determine the compensation of all executive officers and expressly require that the Principal Executive Officer be excluded from deliberations concerning his or her own compensation. Corporate governance "best practices" call for all officers to be excluded from Compensation Committee deliberations about their own compensation. Committee processes are within the jurisdiction and control of the committee, not management. As such, we strongly recommend that the report continue continues to be furnished by the Compensation Committee.

C. Replacing Compensation Committee Report with CD&A

We believe the Report of the Compensation Committee should not be replaced by the CD&A for the reasons noted above.

II. The Summary Compensation Table and Related Disclosure

We believe the proposed summary compensation table should be modified to exclude the dollar value of stock awards, option awards, earnings on deferred compensation, and the increase in pension actuarial value. We suggest renaming this table the "current cash-based compensation table." As proposed, the summary compensation table is confusing and combines too many disparate elements into one number. The structure also leads to significant double-counting risks, as amounts contained in the table are also included in supplemental tables.

If a "Total Compensation" number is deemed necessary, we suggest adding the following table at the beginning of the compensation discussion:

TOTAL COMPENSATION

Name and Principal Position	Current Cash-Based Compensation	Contingent Equity-Based Compensation	Post-Employment Retirement/Deferred Compensation	Total Compensation
CEO				
CFO				
A				
B				
C				

This format reduces unnecessary duplication: current cash-based compensation would be pulled from the "current cash-based compensation table"; the Black-Scholes value of equity awards from the "grants of performance-based awards table" and "grants of all other equity awards table"; and retirement/deferred compensation from the "retirement plan potential annual payments and benefits" table and the "nonqualified defined contribution and other deferred compensation plans table."

It is most appropriate to present these three compensation categories separately because they have very different risk/reward characteristics, are determined in different manners and should be considered as distinct items. For example, current cash-based compensation in the form of salary and bonus is typically paid or accrued to the named executive officer ("NEO") no later than shortly after the end of the relevant annual period. Contingent, equity-based compensation is a hybrid in that the amount of shares underlying a stock, option or performance award may be currently determined by the Compensation Committee, but the amount of dollar value actually realized by the NEO is dependent upon the company's stock price (and performance of the company or NEO in the case of performance awards) and may not be known for many years.

The increase in pension actuarial value has little direct relationship to the Compensation Committee's current determination of a NEO's compensation; the NEO's age and length of service to the company largely determine this amount, which is not payable until retirement. Similarly, deferred compensation is typically payable at a future date such as retirement or departure from the company. The amount of earnings on deferred compensation is also largely unrelated to the Compensation Committee's evaluation of the NEO's current performance; rather, the earnings depend on the NEO's deferrals over time and availability and choice of investment vehicles.

Users of the compensation data will benefit if the presentation easily and naturally distinguishes between these different types of compensation.

Finally, we do support the continuation of the current requirement that three years of compensation data be provided in the summary table. Having the three years of data in one location provides ease to the users in comparing over that period of time and allows for a quick snapshot view of trends.

A. Total Compensation Column

We believe that the aggregation of actual compensation earned (i.e., current cash-based compensation) with contingent compensation (Black-Scholes value of equity awards) into one total compensation figure will tend to confuse the users of the data. Similarly, the inclusion of earnings on deferred compensation and the increase in actuarial pension value within the total compensation figure will be confusing because those amounts may be subject to substantial fluctuation until paid, may be linked in whole or in part to the performance of mutual funds or other value mechanisms not related to the company, and may represent assets or obligations which are not assets or obligations of the company.

As noted above, we believe the proposed summary compensation table should be modified to include only current cash-based compensation (salary, bonus, non-stock incentive plan compensation and all other compensation). This table would include all cash-based payments made to the NEOs during the year, and should be the basis for determining who is a NEO since these amounts tend to be more stable from year to year, are easier to calculate, and best reflect the current decisions of the Compensation Committee. For clarity, the table should be renamed the "current cash-based compensation table."

We recommend adding the Black-Scholes value of performance-based awards and all other equity awards to the "grants of performance-based awards table" and "grants of all other equity awards table," respectively, instead of including these values within the summary compensation table. While we do not recommend aggregating actual and contingent compensation, if a "total compensation" figure is mandated, we recommend our proposed "total compensation table" as described in Section II. The "contingent equity-based compensation" column would include the Black-Scholes total of all equity awards granted during the year that is included in more detail in the supplemental tables. This should at least reduce some of the double counting problems, since it is clearer that the values are being rolled up and aggregated, rather than simply repeated in multiple places.

The increase in pension plan actuarial value could easily be added to the "retirement plan potential annual payments and benefits" table. This treatment is more appropriate since the size of the increase will typically depend on factors of age and length of service rather than any current determination of the Compensation Committee. Similarly, the NEO's earnings on deferred compensation are reported in the "nonqualified defined contribution and other deferred compensation plans" table and should not be repeated in the summary compensation table.

B. Salary and Bonus Columns

NEOs should continue to be determined based on salary and bonus (the "current cash-based compensation table" described above). Including the Black-Scholes value of equity awards, which may or may not have actual realized future value, can lead to distortions depending on the timing of awards. Including a NEO's earnings on deferred compensation is similarly distorting because this amount includes the effects of deferrals, contributions and gains from previous years. The disclosure should focus on current-year allocations of value as determined by the Compensation Committee. This would be followed by a discussion of why these amounts are appropriate in the context of company and individual performance and market competitiveness.

Finally, footnoting the amount of compensation the executive deferred in the summary compensation table is unnecessarily duplicative. Since the amount is included in the "nonqualified defined contribution and other deferred compensation plans" table, footnoting adds additional length and complexity to an already crowded table. Anyone interested in the amounts deferred by the NEO can review the disclosures devoted to deferred compensation.

C. Plan-Based Awards

1. Stock Awards and Option Awards Columns

Whenever possible, compensation should be presented on a consistent basis. The Black-Scholes value of performance awards should be reported in the "grants of performance-based awards table" rather than the summary compensation table. Similarly, we believe that for other equity awards granted during the year, the Black-Scholes value of the awards should be included in the "grants of all other equity awards table."

2. Non-Stock Incentive Plan Compensation Column

The current definition of what constitutes a non-stock incentive plan is unclear. It would be helpful if the definition was revised to distinguish a non-stock incentive plan from a typical bonus plan that uses a formula to pay set amounts upon the achievement of stated objectives. We recommend defining non-stock incentive plans as plans designed to provide performance incentives over a period exceeding 12 months.

D. All Other Compensation Column

1. Earnings on Deferred Compensation

As discussed earlier, earnings (or losses) on deferred compensation should not be included within the summary compensation table because these amounts may largely reflect the history of voluntary deferrals made by the NEO as well as the NEO's investment alternatives and decisions. Similarly situated executives may have materially different earnings and balances related to deferred compensation, and those differences may be wholly the result of individual decisions made by them as to rates of deferral and investment choices made. Neither the current earnings nor the accrued balance particularly reflect any current decision by the Compensation Committee. These earnings will be included in the "nonqualified defined contribution and other deferred compensation plans" table. If a "total" compensation figure must include these earnings, we believe our "total compensation table" described in Section II above is a preferable method of presentation.

2. Increase in Pension Value

The actuarial increase in pension value should not be included in the summary compensation table because this amount is typically based on the NEO's age and tenure, not by current Compensation Committee decisions. The actuarial increase in pension value should be added to the "retirement plan potential annual payments and benefits" table. If the actuarial increase in pension value must be included in a "total" compensation figure, we believe our "total compensation table" described in Section II above is a preferable method of presentation.

Additional guidance is needed on the treatment of "floor offset" plans, where a pension plan is in place but the amounts are not expected to be paid out because by its terms it is likely to be completely offset by balances in a profit-sharing or other plan in place.

3. Perquisites and Other Personal Benefits

We agree with the Proposing Release's lowering of the threshold for the disclosure of perquisites.

III. Supplemental Annual Compensation Tables

A. Grants of Performance-Based Awards Table

The reporting of the value of performance awards should be simplified. Rather than providing the threshold, target and maximum amounts of awards, we suggest using only the Black-Scholes grant date value in the table. In addition, a column showing the performance awards earned during the year should be added.

B. Grants of All Other Equity Awards Table

The Black-Scholes value of the stock and option awards should be included in this table rather than in the proposed summary compensation table. We recommend retaining the column disclosing the percentage of total options granted to all employees during the year of grant, as the data is useful for benchmarking purposes. This percentage figure helps stockholders understand if equity grants are being concentrated into the hands of a few executives or if the awards are part of a broadly based program.

IV. Exercises and Holdings of Previously Awarded Equity

A. Outstanding Equity Awards at Fiscal Year-End

One consequence of including total accumulated option holdings in this table (as well as in the post-employment tables below) may be to encourage executives to reduce their holdings. We believe such a consequence was not necessarily intended, but it would be unfortunate if the SEC's rule proposals had the effect of discouraging executives to remain as stockholders. To avoid double-counting in the post-employment tables, the value of outstanding equity awards should only be reported in this table, and not in the "other potential post-employment payments" discussion.

B. Option Exercises and Stock Vesting

The instruction to this item should be revised to clarify that the original Black-Scholes amount of the option grant can be included in the table even if it was not previously reported in the summary compensation table (because the executive officer was not previously an NEO, for example). We believe that companies should be able to use the Black-Scholes amount of the option grant used for financial statement purposes. The valuation methodology should match the methodology used for financial statement purposes.

V. Officers Covered

A. Named Executive Officers

Compensation disclosure should not include an additional three non-executive officers since disclosure in this context could create privacy and competitiveness issues. The compensation of non-executives does not raise the same concerns for stockholders because their compensation is typically not determined by the Compensation Committee and the non-executives are, by definition, not serving in the most senior policy making roles in the company.

B. Identification of Most Highly Compensated Officers; Dollar Threshold for Disclosure

NEOs should continue to be determined by base salary and bonus (the "current cash-based compensation table" described above) because these amounts are determined by the Compensation Committee and are earned within the current year. One-time recruitment or retention bonuses or equity awards should continue to be disregarded for purposes of identifying the NEOs within a company. The actual economic value of equity awards granted in the current year may be earned in a subsequent year, if at all, and should not be counted in the determination of the NEOs. Also, the earnings on deferred compensation and the actuarial increase in pension value should not be included in the determination of the NEOs because these amounts often reflect significant factors beyond the Compensation Committee's control. Ultimately, if total compensation is the measure used to determine NEO status, there will be less stability in the composition of NEOs, the NEOs listed will not necessarily be the most highly valued officers of the company as currently determined by the Compensation Committee, and the NEO concept will have less meaning to stockholders.

VI. <u>Compensation of Directors</u>

Outstanding equity awards at year end for directors should be provided in a separate table similar to officers rather than placed in footnotes. The directors' compensation table should have separate columns for annual retainer, total meeting fees, committee chair and membership fees and total committee fees. Providing this breakdown would help stockholders better understand how the board is compensated.

VII. <u>Certain Relationships and Related Transactions Disclosure</u>

It is inappropriate and unrealistic for companies to be required to describe each of the relationships (under proposed S-K Item 404(a)) that were considered by the Board when determining whether each director is independent. As a matter of completeness, a Board may be provided with hundreds of items of data to assist them in their independence determination. The matters presented to the Board that meet the independence tests of the exchanges and would not be disclosed under Item 404(a) are not material relationships with the company. Immaterial and unnecessary disclosure would be added to the proxy statement to no useful end, and would raise ongoing issues of confidentiality affecting numerous third parties. As importantly, it would be a significant unintended and negative consequence if this mandated disclosure also served to disqualify directors from service on the Compensation Committee. The point of the exchanges' rules, among other matters, is to encourage a flow of data to the Board so that it can act with knowledge to confirm or deny independence status. This rule would surely reduce the information flow if listing it alone would result in disqualification. In the face of such a rule, companies and directors might exclude data from the independence discussion, and this is not the desired result. This proposal should be deleted.

We appreciate the opportunity to have submitted these comments. Please contact the undersigned at 408-765-1215, or Douglas Stewart at 408-765-5532, if you would care to discuss these comments in further detail.

Cary Klafter
Vice President, Legal and Government Affairs,
Director, Corporate Affairs and Corporate Secretary
Intel Corporation