

- (1) In November 2000, the Company acquired RocketChips. Under the terms of the merger, the Company assumed all of the stock options previously issued to RocketChips' employees pursuant to four different stock option plans. A total of approximately 807,000 options were assumed by the Company. Of this amount, a total of 342,949 options, with an average weighted exercise price of \$15.18, remained outstanding as of April 3, 2004. These options are excluded from the above table. All of the options assumed by the Company remain subject to the terms of the RocketChips' stock option plan under which they were issued. Subsequent to acquiring RocketChips, the Company has not made any grants or awards under any of the RocketChips' stock option plans and the Company has no intention to do so in the future.
- (2) This number does not include additional shares that become available under a quasi-evergreen program. This program, approved by stockholders in 1999, permits the Company to increase the amount available for issuance under the 1997 Stock Plan for each of five years commencing with fiscal year 2000 by an amount equal to the lesser of 20 million shares or 4% of the number of shares outstanding as of the beginning of the prior fiscal year, as adjusted for splits, stock dividends and certain other changes to the outstanding capital stock of the Company or an amount determined by the Board of Directors. On April 8, 2004, the Board approved the addition of 13.6 million shares increasing the total amount of shares available for grant to 42.3 million including 40.1 million shares from the 1997 Stock Plan and 2.2 million shares from the Supplemental Stock Option Plan. This 13.6 million share allotment marks the end of the Company's quasi-evergreen program.
- (3) Our Supplemental Stock Option Plan, which was not subject to stockholder approval, is intended to help us attract and retain outstanding individuals in order to promote the success of the Company's business. The plan permits stock options to be granted to employees and consultants of the Company, except that our officers and members of our Board of Directors may not be granted options under the plan. The number of shares that may be issued pursuant to options granted under the plan is 2.2 million, subject to adjustment for stock splits, stock dividends and certain other changes to the outstanding capital stock of the Company. Only non-qualified stock options may be granted under the plan (that is, options that do not entitle the optionee to special U.S. income tax treatment). The plan is administered by the Compensation Committee, which has broad discretion to set the terms of options (including the number of shares, exercise price, vesting conditions and terms of options), to determine to whom they will be granted, to interpret the plan and the option agreements and to take such other actions and make such other determinations as it determines necessary or advisable in the administration of the plan. Subject to the foregoing, options granted under the plan generally expire not later than 12 months after the optionee ceases to be an employee or consultant. Upon a merger of the Company with or into another company, or the sale of substantially all of the Company's assets, each option outstanding under the plan may be assumed or substituted with a similar option by the acquiring company, or the outstanding options will become exercisable in connection with the merger or sale. Our Board of Directors is authorized at any time to amend, alter, suspend or terminate the plan, but no such change may impair the rights of any option recipient under the plan without the written consent of the participant and the Company.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by this Item is incorporated by reference to the section entitled "Employment Contracts and Termination of Employment and Change-in-Control Arrangements" in our Company's Proxy Statement.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference to the sections entitled "Ratification of Appointment of Independent Auditors" and "Fees Paid to Ernst & Young LLP" in our Company's Proxy Statement.