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## Chipmaker Insiders Are Snapping Up Stock

BY JAMES DETAR  
*INVESTOR'S BUSINESS DAILY*

A fact almost forgotten in the wake of the corporate scandals: Insiders buy stocks as well as sell them.

Just ask semiconductor executives. They're snapping up lots of shares of their own companies. In fact, says one analyst, insider buying at chip companies is at the highest level in 13 years.

Research firm Market Profile Theorems in Seattle says executives of nearly every major chip firm are part of this feeding frenzy. Among those cited: Advanced Devices Inc. ([AMD](#)), LSI Logic Corp. ([LSI](#)) and Motorola Inc. ([MOT](#))

Does this mean a rip-roaring recovery is underway in the chip sector? No way. The insiders snatching up these chip stocks are mainly long-term investors. They plan to hold onto their shares for a while.

"I'm not interested in what's happening in the next 90 days or six months," said Wilf Corrigan, LSI Logic's founder and chief executive. "I buy semiconductor stocks when I think we're around the bottom of a cycle."

Corrigan bought 100,000 shares of LSI's stock on July 31. He paid 7.67 a share. The share price has hovered at the same level since then.

The Milpitas, Calif., company makes a type of custom chip called an application-specific integrated circuit, or ASIC.


Corrigan still expects 2002 to be one of the worst years ever for chip companies.

But the industry is believed to be in the early stage of recovery, and chip stocks will likely gain value starting in 2003.

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Insiders figure it's actually riskier not to have a stake in their companies, says Michael Painchaud, an analyst at Market Profile Theorems. Chip turnarounds can be swift and sudden, and insiders don't want to be left behind.

"This industry has a steep cyclical component," Painchaud said. "To make money on its stock you have to lead the industry."

Corrigan says a year ago he was buying LSI stock, too. At that time it sold at about 20.

Now the stock's depressed price makes it a bargain, he says. "At these prices, it's a good place to put any discretionary money," Corrigan said.

The unusual thing about this cycle, he says, is how strong the downside was. According to the Semiconductor Industry Association, chip sales fell 32% in 2001.

That's the biggest drop ever. The SIA expects chip sales in 2002 to rise 3%.

LSI bottomed late last year and is slowly improving, Corrigan says. It returned to a positive cash flow in the second quarter and expects to be profitable again in the fourth quarter. It has \$1 billion cash in the bank and little debt.

AMD Chief Executive Hector Ruiz is also buying his company's stock. He expects a new product line to fuel growth.

Also, as a newly appointed chief he wants to show he's confident in the company's future. AMD is the second-largest maker of both personal computer chips and flash memory chips. Intel Corp. (INTC) leads both those markets.

Until last April, Ruiz was AMD's chief operating officer. He took his new post when co-founder Jerry Sanders stepped down as CEO. Sanders is still at the company's helm as chairman.

Like Corrigan, Ruiz is a long-term investor.

"Everything you and I touch, from health care to transportation, is heavily dependent on advances in semiconductor technology," Ruiz said. "In the long run, it's a growth industry."

He bought 24,000 shares of AMD at three times in early August. He paid prices ranging from 7.39 to 7.90. Its shares now trade slightly below that range.

Ruiz sees a silver lining in the chip market meltdown. It's forced the industry to streamline, he says.

"This lull in the industry is going to be good in sorting out the things customers find valuable," Ruiz said.

AMD is pinning its hopes on a new line of chips called Hammer. The Hammer devices will be AMD's most powerful to date, and analysts expect them to compete well with Intel's chips.

"It's going to position us as a leadership company in microprocessor for a broad range of products - mobile and desktop computers and (network) servers," Ruiz said.

AMD is providing samples of the new chip to customers now. And computer companies will roll out products with Hammer processors early next year.

At Intel, insider purchases haven't spiked. There are no recent Securities and Exchange Commission filings of major purchases of Intel stock by Intel executives.

But the selling has stopped, Painchaud says. And that's a good sign.

Intel Chief Executive Craig Barrett sold 104,000 shares in January at 34.52. He hasn't sold any shares in recent months.

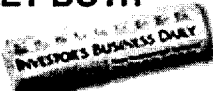
Similarly, Chairman Andrew Grove sold about 300,000 shares at various times in January at about 32. Intel now sells at about 16.

"Intel insiders aren't selling any more. But they're not aggressive buyers," Painchaud said. "Very often that's a precursor to positive news."


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