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Reason for Report:
Company Update

Changes	To (Current)	From (Previous)
Rating	Strong Buy	--
Price Target	\$43.00	--
FY06E EPS	\$4.02	--
FY07E EPS	\$0.98	--
FY06E Rev (M)	\$483.9	--
FY07E Rev (M)	\$215.6	--

Current Price	\$34.37
52 Wk High:	\$35.44
52 Wk Low:	\$17.25
30-Day Avg Daily Vol:	1,223,560
Market Capitalization:	\$1,917.8M
Shares Outstanding:	55.8M
Dividend:	NA
Cash:	\$336.8M
Cash/Share:	\$6.04
Debt/Capital:	0.60%
Book Value:	\$303.55M
Book Value/Share:	\$5.44
Dividend Yield:	NM
3 yr EPS Growth:	NM
Fiscal Year End:	Dec

Earnings Per Share

	2005A	2006E	2007E
Q1	(\$0.02)A	\$0.23A	--
Q2	\$0.07A	\$2.98A	--
Q3	\$0.11A	\$0.39E	--
Q4	\$0.03A	\$0.39E	--
Year	\$0.21A	\$4.02E	\$0.98E
P/E Ratio	163.7x	8.5x	35.1x

Revenue (\$mil)

	2005A	2006E	2007E
Q1	\$35.5A	\$51.6A	--
Q2	\$38.6A	\$296.6A	--
Q3	\$48.5A	\$67.7E	--
Q4	\$40.5A	\$68.0E	--
Year	\$163.1A	\$483.9E	\$215.6E
RM	11.8x	4.0x	8.9x

3Q:05E EPS is \$0.02 not including impact of prior period revenues. 2005E EPS is \$0.12 not including impact of prior period revenues.

FY2006 EPS estimate excluding Nokia settlement income would have been \$0.94.

3Q:05E Revenue is \$37.5 million not including impact of prior period revenues. 2005E Revenue is \$151.5 million not including impact of prior period revenues.

InterDigital Communications Corp. (IDCC - \$34.37)
Strong Buy

Company Expands Agreement with Infineon

Regulation AC Certification

Each analyst and associate who has participated in the preparation of this report certifies that the views expressed in this publication accurately reflect the personal views of the analyst about the subject company(s) and its(their) securities. The analyst and associate further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

Specific required disclosures with regard to the companies mentioned in this publication can be found beginning on page 3.

Action

We maintain our Strong Buy rating and \$43 price target.

Key Points

- InterDigital announced today that it has extended its licensing relationship with Infineon (IFX-\$12.05-Not Rated). According to the new agreement, Infineon will license its 2G GSM/GPRS/EDGE baseband modem and protocol stack software to InterDigital.
- This expanded license agreement allows InterDigital to integrate its own 3G baseband design (WCDMA, HSDPA and HSUPA) with Infineon's 2G suite to offer a complete dual-mode 2G/3G wireless modem platform suite, including the 3G protocol stack.
- InterDigital has the right to use the Infineon 2G technology in its own modem offering or to sublicense the technology to third parties developing their own 2G/3G modem offerings. InterDigital also gains access to all of the applicable design specifications, source code, and other design data for Infineon's integrated GSM/GPRS/EDGE baseband and protocol stack technology.
- We believe this extended licensing agreement is positive for InterDigital, as it will enable the company to offer a more complete product, and will improve its chances to add new licensees for its technology solutions suite.
- There are no changes to our estimates at this point. Our estimate for the third quarter is earnings of \$0.39 on \$67.7 million of revenues. The company's guidance is \$68-\$69 million.
- We reiterate our Strong Buy rating on IDCC shares.

Valuation

Using share price net of cash, IDCC is currently trading at 28.8x our 2007E EPS. Our \$43 price target is based on our DCF model, which assumes a 3.0% terminal growth rate and a 10% discount rate. In our DCF model we do not assume any new 3G licensees until 2007, and have not raised our assumption that IDCC will capture 35% of the remaining 3G market opportunity from 2007 to 2010 at \$1 per handset. Samsung is included in our DCF at \$180 million. Our DCF model does not include any incremental revenues from the company's technology partners, Infineon and Philips (PHG-\$34.79-Not Rated).

Risks

Risks to our recommendation and price target are the company's inability to enforce its intellectual property rights, an overall decline in the demand for wireless handsets worldwide, and the inability to keep its patent portfolio relevant in the face of new wireless network technologies.

Discussion

See Key Points.

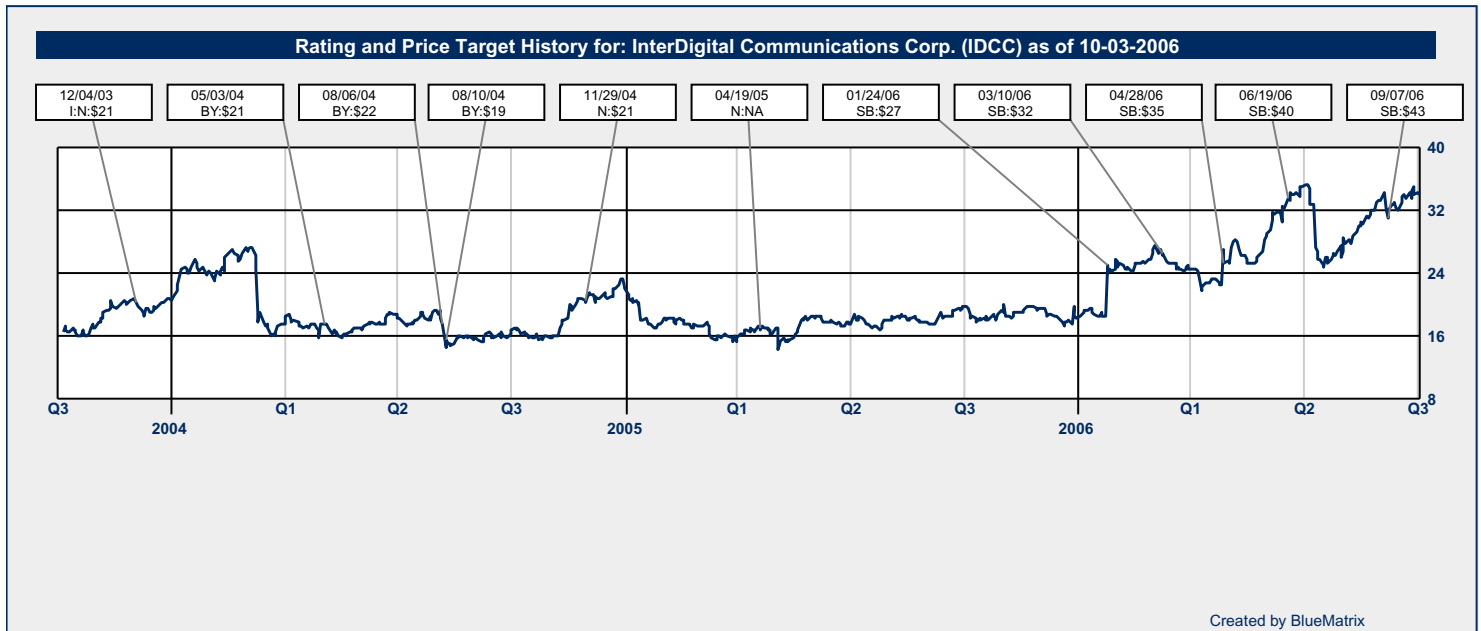
Company Description

InterDigital specializes in the architecture, design, and delivery of digital wireless technology and product platforms, and the invention of advanced wireless technologies. The company develops TDMA and CDMA wireless technologies, two main technologies currently used in digital wireless communication networks, and its inventions are embedded into wireless products, such as mobile phones, PDAs, laptops, PC cards, and base stations and other infrastructure equipment. The company's primary business is to create intellectual property and to then earn revenue by collecting license fees from users of its patented know-how. Current licensees include NEC (3G handsets and infrastructure), Sharp (2G/2.5G and 3G handsets), Ericsson (2G/2.5G infrastructure), Sony Ericsson (2G/2.5G handsets), Kyocera (2G/2.5G/3G), LG Electronics (2G/2.5G/3G), Panasonic (3G), and Research In Motion (2G/2.5G devices). The company's agreements for 2G and 2.5G expire in 2006 and InterDigital's goal is for revenue from next-generation (3G) products and technology to drive the business in 2007 and beyond.

Required Disclosures

Price Chart

For our latest pricing chart for any of the companies mentioned in this report for which First Albany has maintained a rating for more than one year, depicting price target and rating revisions, please refer to <http://www.firstalbany.com/download3.asp?categoryID=180>.



Market Maker

First Albany Capital makes a market in the securities of InterDigital Communications Corp.

FAC NB Client

InterDigital Communications Corp. is currently a client of First Albany Capital which provides non-banking services for this company.

FAC Non Bank Services

Within the last 12 months First Albany Capital provided non-banking services for InterDigital Communications Corp.

Non Bank Compensation

First Albany Capital received compensation for non-banking services from InterDigital Communications Corp. within the last 12 months.

First Albany Capital's Rating System

Strong Buy - Potential return of 20% or more.

Buy - Potential return of 10%-20%.

Neutral - Fairly valued.

Underperform - Negative potential return of 10%-20%.

Sell - Negative return of 20% or more.

Restricted - Applicable laws and regulations preclude certain types of communications during the course of First Albany Capital's engagement in investment banking transaction and in certain other circumstances.

Quarterly Report for 10/4/2006

Entire Universe - Total: 217

Buys: 146(67.2%) Sells: 4(1.8%) Holds: 65(30%)

Banking Client Universe - Total: 31

Buys: 26(83.9%) Sells: 1(3.2%) Holds: 4(12.9%)

Entire Universe By Vertical - Total: 217

Consumer	Buys: 10(4.6%)	Sells: 0(0.0%)	Holds: 3(1.4%)	Total: 14
Economics	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Energy	Buys: 32(14.7%)	Sells: 0(0.0%)	Holds: 8(3.7%)	Total: 41
Equity Research	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Fixed Income	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Healthcare	Buys: 58(26.7%)	Sells: 2(0.9%)	Holds: 24(11.1%)	Total: 84
Special Situations	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Technology	Buys: 46(21.2%)	Sells: 2(0.9%)	Holds: 30(13.8%)	Total: 78

Banking Client Universe By Vertical - Total: 31

Consumer	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Economics	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Energy	Buys: 11(35.5%)	Sells: 0(0.0%)	Holds: 1(3.2%)	Total: 12
Equity Research	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Fixed Income	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Healthcare	Buys: 14(45.2%)	Sells: 1(3.2%)	Holds: 3(9.7%)	Total: 18
Special Situations	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Technology	Buys: 1(3.2%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 1

Other Disclosures and Disclaimers

Although not compensated directly for any banking deals, an analyst may receive income from a bonus pool that may include monies derived from banking revenues.

Blue Sky Exceptions

IDCC:

More information is available on request. The material herein, while not guaranteed, is based on information believed reliable and accurate. It is not to be deemed an offer or solicitation on our part with respect to sale or purchase of any securities. Due to differing disciplines and criteria utilized, our quantitative and fundamental analysts may have differing opinions on these securities. Should you have any specific investment questions, please contact your First Albany Registered Representative. Our main office is located in Albany, NY. First Albany Capital, Member New York Stock Exchange, Inc. and other principal exchanges. Copyright © 2006

InterDigital Communications (IDCC)

		QUARTERLY INCOME STATEMENT (000's)								ANNUAL (\$000's)		
		CFY Ending 2005				CFY Ending 2006E				2005	2006E	2007E
		3/31	6/30	9/30	12/31	3/31A	6/30A	9/30E	12/31E			
Revenue												
Royalty		\$35,497	\$38,601	\$48,538	\$40,489	\$51,606	\$296,617	\$67,668	\$67,965	\$ 163,125	\$483,856	\$215,612
Total		\$ 35,497	\$ 38,601	\$ 48,538	\$ 40,489	\$ 51,606	\$ 296,617	\$ 67,668	\$ 67,965	\$ 163,125	\$ 483,856	\$ 215,612
Operating Expenses												
Sales & Marketing		2,280	1,537	1,798	2,299	1,824	1,561	2,402	2,413	\$ 7,914	\$ 8,200	\$ 8,610
General & Admin.		6,566	5,912	5,420	6,252	5,021	5,695	5,720	5,745	24,150	22,181	22,403
Patents Admin. & Licensing		11,247	10,080	14,695	13,377	9,982	12,804	14,804	14,829	49,399	52,419	45,950
Development		16,173	14,921	15,610	16,391	16,010	15,887	15,937	15,962	63,095	63,796	65,072
Other		-	-	849	-	-	-	-	-	849	-	-
Total		\$ 36,266	\$ 32,450	\$ 38,372	\$ 38,319	\$ 32,837	\$ 35,947	\$ 38,863	\$ 38,949	\$ 145,407	\$ 146,596	\$ 142,035
Total Operating Profit/(Loss)		\$ (769)	\$ 6,151	\$ 10,166	\$ 2,170	\$ 18,769	\$ 260,670	\$ 28,805	\$ 29,017	\$ 17,718	\$ 337,260	\$ 73,577
Net Interest Income		790	677	779	918	1,508	3,914	5,393	4,986	3,164	15,802	13,878
Pretax Profit/(Loss)		\$ 21	\$ 6,828	\$ 10,945	\$ 3,088	\$ 20,277	\$ 264,584	\$ 34,198	\$ 34,003	\$ 20,882	\$ 353,062	\$ 87,455
Provision for income taxes		(903)	(2,817)	(4,419)	(1,127)	(7,338)	(94,221)	(12,653)	(12,241)	(9,266)	(126,453)	(32,358)
Net Profit/(Loss), cont. ops.		\$ (882)	\$ 4,011	\$ 6,526	\$ 1,961	\$ 12,939	\$ 170,363	\$ 21,545	\$ 21,762	\$ 11,616	\$ 226,609	\$ 55,097
Shares, Fully Diluted		55,053	56,790	57,089	56,370	56,884	57,128	55,750	55,750	55,350	56,378	55,750
EPS, Fully Diluted		\$ (0.02)	\$ 0.07	\$ 0.11	\$ 0.03	\$ 0.23	\$ 2.98	\$ 0.39	\$ 0.39	\$ 0.21	\$ 4.02	\$ 0.98
% of TOTAL REVENUE												
Revenue												
Royalty		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses (does not include all items)												
Sales & Marketing		6.4%	4.0%	3.7%	5.7%	3.5%	0.5%	3.6%	3.6%	4.9%	1.7%	4.0%
General & Admin.		18.5%	15.3%	11.2%	15.4%	9.7%	1.9%	8.5%	8.5%	14.8%	4.6%	10.4%
Patents Admin. & Licensing		31.7%	26.1%	30.3%	33.0%	19.3%	4.3%	21.9%	21.8%	30.3%	10.8%	21.3%
Development		45.6%	38.7%	32.2%	40.5%	31.0%	5.4%	23.6%	23.5%	38.7%	13.2%	30.2%
Total		102.2%	84.1%	79.1%	94.6%	63.6%	12.1%	57.4%	57.3%	89.1%	30.3%	65.9%
Total Operating Profit/(Loss)		-2.2%	15.9%	20.9%	5.4%	36.4%	87.9%	42.6%	42.7%	10.9%	69.7%	34.1%
Net Profit/(Loss), cont. ops.		-2.5%	10.4%	13.4%	4.8%	25.1%	57.4%	31.8%	32.0%	7.1%	46.8%	25.6%
% YEAR OVER YEAR INCREASE												
Revenue												
Royalty		7.5%	31.4%	559.7%	19.3%	45.4%	668.4%	39.4%	67.9%	57%	197%	-55%
Operating Expenses (does not include all items)												
Sales & Marketing		41.3%	10.1%	28.5%	28.3%	-20.0%	1.6%	33.6%	4.9%	28%	4%	5%
General & Admin.		21.8%	8.9%	7.4%	8.6%	-23.5%	-3.7%	5.5%	-8.1%	12%	-8%	1%
Patents Admin. & Licensing		124.9%	45.5%	90.6%	25.0%	-11.2%	27.0%	0.7%	10.9%	63%	6%	-12%
Development		25.2%	16.3%	26.4%	24.9%	-1.0%	6.5%	2.1%	-2.6%	23%	1%	2%
Total Operating Expenses		45.5%	22.1%	44.8%	22.2%	-9.5%	10.8%	1.3%	1.6%	33%	1%	-3%
Total Operating Profit/(Loss)		-109.5%	120.1%	-153.1%	-15.4%	-2540.7%	4137.8%	183.3%	1237.2%	-411%	1803%	-78%
Net Profit/(Loss), cont. ops.		-115.2%	174.7%	-201.9%	-1295.7%	-1567.0%	4147.4%	230.1%	1009.7%	3092%	1851%	-76%
% SEQUENTIAL % INCREASE												
Revenue												
Royalty		4.6%	8.7%	25.7%	-16.6%	27.5%	474.8%	-77.2%	0.4%			
Operating Expenses (does not include all items)												
Sales & Marketing		27.2%	-32.6%	17.0%	27.9%	-20.7%	-14.4%	53.9%	0.4%			
General & Admin.		14.1%	-10.0%	-8.3%	15.4%	-19.7%	13.4%	0.4%	0.4%			
Patents Admin. & Licensing		5.1%	-10.4%	45.8%	-9.0%	-25.4%	28.3%	15.6%	0.2%			
Development		23.2%	-7.7%	4.6%	5.0%	-2.3%	-0.8%	0.3%	0.2%			
Operating Expenses		15.6%	-10.5%	18.2%	-0.1%	-14.3%	9.5%	8.1%	0.2%			
Total Operating Profit/(Loss)		-130.0%	-899.9%	65.3%	-78.7%	764.9%	1288.8%	-88.9%	0.7%			
Net Profit/(Loss), cont. ops.		437.8%	-554.8%	62.7%	-70.0%	559.8%	1216.7%	-87.4%	1.0%			

Source: Company reports and First Albany Capital Inc. estimates.