

InterDigital Communications Corp.

(IDCC- NASDAQ)

*SK Telecom Chooses IDCC for Interoperability Solution;
Reiterating Market Outperform*Rating: **Market Outperform**

Risk: Moderate

Michael F. Ciarmoli

610.684.5413

mciarmoli@boenninginc.com

Bradley L. Mook, CFA

610.832.5308

bmook@boenninginc.com

December 21, 2006

Company Description: InterDigital Communications Corp. engages in the design, development, and delivery of wireless technologies and platforms. InterDigital Communications is located in King of Prussia, PA and employees 320 people. (www.interdigital.com)

Investment Conclusion: We believe InterDigital is well positioned to grow its recurring royalty revenues by licensing 3G and emerging next generation wireless technologies to mobile handset OEMs. Recurring royalty revenues have grown steadily over the past six quarters and although the timing of future licensing deals and the threat of litigation is a concern, we believe investors should have confidence that these revenue streams will continue to grow.

- This morning SK Telecom announced it has chosen InterDigital Communications to develop a system/software solution designed to support nationwide handover between WiBro and UMTS networks throughout Korea. SK Telecom is in the process of building out WiBro (similar to the U.S.'s WiMax) in several cities and will thus have a need for network interoperability. SK has 20m mobile phone subscribers and offers cutting edge products and services. We believe this is a significant event for InterDigital for two reasons:
 - First, InterDigital's patent portfolio has additional monetization opportunities beyond the current 3G efforts which seems to be garnering most of the Street's attention right now. In our opinion convergence is inevitable, as numerous 802.X and other wireless protocols emerge as next generation mobile technologies. InterDigital is firmly positioned with a base of 802.21 patents — technology that supports media independent handover — that will not only provide a critical interoperability role in Korea, but should also be transferable to other geographies as build-outs progress. Other major patent holders of 802.21 standards are Qualcomm and Intel, who will most certainly look to get in on the action.
 - Second, we view this event as a major step in successfully building the company's technology solutions business segment. InterDigital has made a concerted effort to not only offer its IP, but to also offer its technology in the form of complete dual mode ASICs. Revenues to date in the company's technology solutions segment have paled in comparison to its royalty revenues, but we believe relationships such as this represent significant segment milestones. Additionally, we believe as the company continues to develop and offer its products and intellectual property to the telecommunications industry InterDigital is slowly gaining more respect and credibility. As the business of patent licensing continues to come under intense scrutiny with the threat of more stringent regulations looming we believe companies, like InterDigital, who continue to develop technology, contribute to the standards bodies, and make technology available to those in need stand to successfully weather the storm.
- We reiterate our **Market Outperform** rating on shares of IDCC. We continue to remain confident that InterDigital will have success in signing new 3G licensees and that the company's prospects of monetizing its vast IP portfolio are intact. Additionally, we believe the Samsung settlement will be resolved in 2007 in the form of a straight 2G settlement or 2G/3G combination. Our 12 month price target of \$39 is base on a sum of the parts analysis which can be found on page 3.

SHARE DATA		EPS, REVENUE, EBITDA (FY End: Dec.)						
		2005A		2006E		2007E		
			Current	Prior	Consensus	Current	Prior	Consensus
Current Price:	\$33.31	Mar.	(\$0.02)	\$0.23	-	A	\$0.28	\$0.73
52 Week Range:	\$17.25-36.91	June	\$0.07	\$2.98	-	A	\$0.24	\$0.26
12 Month Target:	\$39	Sept.	\$0.11	\$0.40	-	E	\$0.23	\$0.78
Market Value (MM):	\$1,752	Dec.	\$0.03	\$0.31	\$0.31	E	\$0.23	\$0.26
Shares Outstanding (MM):	52.6	Year	\$0.20	\$3.97	\$3.96	E	\$0.97	\$1.77
Institutional Holdings:	50%							
Avg Daily Volume:	677,934							
Est. LT EPS CAGR	25%							
		Revenue	\$163.1	\$477.9	\$478.0		\$236.5	\$287.1
		EBITDA	\$28.5	\$81.4			\$82.5	
CAPITALIZATION (\$MM)		VALUATIONS						
Tang. BV/Share	\$5.31	P/E		8x			34x	
Net Cash/Share	\$5.90	Rel. P/E		50%			120%	
Debt / Cap:	0.36	P/Revenue		3.7x			7.4x	
		EV/Ebitda		18x			17x	

PLEASE SEE THE DISCLOSURE APPENDIX FOR RATINGS DEFINITIONS, IMPORTANT DISCLOSURES AND REQUIRED ANALYST CERTIFICATIONS ON PAGES 5 & 6.

Boenning & Scattergood, Inc. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider the report as only a single factor in making their investment decision.

Company Overview

InterDigital Communications Corporation designs, develops, and licenses digital wireless technologies which are incorporated into semiconductors, mobile handsets, and other wireless equipment. With approximately 6,000 patents worldwide the company has developed an expertise in technology development and a licensing program that has generated over \$1B in license fees over the lifetime of these patents. InterDigital has been in the business of developing wireless technologies for over 30 years and was an early participant in the development of the widely used TDMA and CDMA technologies. It holds a number of essential patents pertaining to each of these technologies. The bulk of the company's revenues are generated through licensing its intellectual property, primarily to original equipment manufacturers (OEMs) of 2G, 2.5G, and 3G mobile handsets and infrastructure. Revenue is also generated through specialized engineering services and the licensing of technology solutions including software and physical layer designs.

The company is currently developing a complete 2G/3G modem platform in order to expand its offerings to include more tangible products such as chipless and fabless solutions. By taking an active role in defining widely adopted wireless standards InterDigital is continually pushing the envelope by developing new technologies, rather than relying solely on its existing patents for revenues. The company is currently involved in developing standards for 3G, Next Generation Networks (NGN), and IEEE 802.11x technologies, among others.

InterDigital was incorporated in 1972 and went public in 1981. Corporate headquarters are located in King of Prussia, PA with additional R&D teams in Melville, New York and Montreal, Quebec, Canada. The company currently employs 320 people including 202 engineers, 70% of whom hold advanced degrees, and 30 of whom hold PhDs.

Investment Risks

The realization of any or all of the following risk factors, among others, may adversely affect the company's stock price and prevent it from reaching our price target:

- **Ability to enforce patents in a changing and evolving patent landscape.** InterDigital primarily develops and licenses intellectual property and related technology to handset manufacturers and semiconductor companies. There can be no guarantee that InterDigital will be able to enforce its patents and furthermore the threat of increased patent regulations or modifications could stifle the patent licensing process.
- **Threat of litigation and arbitration.** As InterDigital seeks to license its IP there is always the threat that the company may have to invest a considerable amount of resources into defending and enforcing the validity of its patents. The timing, cost, and outcome of legal battles introduce a high degree of uncertainty into the business model.
- **Revenue volatility can be expected.** Revenues are currently concentrated on a small number of licensees and the amount contributed by each licensee can vary depending on product sales. Additionally, the timing of revenues due to prepayment agreements, settlements, and new deals cannot be accurately predicted. Furthermore, 2G patent expirations will result in lost revenue from current licensees.
- **Trying to carve out space in an industry with large established players.** Even though InterDigital has been in the business of developing IP for the wireless industry for 30 years they are still a relatively small player surrounded by well entrenched industry participants who have greater resources and established relationships.
- **Technologies and standards utilized in the wireless industry are subject to rapid change.** As 3G technologies are on the verge of experiencing widespread market adoption, WiMax and the 802 family of standards are beginning to attract considerable attention. The continued success of InterDigital rests on its ability to remain ahead of the curve while anticipating changing industry standards.
- **Technologies developed may not be implemented or may become compromised by competing solutions.** There can be no guarantee that the technologies developed by InterDigital will be adopted and deployed by the mainstream markets.

Sum of the Parts Valuation

A number of valuation techniques have surfaced as analysts have attempted to identify an accurate price target for IDCC. We believe the best approach is a sum-of-the-parts analysis that incorporates four key components: Net Cash, Pending 2G Settlement cash, current licensee cash, and projected 3G cash. We take our analysis one step further and introduce conservative, average, and aggressive 2007 penetration scenarios of the 3G handset market, which is the primary revenue driver in the IDCC story. The corresponding table and charts below summarize our valuation findings. Our per share EPS contributions are calculated as follows:

Net Cash/share = Q406 projected cash balance minus long and short term debt divided by shares outstanding

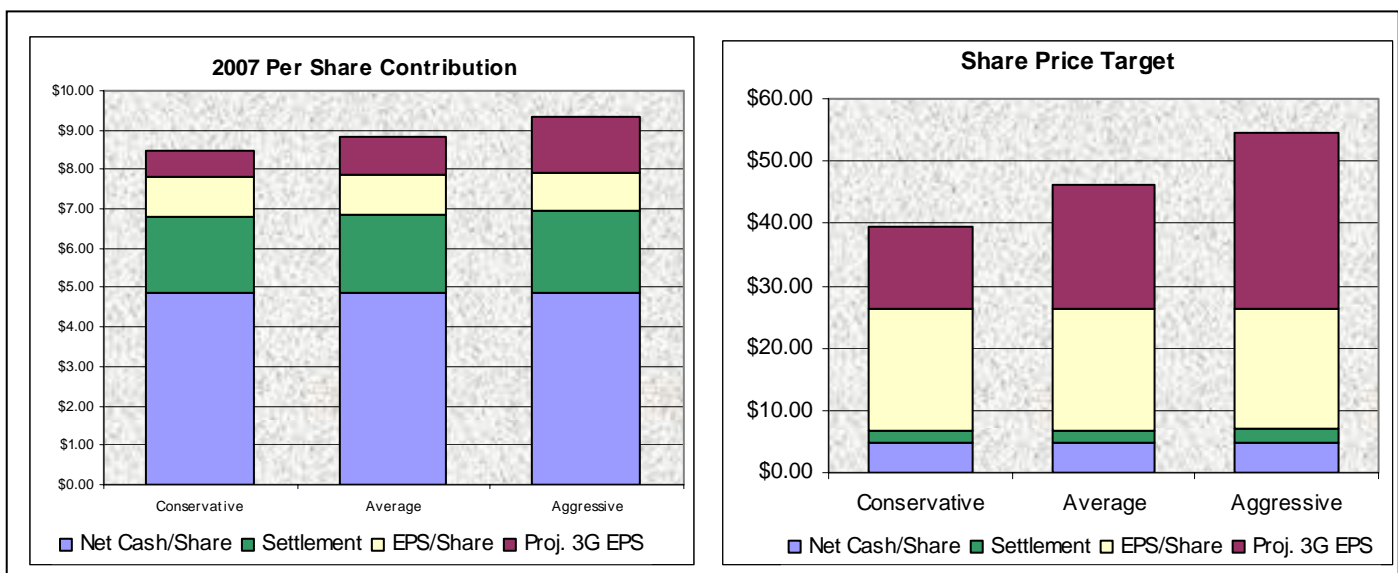
Settlement Cash/share = estimated Samsung award taxed at 36% divided by shares outstanding

EPS = our 2007 EPS estimate which relies only on current licensees and assumed growth

Projected 3G EPS = estimated 2007 EPS, derived from further 3G market penetration and assumed royalty rates, taxed at 36%.

Sum-of-the-Parts Analysis			
	Conservative	Average	Aggressive
Net Cash/Share 2Q06	\$4.85	\$4.85	\$4.85
Expected Settlement Cash/share	\$1.97	\$2.02	\$2.10
2007 EPS estimate	\$0.97	\$0.97	\$0.97
2007 Proj. 3G EPS	\$0.66	\$0.99	\$1.41
2007 Valuation Scenarios			
Net Cash/Share 2Q06	\$4.85	\$4.85	\$4.85
Expected Settlement Cash/share	\$1.97	\$2.02	\$2.10
2007 EPS estimate (18x P/E)	\$19.44	\$19.44	\$19.44
2007 Proj. 3G EPS (18x P/E)	\$13.20	\$19.80	\$28.29
Price Target	\$39.46	\$46.11	\$54.68

We assign a 20x multiple on the 2007 earnings streams, which represents the peer group average.



Income Statement

InterDigital Communications (IDCC)

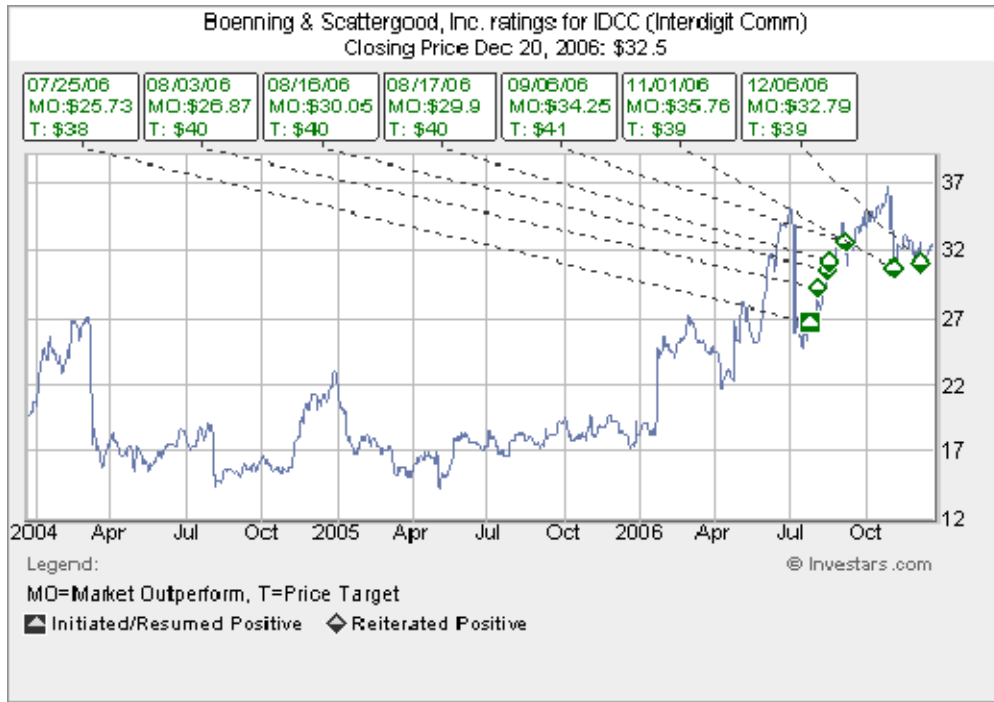
December Fiscal Year (Millions)	F2003		F2004		F2005			F2006					F2007				F2008	
	Year	Year	Mar-05	Jun-05	Sep-05	Dec-05	Year	Mar-06	Jun-06	Sep-06	Dec-06	Year	Dec-07	Mar-07	Jun-07	Sep-07	Year	Year
	(A)	(A)	(A)	(A)	(A)	(A)		(A)	(A)	(A)	(E)		(E)	(E)	(E)			
Total Revenue	114.6	103.7	35.5	38.6	48.5	40.5	163.1	51.6	296.6	67.2	62.5	477.9	60.3	58.3	58.8	59.3	236.5	264.0
COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	114.6	103.7	35.5	38.6	48.5	40.5	163.1	51.6	296.6	67.2	62.5	477.9	60.3	58.3	58.8	59.3	236.5	264.0
Operating Expenses																		
Cost of Product	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales and Marketing	4.9	6.2	2.3	1.5	1.8	2.3	7.9	1.8	1.6	1.7	1.9	6.9	2.3	2.6	2.6	2.7	10.2	11.4
General, and Administrative	18.2	21.6	6.6	5.9	5.4	6.3	24.2	5.0	5.7	5.0	6.9	22.6	7.2	7.3	7.4	7.5	29.4	29.7
Patents Administration and Licensing	16.0	30.3	11.2	10.1	14.7	13.4	49.4	10.0	12.8	13.3	14.0	50.1	11.0	11.0	11.0	11.0	44.0	48.0
Development	45.9	51.2	16.2	14.9	15.6	16.4	63.1	16.0	15.9	16.8	17.7	66.4	19.9	20.4	21.9	22.5	84.7	92.4
Repositioning	0.0	0.6	0.0	0.0	0.8	0.6	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	85.0	110.0	36.3	32.5	38.4	38.3	146.0	32.8	35.9	36.8	40.4	146.0	40.4	41.3	42.9	43.6	168.3	181.5
Operating Income	29.5	(6.3)	(0.8)	6.2	10.2	2.2	17.1	18.8	260.7	30.4	22.1	331.9	19.8	16.9	15.8	15.6	68.2	82.5
Interest Income	1.8	2.0	0.8	0.7	0.8	0.9	3.2	1.5	3.9	4.1	4.0	13.5	3.8	3.8	4.0	4.0	15.5	15.5
Interest Expense	(0.2)	(0.3)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before Taxes	41.7	(4.5)	0.0	6.8	10.9	3.1	20.9	20.3	264.6	34.4	26.1	345.4	23.6	20.7	19.8	19.6	83.7	98.0
Income Taxes	(7.3)	4.7	0.9	2.8	4.4	1.1	9.3	7.4	94.2	12.8	9.4	123.8	8.5	7.4	7.1	7.1	30.1	35.3
Net Income	34.5	0.2	(0.9)	4.0	6.5	2.0	11.6	12.9	170.3	21.7	16.7	221.6	15.1	13.2	12.7	12.5	53.6	62.7
Diluted Earnings per Share	\$0.58	\$0.00	(\$0.02)	\$0.07	\$0.11	\$0.03	\$0.20	\$0.23	\$2.98	\$0.40	\$0.31	\$3.97	\$0.28	\$0.24	\$0.23	\$0.23	\$0.97	\$1.12
Diluted Shares Outstanding	59.69	59.08	55.05	56.79	57.09	57.16	57.16	56.88	57.13	54.54	54.60	55.79	54.80	55.00	55.20	55.40	55.10	55.78
Margins																		
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Research and Development	40.1%	49.4%	45.6%	38.7%	32.2%	40.5%	38.7%	31.0%	5.4%	25.0%	28.3%	13.9%	33.0%	35.0%	37.3%	38.0%	35.8%	35.0%
Selling, General, and Administrative	4.3%	6.0%	6.4%	4.0%	3.7%	5.7%	4.9%	3.5%	0.5%	2.5%	3.0%	6.2%	3.8%	4.5%	4.5%	4.5%	16.8%	15.6%
Operating Margin	25.8%	-6.1%	-2.2%	15.9%	20.9%	5.4%	10.5%	36.4%	87.9%	45.2%	35.4%	69.4%	32.9%	29.0%	26.9%	26.3%	28.8%	31.3%
Net Margin	30.1%	0.1%	-2.5%	10.4%	13.4%	4.8%	7.1%	25.0%	57.4%	32.2%	26.7%	46.4%	25.1%	22.7%	21.6%	21.2%	22.6%	23.8%
Tax Rate	17.4%	103.4%	4300.0%	41.3%	40.4%	36.6%	0.0%	36.4%	35.6%	37.1%	36.0%	35.8%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%
Growth Rates																		
Revenue, yr/yr	30.4%	-9.5%	7.5%	31.4%	559.7%	19.3%	57.3%	45.4%	668.4%	38.4%	54.4%	193.0%	16.7%	-80.4%	-12.5%	-5.2%	-50.5%	11.6%
Gross Profit, yr/yr	30.4%	-9.5%	7.5%	31.4%	559.7%	19.3%	57.3%	45.4%	668.4%	38.4%	54.4%	193.0%	16.7%	-80.4%	-12.5%	-5.2%	-50.5%	11.6%
Research and Development, yr/yr	13.6%	26.1%	41.3%	10.1%	28.5%	28.3%	27.6%	-20.0%	1.5%	-7.1%	-18.4%	-12.4%	25.5%	68.0%	58.2%	42.2%	47.5%	11.4%
Selling, General, and Administrative, yr/yr	25.6%	18.9%	21.8%	8.9%	7.4%	8.6%	11.7%	-23.5%	-3.7%	-6.9%	10.0%	-6.3%	44.0%	28.9%	46.7%	8.6%	30.0%	0.9%
Operating Income, yr/yr	219.7%	-121.3%	-109.5%	180.7%	-153.1%	-15.4%	-371.6%	-2540.7%	4137.6%	198.6%	918.1%	1842.2%	5.7%	-93.5%	-47.9%	-29.4%	-79.5%	21.0%
Net Income, yr/yr	1272.6%	-99.6%	-115.1%	351.7%	-201.9%	-1295.1%	7393.5%	-1561.3%	4146.6%	231.9%	752.0%	1807.7%	17.2%	-92.2%	-41.4%	-24.9%	-75.8%	17.1%
Diluted EPS, yr/yr	1258.6%	-99.5%	-116.4%	387.7%	-198.7%	-1335.1%	7644.5%	-1514.3%	4121.5%	247.3%	792.0%	1854.6%	21.6%	-91.9%	-42.1%	-26.0%	-75.5%	15.7%

Michael F. Ciarmoli
610-684-5413
mciarmoli@boenninginc.com

Source: IDCC filings, Boenning & Scattergood

Important Disclosures

Rating and Price Target History (IDCC)



Analyst Certification

The research analysts whose names appear on this research report certify that: (1) all of the views expressed in this research report accurately reflect their personal views about the subject security or issuer, and (2) no part of the research analysts' compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analysts in this research report.

Analyst compensation is based in part on firm profitability, which includes investment banking revenues. Boenning & Scattergood intends to seek or expects to receive compensation for investment banking services from the subject company in the next 3 months.

Boenning & Scattergood's Ratings System:

Our three-tier investment ratings are based on a stock's return potential relative to a broad market index:

Market Outperform (Buy): The security's total return over the year or longer is expected to exceed the total return of the S&P 500TM over the identical period.

Market Perform (Hold): The security's total return over the next year or longer is expected to be roughly equivalent to the total return of the S&P 500TM over the identical period.

Market Underperform (Sell): The security's total return over the next year or longer is expected to be less than the total return of the S&P 500TM over the identical period.

Our risk ratings are based on a mix of price volatility and fundamental factors relative to the market and peer group.

Low risk: The security has higher-than-average fundamental predictability and/or lower-than-average price volatility.

Moderate risk: The security has average fundamental predictability and/or average price volatility.

High risk: The security has lower-than-average fundamental predictability and/or higher-than-average price volatility.

Speculative: The security has very inconsistent fundamental predictability and/or very high relative price volatility.

Ratings Distribution (12/21/06):

<u>Coverage Universe</u>	<u>% of Universe</u>	<u>Investment Banking Clients (a)</u>	<u>% of Rating Group</u>
Market Outperform (Buy)	55%	Market Outperform (Buy)	10%
Market Perform (Hold)	45%	Market Perform (Hold)	4%
Market Underperform (Sell)	0%	Market Underperform (Sell)	0%

(a) Related to services provided within the past 12 months.

Additional information on companies in this report, including financial models, is available on request. This report is not a complete analysis of every material fact representing company, industry or security mentioned herein. This firm or its officers, stockholders, employees and clients, in the normal course of business, may have or acquire a position including options, if any, in the securities mentioned. This communication shall not be deemed to constitute an offer, or solicitation on our part with respect to the sale or purchase of any securities. The information above has been obtained from sources believed reliable, but is not necessarily complete and is not guaranteed. This report is prepared for general information only. It does not have regard to the specific investment objectives, financial situation or the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed in this report and should understand that statements regarding future prospects may not be realized. Opinions are subject to change without notice. Securities and financial instruments mentioned herein may not be qualified for sale in all states. Boenning & Scattergood or one of its officers, directors, affiliates or employees may have positions or effect transactions in securities or financial instruments mentioned herein (or options with respect thereto) and may also act as underwriter, placement agent, advisor, or lender to an issuer mentioned herein.

BOENNING & SCATTERGOOD INSTITUTIONAL CONTACTS

Director of Research	William Sutherland	wsutherland@boenninginc.com	610.862.5353
■ EQUITY RESEARCH			
Business & IT Services	William Sutherland	wsutherland@boenninginc.com	610.862.5353
	Christopher Mince	cmince@boenninginc.com	610.832.5274
Financial Services	Wilson Smith, CFA	wsmith@boenninginc.com	610.862.5329
	Christopher Mince	cmince@boenninginc.com	610.832.5274
Industrial Services	Ryan Connors	rconnors@boenninginc.com	610.832.5217
	Richard Verdi	rverdi@boenninginc.com	610.684.5407
Medical Technology	Debjit Chattopadhyay	dchattopadhyay@boenninginc.com	610-684-5417
Technology - Software	Brad Mook, CFA	bmook@boenninginc.com	610.832.5308
Technology - Hardware	Michael Ciarmoli	mciarmoli@boenninginc.com	610.684.5413
■ INSTITUTIONAL SALES			
Boston	Rick Johnson	rjohnson@boenninginc.com	610.832.5306
Mid-Atlantic	Rick Johnson	rjohnson@boenninginc.com	610.832.5306
	George Marshall	gmarshall@boenninginc.com	610.832.5215
New York	George Marshall	gmarshall@boenninginc.com	610.832.5215
	Dan McGlinchey	dmcglinchey@boenninginc.com	610.832.5264
Southeast	Harry Himes	hhimes@boenninginc.com	610.832.5263
West	Jeff LaBrot	jlalabrot@boenninginc.com	610.832.5309
■ AGENCY TRADING			
Mark Dengler		mdengler@boenninginc.com	610.862.5330
Joe Budash		jbudash@boenninginc.com	610.862.5330
Marne DeSantis		mdesantis@boenninginc.com	610.862.5330
Andrew Ferraro		aferraro@boenninginc.com	610.862.5330
Liam Timoney		ltimoney@boenninginc.com	610.862.5330
■ MARKET MAKING			
Joseph Morrissey		jmorrissey@boenninginc.com	610.862.5360
Suzanne Morrissey		smorrissey@boenninginc.com	610.862.5360
■ CONVERTIBLE BONDS			
Roger Barthmaier		rbarthmaier@boenninginc.com	610.832.5270
■ TAXABLE BONDS			
Steve Comes		scomes@boenninginc.com	610.684.5403
Brian Gillespie		bgillespie@boenninginc.com	610.832.5236
■ MUNICIPAL BONDS			
William Walker		wwalker@boenninginc.com	610.832.5200
■ OPTIONS STRATEGY			
Louis DePaul		ldepaul@boenninginc.com	610.832.5275

4 TOWER BRIDGE * 200 BARR HARBOR DRIVE * SUITE 300 * W. CONSHOHOCKEN, PA 19428-2979

MEMBER NASD/SIPC