

COMPANY OVERVIEW
STRONG BUY

Forecasted Upper Limit	\$ 76.89
Best Estimate	\$ 52.66
Forecasted Lower Limit	\$ 36.07
Last Price	\$ 42.00

INTERDIGITAL INC
IDCC
Ativo Research's Investment Conclusion

Ativo Research projects as of this date that IDCC will GREATLY OUTPERFORM the market averages over the next 6 to 12 months leading to our decision of a STRONG BUY. Our decision is based on (1) valuation, which compares the firm's intrinsic value against the price of its stock, (2) intermediate and long-term price momentum, (3) other measures of fundamental trend and (4) qualitative analysis.

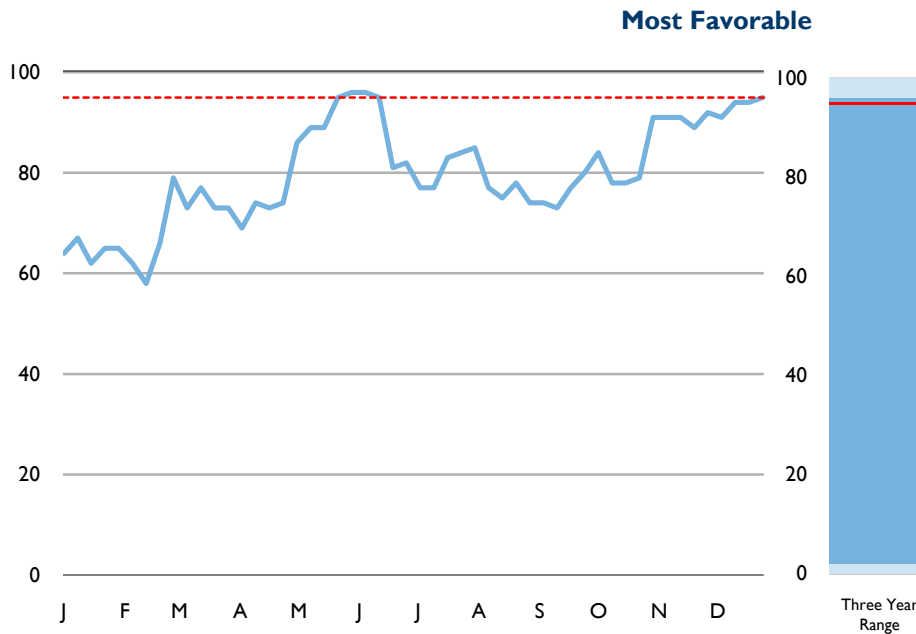
Rating Move: Reiterated

Prior Change: Upgrade to Strong Buy 10/29/10

Sector: Communications Equipment

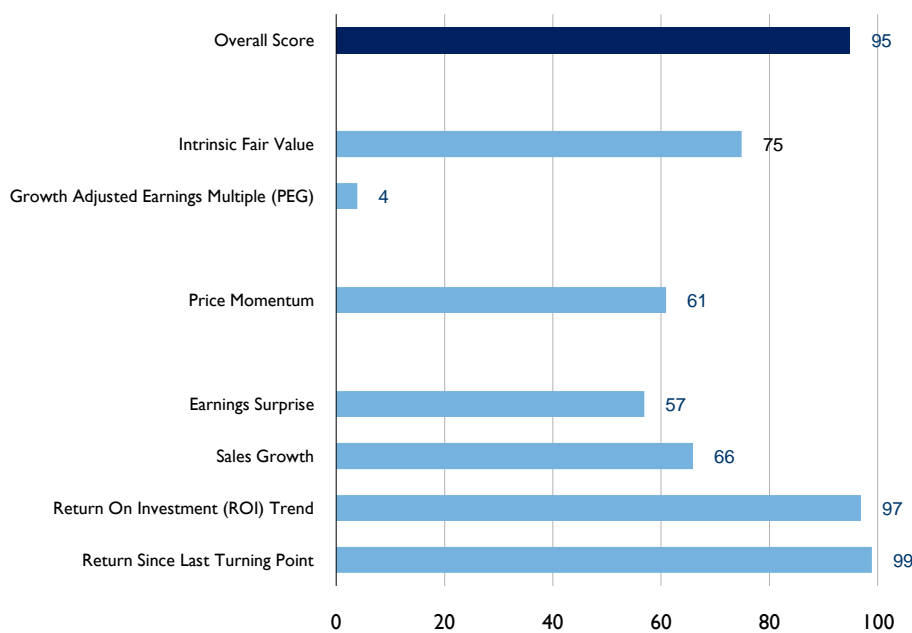
Asset Class: Mid Cap

Region: United States

Control Index™ - History

Control Index™

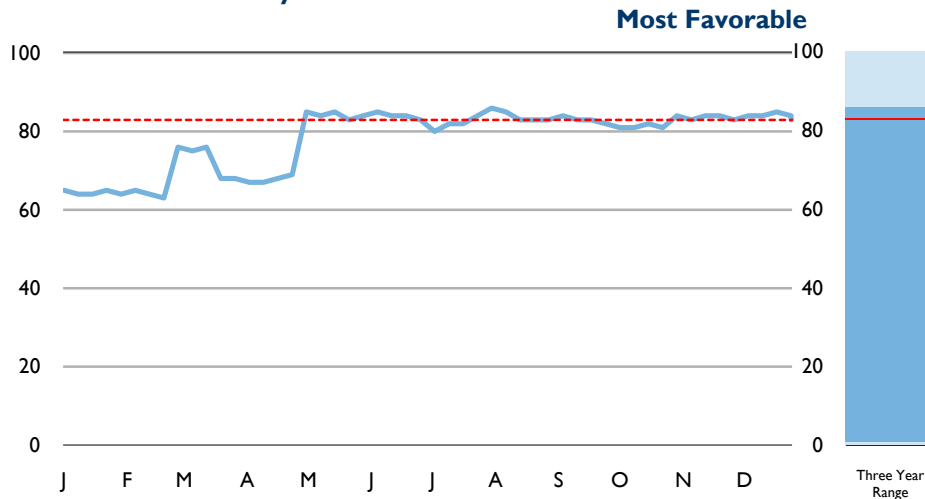
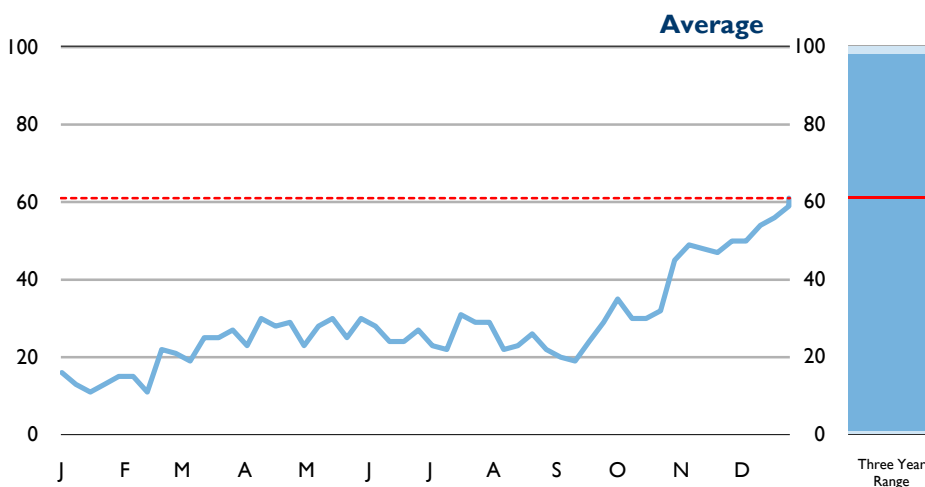
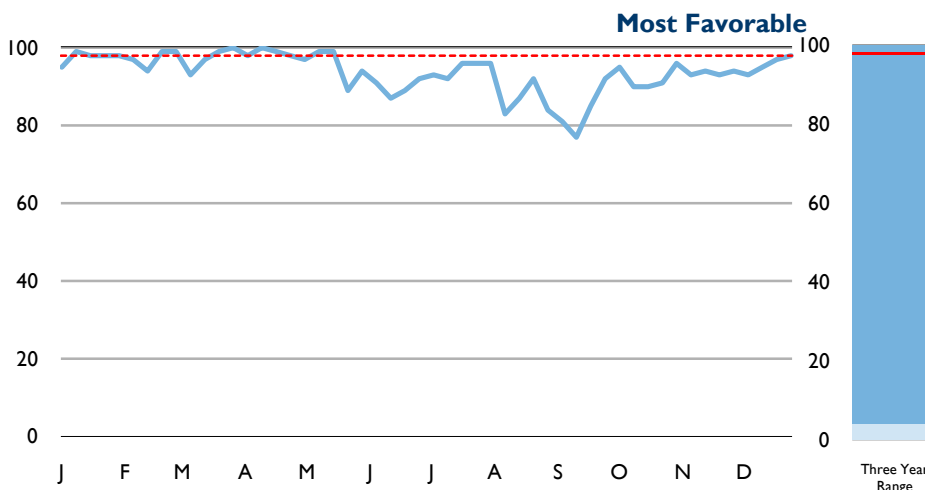
The Control Index™, which determines Ativo's investment recommendation, incorporates seven individual component scores. First having a Control Index™ score above 80 are rated as strong buys, between 71 and 80 are rated as buys, between 21 through 70 are rated as neutral, between 11 through 20 are rated as sells, and below 11 are rated as strong sells. The panel on the left presents an analysis of the Control Index™. The line chart represents the score of the component in the last year.

The bar chart to the left shows the range of the score in the last three years. The red stripe indicates the current/latest value and the dark blue bars bracketing the stripe indicate the maximum and minimum values of the score in the three years.

Rating Model Components

Rating Model Components

The seven components of the Control Index™ can be grouped into three categories (1) Valuation, (2) Price Momentum and (3) Fundamental Trend. All factors incorporated in the overall score are assigned a percentile score between 0 (low) and 100 (high) based on each firm's relative position relative to all other firms in the Ativo forecast universe. Scores that are blank indicate that there is not enough information to compute the score at this time. In such cases, the overall score is derived from the available components.

The valuation component comprises the Intrinsic Fair Value and PEG scores. The momentum component comprises the Price Momentum score, which incorporates both short and long term relative price momentum of the stock to the market. The Earnings Surprise, Sales Growth, Return on Investment Trend and Return Since Last Turning Point scores make up the Fundamental Trend component of the rating model. The Valuation scores have the highest weighting in the Control Index™. The weights of the seven components are periodically modified depending upon market conditions and through a proprietary feedback system which captures the contribution towards alpha generated from each of the components.

IDCC
Valuation Score - History

Price Momentum Score - History

Fundamental Trend Score - History

Valuation:
Intrinsic Fair Value

This factor compares the current price with Ativo's intermediate term target, which is based on cash flow, profitability, discount rate forecasts, sales growth and asset growth over a three-to-five year period. Ativo's discount rate estimates are continuously revised such that at any given time approximately 50% of firms (capitalization weighted) will be overvalued and 50% will be undervalued.

Growth Adjusted Earnings Multiple (PEG)

To derive this factor, the current P/E ratio is divided by the per-share, inflation-adjusted asset growth. This ratio incorporates a 52-week-out earnings forecast which is updated on a weekly basis, and it differs from the typical PEG ratio. The traditional PEG ratio divides the earnings multiple by the unadjusted earnings growth forecast, which includes anticipated inflation, so it can not be used to compare values from different time periods and it can not be used to compare firms in different countries.

Price Momentum

Our overall price momentum score has two components, *Trend* and *Deviation*.

Deviation is the percentile ranking of the current deviation of the firm's relative stock price from the 39-week average pre-tax relative shareholder wealth index, also adjusted for volatility.

By adjusting *Trend* and *Deviation* for past volatility we are essentially standardizing them. The adjusted variables capture only the meaningful variations in the data. For example, a certain value of *Trend* might be very significant for a stock with low historical volatility, while it would be of less significance for a stock with high historical volatility. The adjustment we make is to divide the unadjusted *Trend* and the unadjusted *Deviation* by the logarithm of the past volatility of the relative shareholder wealth index.

Fundamental Trend: Earnings Surprise

The earnings surprise component compares the average of earnings surprises relative to forecasts for the past two quarters.

Sales growth

This component is based on the percentage change over the last two quarters of trailing four-quarter sales per share.

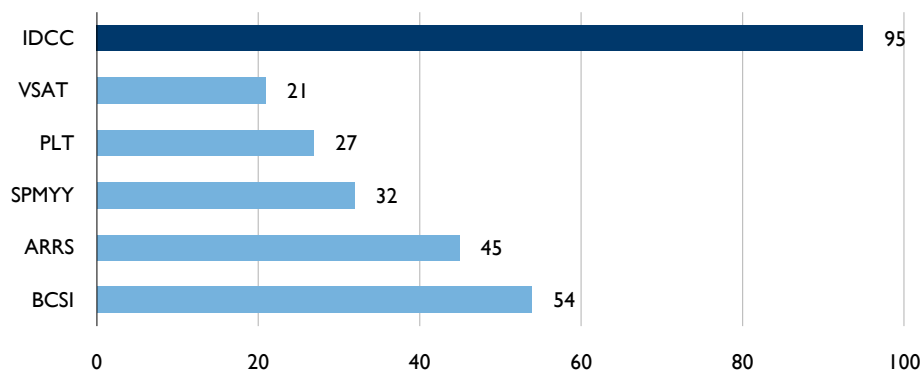
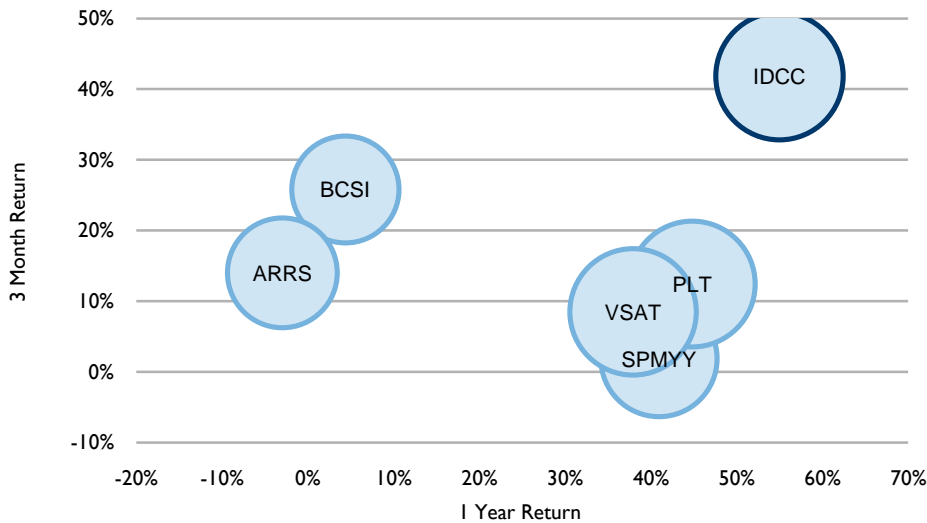
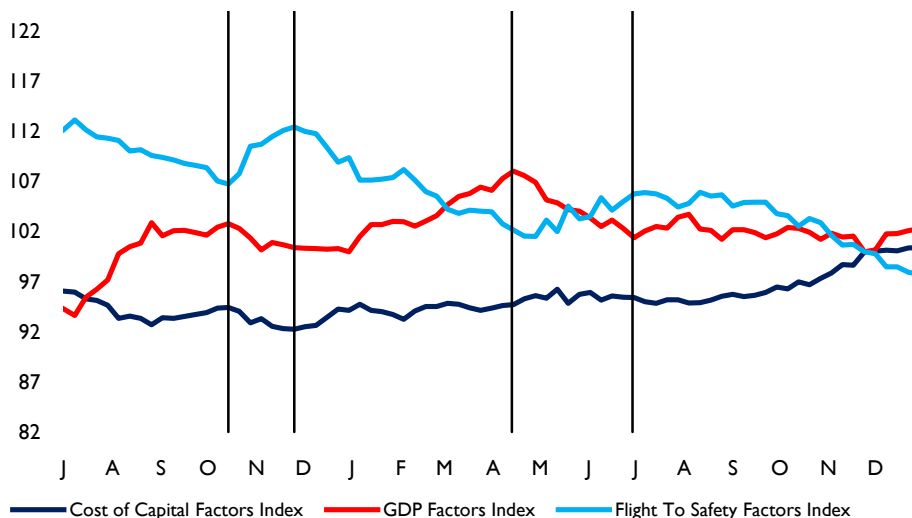
Return on Investment (ROI) Trend

This indicator measures the degree to which the firm is improving its real economic performance relative to the corporate sector as a whole. The calculation evaluates the forecasted trend in ROI over the next five fiscal years and then compares that trend with actual performance over the past three fiscal years.

Return Since Last Turning Point

This indicator recognizes that different firms can do better or worse in different types of markets. Performance is measured since the last market turning point, which is identified by Ativo's ongoing review as representing a fundamental change in the character of market conditions. These turning points typically unfold once or twice a year, often around quarter-end dates. For a look at the most recent turning point, see page 3.

INDUSTRY/MARKET OVERVIEW
STRONG BUY
IDCC Industry: Communications Equipment

Competitor Control Index™ Scores

Competitor Short Term Returns

ATIVO Market Sentiment Indicators

Industry Competitors

Investment decisions regarding individual firms should be considered within the context of industry sectors. Although a specific stock may be highly rated, investors will often wish to consider other similar firms that may be rated even more highly.

The horizontal bar chart compares IDCC to the firms in its sub-industry group closest in market capitalization. In cases where five firms are not available in the same sub-industry we picked firms in the same industry group.

Competitor Short Term Returns

The graph on the left shows overall investment performance for the selected firms, as well as indicating the degree to which individual stocks are moving together or apart. Firms in the upper-right corner of the graph have been consistent relative outperformers, while those in the lower-left corner of the graph are persistent underperformers. Firms in the upper-left corner have been weak in the medium term, but strong more recently, and vice versa for firms in the lower-right corner. The sizes of the circles indicate the relative market capitalizations of the firms.

Market Sentiment Indicators

Ativo measures market sentiment by categorizing factors affecting market performance. These factors are tracked by calculating the performance of a group of stocks that are sensitive to that particular market factor.

- The Cost of Capital Factors Index is comprised of stocks that benefit from a drop in the cost of capital.
- The Flight to Safety Index measures the performance of stocks in response to financial strains and other crises.
- The stocks in the GDP Factors Index thrive in response to a rise in economic activity.

The goal of tracking these indexes is to capture major changes in the market trend in order to make strategic decisions going forward. These indexes are updated and plotted weekly, as shown in the chart on the left. Within three to five weeks the change in market trend becomes obvious. The most recent turning point was 7/1/2010.

IMPORTANT DISCLOSURES
Ratings

Definitions

Strong Buy	81 +	Expected to significantly outperform the S&P 500 producing above average returns.
Buy	71 - 80	Expected to outperform the S&P 500 producing above average returns.
Neutral	21 - 70	Expected to perform in line with the S&P 500 with average returns.
Sell	11 - 20	Expected to underperform the S&P 500 producing below-average returns.
Strong Sell	1 - 10	Expected to significantly underperform the S&P 500 producing below below-average returns.

Based on traditional non-weighted percentiles, a stock would be assigned a percentile of X because it had an Overall Score greater than the Overall Score of X% of the stocks. Our approach is based on weighted percentiles under which a stock is assigned a percentile of X because the sum of the market cap of all firms with a worse or equal Overall Score is equal to X% of the total market cap of all firms.

Coverage: As of the date this report was published, Ativo Research, LLC covered and rated 4290 companies with 13.9 % rated Strong Buy, 5.6% rated Buy, 47.4% rated Neutral, 12.7% rated Sell and 20.4% rated Strong Sell.

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Ativo Investment Philosophy

Ativo’s valuation framework is based on the financial economics research pioneered by Merton Miller, Franco Modigliani and others at the University of Chicago. Ativo’s contribution is the empirical validation and practical application that make these principles useful in making investment decisions. Ativo’s valuation approach incorporates discounted cash flow return on investment (DCFROI), cost of capital, growth and life-cycle theory.

The Ativo framework incorporates two dimensions. The fundamental valuation dimension recognizes that stock prices are primarily determined by future cash flows and discount rates, each of which is influenced by distinct and separate factors. Fundamental data on all companies is normalized to account for the effects of inflation and back out accounting distortions that can occur due to flexibility in GAAP reporting. This process allows us to correctly measure the assets employed and the net cash receipts generated by companies. The resulting discounted cash flow return on investment (DCFROI) reflects economic reality as opposed to accounting convention. The second dimension is focused on momentum. Adding a sales and profits momentum overlay to fundamental data improves the quality of the resulting forecasts. Incorporating price momentum along with volatility estimates improves investment performance, recognizing that while fundamental valuation is the most important long-term measure, short-term and medium-term performance is often dominated by market trends, sector rotation, and investor sentiment. This momentum indicator is implemented by calculating short and medium-term performance since the last “turning point”; a proprietary methodology that identifies significant character changes in the market.