August 2, 2009

NASDAQ: **IDCC**

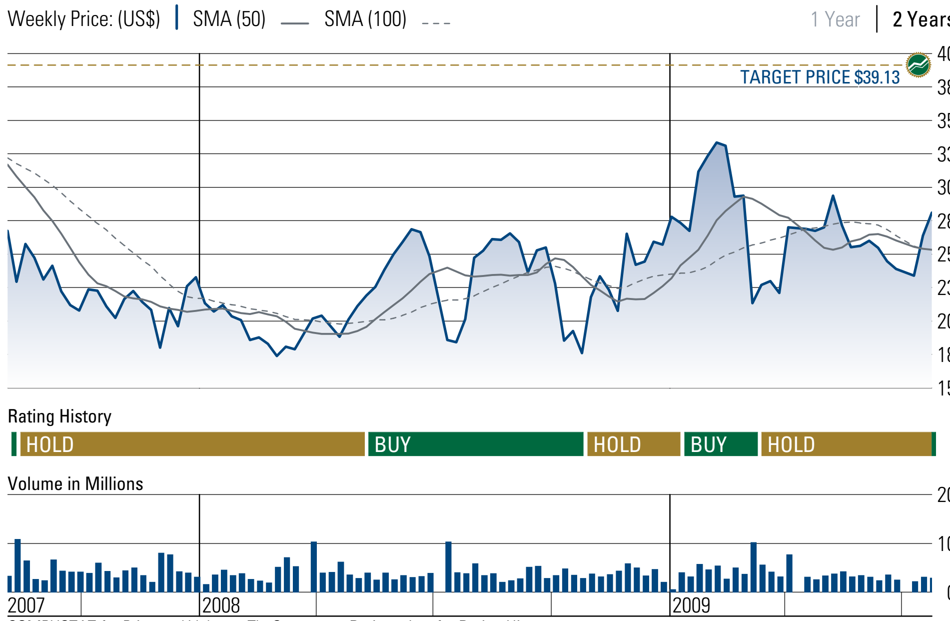
INTERDIGITAL INC

BUY						HOLD			SELL						
A+	A	A-	B+	B	**B-**	C+	C	C-	D+	D	D-	E+	E	E-	F

BUY RATING SINCE 07/30/2009 TARGET PRICE $39.13

Annual Dividend Rate	Annual Dividend Yield	Beta	Market Capitalization	52-Week Range	Price as of 7/30/2009
NA	**NA**	**0.47**	**$1.3 Billion**	**$16.20-$33.69**	**$29.81**

Sector: **Information Technology** | Sub-Industry: **Communications Equipment** | Source: **GICS**



COMPUSTAT for Price and Volume, TheStreet.com Ratings, Inc. for Rating History

IDCC BUSINESS DESCRIPTION

InterDigital, Inc., through its subsidiaries, engages in the design and development of digital wireless technologies for use in cellular and wireless IEEE 802 related products.

STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	13.25	43.31	3.52

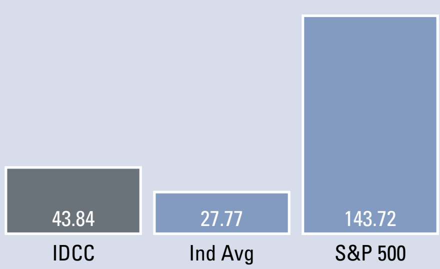
GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	27.63	14.62	9.53
Net Income	351.89	54.68	-49.20
EPS	353.84	61.90	-45.15

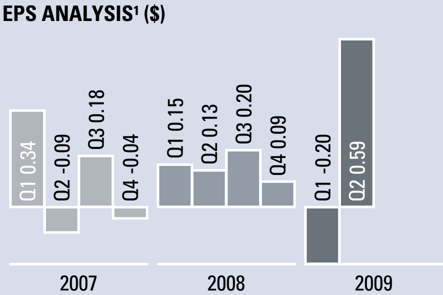
RETURN ON EQUITY (%)

	IDCC	Ind Avg	S&P 500
Q2 2009	31.26	16.50	2.64
Q2 2008	17.21	26.89	11.94
Q2 2007	39.66	22.27	17.02

P/E COMPARISON



EPS ANALYSIS[1] ($)



NA = not available NM = not meaningful

1 Compustat fiscal year convention is used for all fundamental data items.

RECOMMENDATION

We rate INTERDIGITAL INC (IDCC) a BUY. This is driven by a few notable strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its revenue growth, notable return on equity, impressive record of earnings per share growth, compelling growth in net income and expanding profit margins. We feel these strengths outweigh the fact that the company is trading at a premium valuation based on our review of its current price compared to such things as earnings and book value.

HIGHLIGHTS

The revenue growth greatly exceeded the industry average of 11.9%. Since the same quarter one year prior, revenues rose by 27.6%. Growth in the company's revenue appears to have helped boost the earnings per share.

The company's current return on equity greatly increased when compared to its ROE from the same quarter one year prior. This is a signal of significant strength within the corporation. Compared to other companies in the Communications Equipment industry and the overall market, INTERDIGITAL INC's return on equity significantly exceeds that of both the industry average and the S&P 500.

INTERDIGITAL INC reported significant earnings per share improvement in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past year. We feel that this trend should continue. During the past fiscal year, INTERDIGITAL INC increased its bottom line by earning $0.57 versus $0.39 in the prior year. This year, the market expects an improvement in earnings ($1.57 versus $0.57).

The net income growth from the same quarter one year ago has significantly exceeded that of the S&P 500 and the Communications Equipment industry. The net income increased by 351.9% when compared to the same quarter one year prior, rising from $5.85 million to $26.45 million.

The gross profit margin for INTERDIGITAL INC is currently very high, coming in at 100.00%. IDCC has managed to maintain the strong profit margin since the same quarter of last year. Despite the mixed results of the gross profit margin, IDCC's net profit margin of 35.30% significantly outperformed against the industry.

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INTERDIGITAL INC

Sector: Information Technology | Communications Equipment | Source: GICS

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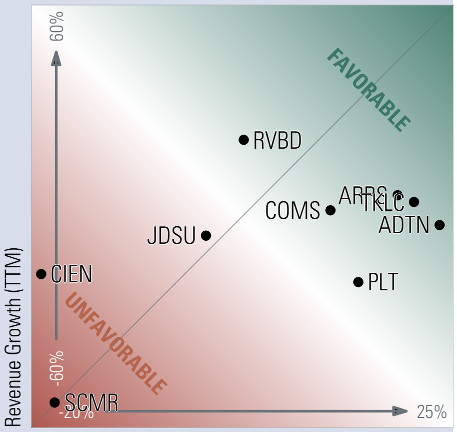
PEER GROUP ANALYSIS

REVENUE GROWTH AND EBITDA MARGIN*

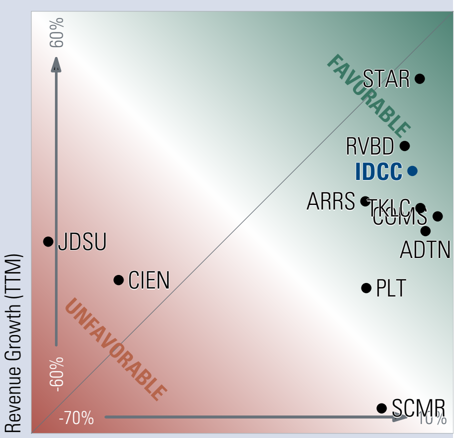


EBITDA Margin (TTM)

Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between $968.4 Million and $1.7 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD



Earnings Yield (TTM)

Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -52.9% and 40.8%. Companies with NA or NM values do not appear.

INDUSTRY ANALYSIS

The US communications equipment industry is comprised of companies that manufacture communication equipments and products, including LANs, WANs, routers, telephones, switchboards and exchanges. The industry is highly competitive and characterized by rapidly changing technologies, evolving industry and government standards, changes in customer preferences, and new product introductions and enhancements. FY07 industry revenue was approximately $69.60 billion. Imports were valued at $70.40 billion across 155 countries while merchandise exports accounted for $25.20 billion. Domestic demand stood at $114.90 billion during 2007.

The industry has become highly competitive with low entry barriers. Companies compete on the basis of product performance, quality, customer service, technological innovation, delivery time and price. The industry is becoming increasingly concentrated and globalized, dominated by large players with significant financial resources and technological capabilities. Cisco and Motorola are large domestic players. Alcatel-Lucent, Nortel, Nokia-Siemens, and LM Ericsson are international forces.

Industry demand is dependent on the capital spending of cellular and broadband companies for constructing, rebuilding or upgrading their communications systems. The domestic market is evolving at a brisk pace as cable and telecom network operators expand their video, data and voice services, commonly known as the “triple play”, to expand their subscriber base. Telecom operators are expanding their broadband networks and offering advanced video and data services using IPTV and PON technologies. Cable operators are responding by bundling voice-over-IP services and expanding their broadband data service through Data Over Cable Service Interface Specifications (DOCSIS).

Companies are regulated by the United States Federal Communications Commission (FCC) and other global governmental communication regulators. New FCC regulations that require the separation of security functionality from cable set-tops became effective on July 1, 2007. The International Telecommunications Union (ITU) is adopting next-generation cellular wireless access standards (4G) for the cellular infrastructure industry based on OFDM technology, commonly known as Long Term Evolution (LTE).

The industry faces investment risks related to the introduction of new products such as advanced wireless handsets, WiMAX, 4G technologies, and products for the transmission of telephony and high-speed data over hybrid fiber coaxial cable systems. Research and development is a complex and uncertain process, requiring high levels of innovation and an accurate understanding of market trends. The industry has recently witnessed consolidation in order to facilitate product breadth and improve technologies. Acquisition activities are likely to persist in the short term.

Looking ahead, the industry expects to grow at a slower pace than the 2001-2007 period. Success will depend on the timely and successful introduction of new products and upgrade of current products to comply with emerging industry standards and competitive technological developments.

PEER GROUP: Communications Equipment

Ticker	Company Name	Recent Price ($)	Market Cap ($M)	Price/ Earnings	Net Sales TTM ($M)	Net Income TTM ($M)
IDCC	**INTERDIGITAL INC**	**29.81**	**1,303**	**43.84**	**259.23**	**30.80**
SCMR	SYCAMORE NETWORKS INC	3.41	968	NM	65.21	-32.72
STAR	STARENT NETWORKS CORP	23.57	1,669	27.09	288.20	65.05
ARRS	ARRIS GROUP INC	12.86	1,593	NM	1,121.99	-102.19
COMS	3COM CORP	3.96	1,549	14.14	1,316.98	114.73
ADTN	ADTRAN INC	24.35	1,518	20.99	481.50	73.14
RVBD	RIVERBED TECHNOLOGY INC	20.43	1,399	120.18	357.97	11.52
TKLC	TEKELEC	18.90	1,258	26.25	458.98	53.92
JDSU	JDS UNIPHASE CORP	5.83	1,231	NM	1,408.60	-836.70
PLT	PLANTRONICS INC	24.11	1,179	NM	706.58	-74.74
CIEN	CIENA CORP	11.16	1,017	NM	744.43	-541.71

The peer group comparison is based on Major Communications Equipment companies of comparable size.

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INTERDIGITAL INC

Sector: Information Technology | Communications Equipment | Source: GICS

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NA	**NA**	**0.47**	**$1.3 Billion**	**$16.20-$33.69**	**$29.81**

COMPANY DESCRIPTION

InterDigital Communications Corp. designs and develops advanced wireless technology solutions, which it makes available for license or sale to semiconductor companies and equipment producers. Its advanced technology solutions are composed of inventions, know-how and other technical data (e.g., software, designs and specifications) related to the design and operation of digital wireless products and systems. The company patents many of its inventions and license those inventions to wireless communications equipment producers and/or related suppliers. In addition, it offers for sale or license, on a non-exclusive basis, various portions of its technology (e.g., reference designs, algorithms, know-how and software) to producers of wireless equipment products and components. InterDigital's advanced technology solutions have been developed independently, in conjunction with equipment manufacturers and through strategic acquisitions. It also actively participates in the standard setting process for wireless technologies, contributing solutions that are incorporated from time-to-time into the standards. The company generates revenues and cash flow primarily through royalties from the licensing of its patent portfolio. It also expects to generate revenues and cash flow from licensing of other technology product solutions (e.g., FDD terminal unit protocol stack software, smart antenna solutions, physical layer chipset designs, etc.) and the provision of specialized engineering services. A number of InterDigital's patented inventions are essential to the implementation of 2G, 2.5G and 3G wireless products, and it has been licensing those and other inventions to numerous wireless communications manufacturers in conjunction with their manufacture, and sale of 2G, 2.5G or 3G products. The products incorporating the company's inventions include but are not limited to: mobile phones and personal digital assistants, other wireless devices (e.g., laptops, PC cards, USB sticks), base stations and other infrastructure equipment and modules and components for wireless devices. In 2005, revenues from licensees NEC and Sharp Corporation of Japan were approximately 30% and 22% of total revenue, respectively.

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STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of IDCC shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE
Growth — Measures the growth of both the company's income statement and cash flow. On this factor, IDCC has a growth score better than 60% of the stocks we rate.	3.5 out of 5 stars (weak … strong)
Total Return — Measures the historical price movement of the stock. The stock performance of this company has beaten 80% of the companies we cover.	4.5 out of 5 stars (weak … strong)
Efficiency — Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.	5.0 out of 5 stars (weak … strong)
Price volatility — Measures the volatility of the company's stock price historically. The stock is less volatile than 80% of the stocks we monitor.	4.5 out of 5 stars (weak … strong)
Solvency — Measures the solvency of the company based on several ratios. The company is more solvent than 90% of the companies we analyze.	5.0 out of 5 stars (weak … strong)
Income — Measures dividend yield and payouts to shareholders. This company pays no dividends.	0.5 out of 5 stars (weak … strong)

THESTREET.COM RATINGS RESEARCH METHODOLOGY

TheStreet.com Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e.how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

INTERDIGITAL INC

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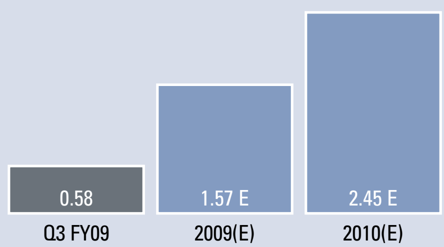
Consensus EPS Estimates[2] ($)

IBES consensus estimates are provided by Thomson Financial



INCOME STATEMENT

	Q2 FY09	Q2 FY08
Net Sales ($mil)	74.93	58.71
EBITDA ($mil)	NA	14.66
EBIT ($mil)	39.14	7.84
Net Income ($mil)	26.45	5.85

BALANCE SHEET

	Q2 FY09	Q2 FY08
Cash & Equiv. ($mil)	216.64	238.20
Total Assets ($mil)	703.09	499.01
Total Debt ($mil)	0.58	2.54
Equity ($mil)	98.52	115.68

PROFITABILITY

	Q2 FY09	Q2 FY08
Gross Profit Margin	100.00%	100.00%
EBITDA Margin	NA	24.97%
Operating Margin	52.23%	13.35%
Sales Turnover	0.37	0.45
Return on Assets	4.38%	3.99%
Return on Equity	31.26%	17.21%

DEBT

	Q2 FY09	Q2 FY08
Current Ratio	2.31	2.57
Debt/Capital	0.01	0.02
Interest Expense	NA	NA
Interest Coverage	NA	NA

SHARE DATA

	Q2 FY09	Q2 FY08
Shares outstanding (mil)	44	45
Div / share	0.00	0.00
EPS	0.59	0.13
Book value / share	2.26	2.56
Institutional Own %	NA	NA
Avg Daily Volume	582,903	902,593

2 Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

FINANCIAL ANALYSIS

INTERDIGITAL INC's gross profit margin for the second quarter of its fiscal year 2009 is essentially unchanged when compared to the same period a year ago. The company has grown sales and net income significantly, outpacing the average growth rates of competitors within its industry. INTERDIGITAL INC has strong liquidity. Currently, the Quick Ratio is 1.96 which shows the ability to cover short-term cash needs. The company's liquidity has decreased from the same period last year, indicating deteriorating cash flow.

During the same period, stockholders' equity ("net worth") has decreased by 14.83% from the same quarter last year. The key liquidity measurements indicate that the company is unlikely to face financial difficulties in the near future.

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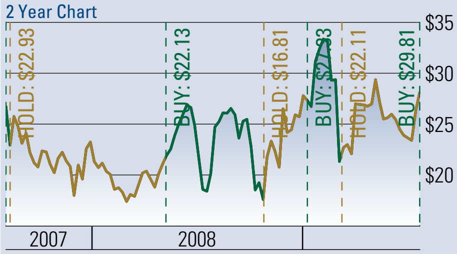
RATINGS HISTORY

Our rating for INTERDIGITAL INC was recently upgraded from Hold to Buy on 7/30/2009. As of 7/30/2009, the stock was trading at a price of $29.81 which is 11.5% below its 52-week high of $33.69 and 84.0% above its 52-week low of $16.20.

2 Year Chart



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
7/30/09	$29.81	Upgrade	Hold	Buy
3/11/09	$22.11	Downgrade	Buy	Hold
1/9/09	$27.33	Upgrade	Hold	Buy
10/27/08	$16.81	Downgrade	Buy	Hold
5/8/08	$22.13	Upgrade	Hold	Buy
8/10/07	$22.93	Downgrade	Buy	Hold
7/30/07	$29.00	No Change	Buy	Buy

Price reflects the closing price as of the date listed, if available

RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET.COM RATINGS

(as of 7/30/2009)

14.64% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

38.93% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

46.43% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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VALUATION

BUY. This stock's P/E ratio indicates a significant premium compared to an average of 27.77 for the Communications Equipment industry and a significant discount compared to the S&P 500 average of 143.72. For additional comparison, its price-to-book ratio of 13.19 indicates a significant premium versus the S&P 500 average of 2.03 and a significant premium versus the industry average of 3.41. The price-to-sales ratio is well above both the S&P 500 average and the industry average, indicating a premium. Upon assessment of these and other key valuation criteria, INTERDIGITAL INC proves to trade at a premium to investment alternatives within the industry.

Price/Earnings

1 (selected) | 2 | 3 | 4 | 5 — premium ... discount

IDCC 43.84 **Peers 27.77**

- Premium. A higher P/E ratio than its peers can signify a more expensive stock or higher growth expectations.
- IDCC is trading at a significant premium to its peers.

Price/CashFlow

1 | 2 | 3 | 4 | 5 — premium ... discount

IDCC NA **Peers 15.41**

- Neutral. The P/CF ratio is the stock's price divided by the sum of the company's cash flow from operations. It is useful for comparing companies with different capital requirements or financing structures.
- Ratio not available.

Price/Projected Earnings

1 | 2 | 3 | 4 (selected) | 5 — premium ... discount

IDCC 12.17 **Peers 22.19**

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- IDCC is trading at a discount to its peers.

Price to Earnings/Growth

1 | 2 | 3 | 4 | 5 (selected) — premium ... discount

IDCC 0.25 **Peers 18.25**

- Discount. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- IDCC trades at a significant discount to its peers.

Price/Book

1 (selected) | 2 | 3 | 4 | 5 — premium ... discount

IDCC 13.19 **Peers 3.41**

- Premium. A higher price-to-book ratio makes a stock less attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- IDCC is trading at a significant premium to its peers.

Earnings Growth

1 | 2 | 3 | 4 | 5 (selected) — lower ... higher

IDCC 61.90 **Peers -539.81**

- Higher. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- IDCC is expected to have an earnings growth rate that significantly exceeds its peers.

Price/Sales

1 (selected) | 2 | 3 | 4 | 5 — premium ... discount

IDCC 5.01 **Peers 3.32**

- Premium. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- IDCC is trading at a significant premium to its industry.

Sales Growth

1 | 2 | 3 | 4 | 5 (selected) — lower ... higher

IDCC 14.62 **Peers 3.17**

- Higher. A sales growth rate that exceeds the industry implies that a company is gaining market share.
- IDCC has a sales growth rate that significantly exceeds its peers.